# SECOND

# STATE FINANCE COMMISSION

## REPORT

**(2012-13 to 2016-17)**

**March, 2013**

**Government of Chhattisgarh**
**Raipur**

## SECOND

# STATE FINANCE COMMISSION

## REPORT

**(2012-13 to 2016-17)**

**March, 2013**

**Government of Chhattisgarh**
**Raipur**

## SECOND

# STATE FINANCE COMMISSION

## REPORT

**(2012-13 to 2016-17)**

**March, 2013**

**Government of Chhattisgarh**
**Raipur**

# *Foreword*

*The Panchayat Raj institutions, as also the urban local bodies, need adequate financial resources if they have to effectively function as units of self-government, as envisaged in the Constitution. Article 243 I and 243 Y provide for the constitution of the State Finance Commission for recommending devolution of funds from the State Govt. to the local bodies. The Rajya Vitta Ayog Adhiniyam, which has been enacted in the State in pursuance of these provisions, provides for a two-member Commission. Accordingly, the State Govt. constituted the second State Finance Commission on 23rd July, 2011 with two members; I was entrusted with the responsibility of the Chairman and Dr. Ashok Parakh, an eminent economist, was appointed Member.*

*The Commission was expected to submit its report, for the five year period 2011-12 to 2015-16, by 22nd July, 2012. It took us some time to arrange for staff and mobilise other resources and the Commission could commence effective functioning in Feb, 2012, about six months after its constitution. In view of this delay, and on the suggestion of the Commission, the State Govt. made the recommendations of the First State Finance Commission effective till 31st March, 2012, modified the award period of the Second Finance Commission from 2011-16 to 2012-17, and extended the time for submitting of its report up to 31st March, 2013. I am happy that the Commission is submitting its recommendation to the Hon'ble Governor of the State, within the period specified by the State Govt. and within one year of its effective functioning.*

*As was expected of the Commission, it studied and assessed the financial requirements of the local bodies of the State with reference to their Constitutional and other responsibilities, and has recommended the principles and criteria which should govern transfer of the net proceeds of the State's own* *tax revenues and the criteria for allocation of this share between the local bodies, assignment of taxes, and grants-in-aid from the Consolidated Funds of the State, and has also recommended the quantum of funds to be transferred on the basis of these principles and criteria. Apart from that, the Commission has also made extensive recommendations regarding strengthening the financial position of the local bodies through higher internal resource mobilization and making them more effective in their role.*

*The Commission had wide-ranging consultations with all the stake-holders before finalising its recommendations and these included the State Govt., PRIs, ULBs, public representatives, and NGOs, etc. I am confident that on successful implementation of the recommendations of the Commission, the local bodies of the State will be more effective than at present, in carrying out the responsibilities entrusted to them under the Constitution and in providing better civic services to the people.*

*Here I would like to draw the attention of the Govt. to one important matter. There is no system of compilation of information at the State level about the financial position and regarding the functioning of the Panchayats. We made an effort to obtain necessary information and data directly from the Panchayats, but our experience was that the information furnished to us by the Panchayats were both faulty and incomplete. The information received from the ULBs were no better. It is necessary that data centres are set up for Panchayat Raj institutions in the District Panchayats under the supervision of the Director, Panchayat and also in the Panchayat Directorate, and for ULBs in the Directorate of Urban Administration and Development, so as to ensure that in future necessary information and data are furnished to the State and the Central Finance Commissions in time.*

*I am grateful to the Hon'ble Chief Minister Dr. Raman Singh, who apart from being head of the Govt. is also in charge of the Finance Deptt., for his very* *valuable suggestions. I am also grateful to Shri Amar Agrawal and Shri Hemchand Yadav, Hon'ble Ministers for Urban Administration & Development and Panchayat & Rural Development Departments respectively, for their useful suggestions during our discussions.*

*To work with Dr. Ashok Parakh, the Commission's only Member, was a pleasant experience. I would like to thank him for the assistance provided by him in every way. I am very grateful to the Commission's Advisor Shri S.K. Misra, formerly, Chief Secretary to the Govt. of Chhattisgarh, and an expert on public finance, for his valuable contribution at every stage of the Commission's work -right from preparation of work procedure and plan of work till the completion of this report.*

*We are thankful to the Administrative Staff College of India, the reputed institution at Hyderabad and more specifically, to Prof. D. Ravindra Prasad, the head of the team, for their assistance in the study of the functioning and finances of the urban local bodies in the State and the preparation of the part of the report on that subject. I thank Dr. K. Shiva Subrahmanyam, an expert on Panchayati Raj, for his assistance in the preparation of the Panchayat part of the report. Thanks are also due to' Samarthan' and 'Pradan' two reputed NGOs of the State, for their detailed study of finances of Panchayats in the State.*

*The Commission is grateful to the State Govt of Rajasthan and of Gujarat which extended all co-operation to us during our visit to those States to study the functioning of local bodies there. We are also grateful to the Chairman of the Fourth State Finance Commission of Rajasthan, Dr. B.D. Kalla, other Members and the Member Secretary, Shri Agrawal and their officers; and also to the Chairman of the Gujarat State Finance Commission, Dr. Bharat Gariwal and all officers of the Commission, for their help and gracious hospitality.*

*We would like to thank all the officers of the State Govt. who participated in the Commission's meetings and provided us necessary information. My* *special thanks to Shri D.S. Misra, ACS, Finance Deptt.; Shri Vivek Dhand, ACS, Panchayat and Rural Development Deptt; and Shri Ajay Singh, Principal Secretary, Urban Administration and Development Deptt, for their co-operation. I am grateful to Shri N.B. Lohani, Advisor, All India Institute of Local Self Govt. for his very valuable suggestions in the seminar on ULBs organized by the Commission in co-operation with the UAD Deptt. Shri R.K Singh, Director, State Panchayat and Rural Development Institute also deserves our thanks for the seminar organized on the finances of Panchayats.*

*Thanks are due to Shri P.P Soti, Member, State Planning Commission, who was associated with the Commission as its Advisor, for the valuable suggestions given by him from time to time. Thanks are also due to Shri R.S. Vishwakarma, Shri Awadh Bihari, Shri H.P. Kindo and Smt. Ritu Sain, in chronological order, for their services as Secretary of the Commission.*

*Lastly, I would like to thank Dr. Hanumant Yadav, an Economist of repute, who was Advisor to the Commission Smt. S.B.J Claudius, Joint Secretary, Shri Atul Kulshrestha, Research Officer, Shri Rajesh Kumar Chaudhari, Private Secretary, Smt. Nitasha Mishra, Investigator and technical employees of NIC and all officers and staff of the Commission for their full co-operation in the completion of its task.*

*Ajay Chandrakar*
*Chairman*

# Contents

# Abbreviations

| | |
|---|---|
| ALV | Annual Letting Value |
| ARV | Annual Rateable Value |
| ASCI | Administrative Staff College of India |
| ATR | Action Taken Report |
| | |
| BE | Budget Estimate |
| BRGF | Backward Region Grant Fund |
| BSUP | Basic Services for Urban Poor |
| | |
| CA | Chartered Accountant |
| CAA | 74th Constitutional Amendment Act |
| CAG | Comptroller & Auditor General |
| CAGR | Compounded Annual Growth Rate |
| CDP | City Development Plan |
| CEO | Chief Executive Officer |
| CFC | Central Finance Commission |
| CG | Chhattisgarh |
| CGG | Centre for Good Governance |
| CMO | Chief Municipal Officer |
| CMRMC | Chhattisgarh Municipal Regulatory Commission |
| CRSP | Central Rural Sanitation Programme |
| CSR | Corporate Social Responsibility |
| CSS | Centrally Sponsored Scheme |
| CUIF | Chhattisgarh Urban Infrastructure Fund |
| | |
| DPC | District Planning Committee |
| DPRF | District Panchayat Raj Fund |
| DRDA | District Rural Development Agency |
| DUAD | Director, Urban Administration & Development |
| | |
| FRBM Act | Fiscal Responsibility and Budget Management Act |
| FSI | Floor Space Index |
| 12th FC | Twelth Finance Commission |
| 13th FC | Thirteen Finance Commission |
| FYP | Five Year Plan |
| | |
| GIS | Geographic Information System |
| GOI | Government of India |
| GP | Gram Panchayat |
| GPRS | General Packet Radio Service System |
| GSDP | Gross State Domestic Product |
| GST | Goods & Services Tax |

| | |
|---|---|
| HDR | Human Development Report |
| HH | Household |
| HPEC | High Power Expert Committee Report on Indian Urban Infrastructure Service, 2011. |
| IHSDP | Integrated Housing and Slum Development Program |
| ILCS | Integrated Low Cost Sanitation |
| IT | Information Technology |
| IAY | Indira Awas Yojna |
| IRM | Internal Revenue Mobilization |
| JNNURM | Jawaharlal Nehru National Urban Renewal Mission |
| JP | Janpad Panchayat |
| LFAD | Local Fund Audit Department |
| LPCD | Litre Per Capita Per Day |
| M. Corp | Municipal Corporation |
| MC | Municipal Council |
| MGNAREGA | Mahatma Gandhi National Rural Employment Guarantee Act |
| MJSY | Mukhyamantri Janpad Swashaktikaran Yojna |
| MLA | Member of Legislative Assembly |
| MLALAD | Member of Legislative Assembly Local Area Development Scheme |
| MP | Member of Parliament |
| MPLADS | Member of Parliament Local Area Development Scheme |
| MRDD | Mineral Resources Development Department |
| NGO | Non-Government Organization |
| NP | Nagar Panchayat |
| NPRE | Non-Plan Revenue Expenditure |
| NRW | Non Revenue Water |
| O & M | Operation & Management |
| OTR | Own Tax Revenue |
| PEAIS | Panchayat Empowerment Accountability & Incentive Scheme |
| PESA | Panchayat (Extension to the Scheduled Areas) Act, 1996 |
| PHED | Public Health Engineering Department |
| PMGSY | Pradhan Mantri Gram Sadak Yojna |
| PPP | Public Private Partnership |
| PR Act | Panchayat Raj Act, 1993 |
| PRI | Panchayat Raj Institutions |
| P&RDD | Panchayat & Rural Development Department |
| PT | Property Tax |

| | |
|---|---|
| RAY | Rajeev Awas Yojna |
| RBI | Reserve Bamk of India |
| RD | Rural Development |
| RDA | Raipur Development Authority |
| RE | Revised Estimate |
| RGPSA | Rajiv Gandhi Panchayat Sashktikaran Abhiyan |
| RLB | Rural Local Body |
| RMC | Raipur Municipal Corporation |
| RR | Revenue Receipt |
| RSVY | Rashtriya Sam Vikas Yojna |
| SAS | Self Assessment System |
| SC | Scheduled Castes |
| SCP | Special Component Plan (for SC) |
| SFC | State Finance Commission |
| SGP | Sample Gram Panchayat |
| SGSY | Swarna Jayanti Gram Swarojgar Yojna |
| SIRD | State Institute of Rural Development |
| SIUGD | State Institute of Urban Governance & Development |
| SJSRY | Swarnajayanti Shahri Rozgar Yojna |
| SOTR | State's Own Tax Revenue |
| SONTR | State's Own Non-Tax Revenue |
| ST | Scheduled Tribes |
| TCPO | Town & Country Planning Organization |
| TGR | Trend Growth Rate |
| TOR | Terms of Reference |
| TSP | Tribal Sub-Plan |
| UA | Urban Agglomeration |
| UADD | Urban Administration & Development Department |
| UIDSSMT | Urban Infrastructure Development Scheme for Small & Medium Towns |
| ULB | Urban Local Body |
| VAT | Value Added Tax |
| ZP | Zila Panchayat |

# Summary of Recommendations

**First SFC : Status of implementation of recommendations**

**1.** The State Govt. accounts do not clearly show funds transferred to the local bodies under SFC's recommendations. In the absence of such clarity, impact of the SFC's recommendations on the State's finances cannot be assessed by the next SFC and the CFC. Besides, the separate budget books being prepared for PRIs and ULBs, are only abstracts of the detailed budget of the concerned Departments. If these books are to serve their purpose, they should clearly reflect funds given to the local bodies by way of assigned revenues, devolution by the SFC, grants provided under plan schemes, funds transferred by the line Departments and expenditure there from, separately. **[Para 3.21]**

**Panchayat Raj in Chhattisgarh**

**2.** Government may like to review the present functional domains of GPs, JPs and ZPs and consider redefining their role more specifically. **[Para 5.5]**

**Panchayats : Functional Devolution and Activity-Mapping**

**3.** Because of the divergence in size, in terms of area, population, resource endowment, staff support, their capability and local needs, all GPs, including those in scheduled areas, should not be treated as equal for functional devolution. A Committee under the Chairmanship of the Chief Secretary may be constituted to review the present state of devolution of functions by various Departments and prepare a model of functional devolution taking into account the above diversities. **[Para 6.8 and 6.10]**

**Internal Resource Mobilisation by Panchayats**

**Property Tax (PT)**

**4.** The recommendations of the first SFC in favour of switch over from 'capital value' to 'classified plinth area' basis of assessment of PT, should be implemented. **[Para 7.4]**

5. Property tax should have two components i.e. a tax on buildings, and a tax on non-agricultural vacant land - plinth area basis for buildings and capital value basis of assessment for the non-agricultural lands. **[Para 7.4]**

6. The changeover from capital value to classified plinth area basis will require revaluation of all taxable buildings. The task of revaluation of property and determination of tax liability in respect of each such property and preparation of Demand Register in GPs should be entrusted to the Internal Audit & Taxation Officers, in addition to their other work. They can take up the task in the same 25 or more GPs, under the supervision of the Senior IA&T officers and under the overall supervision of CEO of the concerned JP. The task should be completed within a period of one year. The P&RD Department may prepare a programme of action accordingly. **[Para 7.4]**

7. One of the duties of the Junior IA&T Officers should be to report to the CEO of the Zila Panchayat, through the CEO of the JP concerned, the GPs which default in levy and/ or collection of obligatory taxes. Action should be initiated in terms of the provisions of the Panchayat Act against recalcitrant GPs. **[Para 7.4]**

8. All properties, lands and buildings, which are privately-owned and used for educational purposes and which charge a fee from the students, must be brought under the ambit of the property tax. **[Para 7.4 and 7.5]**

9. The yardstick for exemption from PT should be the 'income' being derived from the property and the nature of its use by the owner and not whether it yields any rent. Exemptions are justified for buildings used for charitable, religious or educational purposes only when the income derived from their use is entirely and exclusively used for the specified purposes. Even in these cases, exemption should apply to property tax but not to service taxes including lighting tax. **[Para 7.6]**

10. An incentive scheme to induce better recovery of PT should be introduced under which a GP which recovers atleast 75% of its property tax demand of the year, is given a matching grant by the Government as incentive. Similarly, a GP which recovers atleast 75% of its arrears in a year should also be given a matching grant as incentive, under certain guidelines. **[Para 7.4]**

11. The Committee appointed to look into implementation of the recommendations of first SFC with regard to taxes of GPs, should submit its report within a specified time frame

and the statutory amendments, as may be necessary, are brought out thereafter as early as possible. **[Para 7.4]**

**12.** A tax on private latrines is anachronistic and should be abolished. The rural people should be motivated to opt for sanitary latrines for which funds are available from various sources. **[Para 7.5]**

**13.** Market fees levy has good revenue potential. Efforts should be made to explore its potential to the fullest extent. The prescribed rates of the fees should be increased to a realistic level. Goods being sold in the Panchayat markets be classified into a few broad categories and different rates of fee fixed for these categories. Market fees are a source that may be leased out, instead of a GP deploying its staff for its collection. **[Para 7.8]**

**14.** Revenues from fees for registration of cattle sold in markets can be increased by raising the existing minimum and maximum rates which were fixed more than 15 years ago.

**[Para 7.9]**

**15.** As had been recommended by the first SFC, tax on cinematographic exhibitions should be entrusted to JPs and on all non-cinematographic exhibitions to GPs only. The relevant provisions in the Act and the Rules may be amended to give effect to this recommendation. **[Para 7.10]**

**16.** A simple and transparent 'Land Development Tax' leviable at different rates on various categories of agricultural land can be a better alternative to the present development tax on agricultural land. For this purpose, all agricultural lands should be divided into irrigated, semi-irrigated, and dry lands, and a simple flat rate of levy per acre for each category of these lands may be specified as the minimum rate by the Government.**[Para 7.18]**

**17.** GP tax rates were fixed decades back; it is high time these are revised. The minimum and maximum rates in the relevant rules should be changed upward. **[Para 7.31]**

**18.** GPs should not be required to obtain the approval of JPs, and JPs of ZPs, for raising optional levies. This provision in the law should be removed. **[Para 7.31]**

**19.** Where GPs have their own land which can be leased out can be good source of revenue. The State Govt. should make necessary rules for leasing out Panchayat land. The Govt. should also consider transfer non-nistari fallow land in the villages to GPs and permit tham to lease out such land. **[Para 7.31]**

**20.** The P&RD Deptt. has proposed upward revision of the initial lease amount of fishing ponds and a provision for increase of lease amount by 10% every year on the basis of average productivity of the ponds. In our State, fish ponds can be a good source of revenue to Panchayats if auction is permitted. If not, at least the lease amount should be raised and revised every year as proposed by P&RD. **[Para 7.31]**

**21.** It should be examined if the number of taxes, both obligatory and optional, should be reduced and rationalized as has been done in the case of the municipalities. The taxes on street lights, on general water supply, on conservancy (optional taxes on public latrines and scavenging) may be combined to form one levy preferably as a percentage of property tax. This will ease both the raising of demand and of recovery. The charter of the Committee appointed by the State Government, under the Chairmanship of Director Panchayat, should be expanded to include rationalization of tax structure at GP level. **[Para 7.31]**

**22.** Detailed instructions should be issued regarding raising of demand for various taxes, preparation of demand registers, modes of recovery and accounting of tax receipts etc.

**[Para 7.31]**

**23.** The services of IA&T Assistants Officers are not utilized to the full extent even now. One of their duties should be to help the GPs in preparing the Demand Register annually and to assist them in the recovery of taxes and non-tax levies. **[Para 7.31]**

**24.** Wherever possible recovery of taxes may be made through women's self help groups (SHGs) and a percentage of the amount recovered may be paid to them as incentive. This should be started on pilot basis in districts where SHGs are strong e.g. Rajnandgaon.

**[Para 7.31]**

**25.** *Collection of revenues by GPs should be incentivised. In our interim report* we have recommended that any GP which recovers atleast 10% more than last year, of its own taxes *should be given a matching grant by the State Government equivalent to the incremental* revenue collected over last year. This incentive may be provided in all the five years of the award period. We also recommend that the Panchayat Sachiv or Patel of the village or any other functionary responsible for the recovery of additional revenue be given a reward.

**[Para 7.31]**

26. All GPs should be required to maintain an inventory of their assets like land, building, water bodies etc. and update these atleast once in three years. Every year the GP budget must provide for maintenance of these assets. **[Para 7.31]**

**Revenue transfers to Panchayats**

27. The State Government should consider placing the services of the Mining Inspectors, atleast in districts which have no major minerals, with the ZPs, so as to ensure effective control over extraction of minor minerals and recovery of royalty. MRD Deptt. should issue clear instructions to their field staff for better co-ordination with GPs. If a GP reports over - extraction in leased mines or illegal extraction, it must be enquired into expeditiously in co-ordination with the concerned Panchayat. **[Para 8.4]**

28. Royalty on sand should be revived and the net proceeds transferred to GPs.

**[Para 8.4]**

29. A percentage of Mandi Tax collected by the Krishi Upaj Mandis may be shared with the Panchayats in the area. The Mandi Act may be amended, if necessary, to give effect to this. **[Para 8.4]**

30. In scheduled areas, a small percentage of the income from minor forest produce should be shared with Panchayats which are subject to PESA. Such a dispensation exists in some States. **[Para 8.4]**

31. The four State sponsored schemes for GPs and the scheme for Janpad are over-lapping in their scope. Such overlap should be avoided as this leads to misuse of funds. Moreover, these schemes are of little assistance to GPs in providing basic services in the villages. The four schemes should be merged into one or at best two, one for rural infrastructure and the other for provision of basic services in the villages. **[Para 8.7]**

32. Government should identify the basic/core services which are required to be delivered by GPs for improving the overall quality of life of the people i.e. drinking water, sanitation and drainage, lighting of public places, internal roads, and solid waste disposal etc. The guidelines governing the basic services grant, which are stated to be still in force, should be reviewed, and the purposes for which these public funds can be utilized be prioritized.

**[Para 8.8]**

33. The provisions made for the State- sponsored schemes for GPs should be delinked from the SFC devolution. Funds for these schemes should not continue to be a charge on such devolution. **[Para 8.10]**

34. Grants under the SFC dispensation be released to the Panchayats in two equal installments, preferably in April and October every year. **[Para 8.11]**

35. The State government should take full advantage of RGPSA for the Panchayats. Fortunately, the State fulfills almost all the conditions stipulated for accessing funds.

**[Para 8.14]**

36. The grants being provided by the PHED for Nal Jal Yojana should be revised upwards once every two years keeping in view the rise in the costs of manpower and material. These grants may be provided twice in a year, in the months of April and October. **[Para 8.16]**

37. GPs should not be made to spend their meagre finances on various functions/ceremonies. Govt. should consider separate allocation of funds to GPs through ZPs for Govt. sponsored campaigns/programmes/functions such as Jan Samasya Nivaran Shivir, Gram Sampark Abhiyan (Gram Suraj), etc. **[Para 8.16]**

38. The CSR funds of small industries such as, sponge iron plants, should be earmarked for the local GP's area only, while a percentage of CSR funds of large industries should go to nearby GPs. *It should be incumbent on industries to consult the GPs concerned in* preparation of their CSR plan. The State Govt. should incorporate these suggestions in their CSR policy. **[Para 8.16]**

39. GPs should be enabled by law to levy penalties on polluting industries, including stone crushers, and use the funds to undo, at least partly, the damage done by the industries. Secondly, where industries damage rural roads because of heavy transportation of materials, the maintenance of roads should be their responsibility, or they must provide funds to the GPs for maintenance of the roads.. **[Para 8.16]**

40. Income from royalties on major minerals is a buyont source of revenue. The State Govt. should consider sharing a small percentage of royalty receipts with GPs. Such sharing can be with such GPs as are affected by the mines. **[Para 8.17]**

41. The existing rate of commission for agency functions should be increased upwards to a reasonable level. The first SFC had recommend at least 3% agency Commission. We reiterate this recommendation. This should be taken up with GoI. **[Para 8.20]**

42. A mechanism may be instituted for ensuring that the funds coming from different sources, many with overlapping objectives, are utilized properly through convergence, best achieved at the district level. **[Para 8.23]**

**Panchayat Finances: Expenditure**

43. Not only should basic services at village level be identified but also the standards of service and the timeframe within which to be achieved should be laid down so that the SFC may workout the financial implications. An expert committee may be appointed for this and the funds earmarked for basic services should be used for such services. **[Para 9.6 and 10.12]**

**Panchayats : Accounts, Audit & Governance Issue**

44. Accounts must be maintained at GP level regularly and properly and the Gram Sabhas must have access to it. There should be periodic review of the position of income and expenditure of the GP and it should be placed before the Gram Sabha with a view to ensure financial accountability **[Para 10.3]**

45. The LFAD with its present strength does not have the capacity to carry out audit of PRIs, particularly GPs, and ULBs. The LFAD set-up requires immediate review and strengthening in a time bound manner. **[Para 10.7]**

46. A special drive for reducing the audit arrears may be organized by deploying the IA & TOs for assisting the statutory audit machinery. The services of retired LFAD officials may also be used to liquidate arreas in audit. **[Para 10.7]**

47. In view of the sheer numerical strength of GPs in the State, the creation of a separate Section in the Directorate of LF Audit exclusively for attending to the audit of Panchayat's accounts may be considered. **[Para 10.7]**

48. The cadre of Panchayat Auditors should be merged with LFAD. **[Para 10.7]**

49. Expeditious action may be taken to recover funds which are lawfully due to the Panchayats from Panchayat functionaries or other officials on account of embezzlement, or misappropriation of Panchayat funds. The competent authority under the Panchayat Act should be fully empowered to handle recovery cases. **[Para 10.7]**

50. The State Govt. should proactively pursue the C&AG for providing TG & S to LFAD and taking up test audit of local bodies. **[Para 10.7]**

51. The GPs urgently need the following staff: an Accountant-cum-Computer operator; one assistant, and one technical person in bigger Panchayats to look after maintenance of services. Alternatively, a qualified technical assistant may be appointed for a cluster of GPs and placed under the concerned JP. Recourse may be made to RGPSA for this. **[Para 10.9]**

52. Instead of spreading the resources too thin by creating Community Training centres, focus should be on strengthening SIRD and Block level institutions for training infrastructure. The district centers should primarily be resource centres for technical support, preparation of training material etc for lower level training institutions. In order to attract competent people there should be special incentive for trainers and those responsible for training. **[Para 10.10]**

53. Presently all GPs are being treated in a uniform manner regardless of their geographical and demographic profile and resource base. A GP in a tribal area is treated on par with one in non-tribal area for the purpose of statutory and agency functions. GPs should be categorized into two/three categories on the basis of their area, population and revenue basis for staffing and for functional and financial devolution. **[Para 10.11]**

54. All grants which are specifically earmarked to GPs and JPs may be directly transferred to GPs and JPs or at least to JPs, with information to ZPs concerned. The JPs can, in turn, distribute the grants meant for GPs in their respective jurisdiction without much delay. **[Para 10.13]**

55. A comprehensive data bank on all Panchayats in a district should be maintained by ZP. This should be made an obligatory duty of the ZPs. The ZPs should be provided with necessary staff, equipment and funds. The funds being transferred to the ZPs should be used for this purpose. **[Para 10.15]**

**Urbanisation in Chhattisgarh**

56. NPs should be constituted in towns with a population of at least 10,000; MCs with more than 30,000; and M.Corps with more than 2,00,000 population. The 76 NPs in the State with less than 10,000 population be given the option for reclassification as GPs. All five district headquarter towns – Balrampur, Bijapur, Gariyaband, Narayanpur and Sukma – presently NPs, be upgraded as MCs, irrespective of their population. **[Para11.11]**

57. It will be more appropriate to integrate Durg and Bhilai M.Corps to form one Durg-Bhilai Municipal Corporation. **[Para 11.12]**

**Urban Governance**

**58.** All the eighteen functions listed in the XII Schedule of the Constitution should be transferred to the ULBs and appropriate staffing pattern for different tiers of ULBs be devised. **[Para 12.9]**

**59.** A reasonable tenure (three years) for Commissioners/CMOs may be prescribed.

**[Para 12.12]**

**60.** The existing municipal cadres should be streamlined and new cadres in accounts, revenue, environmental engineering and town planning be constituted. The present cadre of CMOs should have a junior cadre of officer for appointment in NPs. The present ad hocism in posting officers in NPs is detrimemtal to their working **[Para 12.14]**

**61.** A High Power Committee may be constituted to examine and recommend within a specified time limit appropriate measures to strengthen municipal organization and staffing norms for different tiers of ULBs keeping in view their population, finances, functional areas, etc. The GOI (MUD) guide notes issued in Nov, 2012 may be followed in creation of new cadres. **[Para 12.14]**

**62.** The State Govt. should consider creation of a separate recruitment Board for recruitment of municipal employees. **[Para 12.15]**

**63.** To ensure fairness in recruitment, Recruitment Rules should be formulated to recruit ministerial staff of ULB and effectively implemented. **[Para 12.16]**

**64.** The technical cell in the office of the DUAD may be upgraded as a full-fledged Municipal Public Works Division with adequate staff to extend technical support to ULBs in project planning, preparation, and implementation of large infrastructure projects.

**[Para 12.18]**

**65.** The TCP Act should be revised; TCPO transferred from Housing and Environment Department to UADD. Building plan approval process should be simplified and single window system for building plan approvals be established. **[Para 12.20]**

**Municipal Finances**

66. The Chhattisgarh Municipal Revenue Regulatory Commission (CMRRC) should be constituted without further loss of time. **[Para 12.22]**

67. The CMRRC should do the following:

i) undertake survey of exempted properties and assess the claims of exemption; **[Para 14.15]**

ii) undertake a survey of properties and bring the un-assessed and under-assessed into PT net; **[Para 14.15]**

iii) devise mechanisms to ensure that the municipal records including PT records are maintained properly; **[Para 14.20]**

iv) study the problem of arrears and initiate measures to recover them; **[Para 14.21]**

v) ensure that the PT is revised as early as possible and ensure revision every five years; **[Para 14.24]**

vi) formulate municipal advertisement tax guidelines to help ULBs optimize revenues from this tax; **[Para 14.35]**

vii) formulate guidelines for fixation of shop rents, for periodic revision as well as levy and collection; and **[Para 14.41]**

viii) formulate guidelines to enable the ULBs to collect O&M charges on the services they provide. It should also educate the ULBs as well as the community on the need for payment of user charges for improved and effective service delivery. **[Paras 14.50 and 14.51]**

**Tax Reforms**

68. Unit area based PT system should be introduced in the State. **Para 14.12]**

69. The government should review the provisions relating to exemptions from PT in the Municipal Acts and rationalize them. **[Para 14.14]**

70. The minimum PT per annum should be Rs.50 in NPs, Rs.100 in Municipalities and Rs.150 in M.Corps. The Municipal Acts may be amended for the purpose. **[Para 14.25]**

71. To streamline assessment, levy and collection of PT, SAS should be abolished or SA forms should be verified within two months and demand notices served simultaneously. PT

should be collected in two half-yearly equal installments. Annual penal interest of 2% may be levied for delayed payments. Collection of PT through banks, credit/debit cards, outsourcing of PT collection, incentives for timely payment, incentive for collection staff etc. are some of the methods to improve collection efficiency. **[Para 14.26]**

**72.** All three components of consolidated tax may be a percentage of property tax instead of being a separate tax. **[Para.14.31]**

**73.** Entire proceeds of the entry tax be assigned to the ULBs and no strings should be attached. **[Para.14.32]**

**74.** ULBs should levy water tax as per the provisions of the Acts as a general purpose tax. **[Para. 14.33]**

**75.** Levy of market fee should be abolished altogether. Alternatively, the collection practices be streamlined and effective monitoring and supervision put in place. Computerized records of places and people involved should be maintained for effective monitoring and transparency. **[Para 14.39]**

**76.** The distinction between income tax payee and non-income tax payee be removed and water connection charges be uniform to all. **[Para 14.42]**

**77.** The water and SWM charges should be rationalized to collect at least operational costs and all exemptions from payment of water charges should be done away with. The ULBs should ensure 100 percent recovery of O&M cost on the services they provide.

**[Paras 14.43, 14.48, 14.50, 14.51]**

**78.** The process of transfer of stamp duty be streamlined for timely transfer. **[Para 14.54]**

**79.** The ULBs may undertake credit rating to be eligible to obtain loans from the financial market. **[Para 14.55]**

### Accounts and Audit

**80.** Accountants should be posted in all ULBs and those in place, including these on daily wage, should be given orientation including hands-on experience. Internal capacity of municipal officials should be developed within a given time frame. **[Para 14.66]**

**81.** All audit objections should be addressed by the ULBs within a timeframe to bring financial accountability in urban administration. **[Para 14.67]**

**82.** The State Government should strengthen LFAD through personnel augmentation and computerization. Special drive should be initiated to address all audit objections expeditiously. Time lag would further weaken the very purpose of audit and citizen confidence. **[Para 14.68]**

**83.** The annual report of the C&AG and Director LFAD should be placed before the State Legislature and the relevant Acts should be amended. **[Para 14.70]**

**84.** The resident audit system may be revived in the ULBs and accounting system streamlined and strengthened. **[Para 14.71]**

**Access to Water and Sanitation**

**85.** Allocations under Bhagirathi Nal Jal Yojana be increased to cover all the urban poor HHs during the award period subject to availability of network. Monitoring system should be put in place to ensure effective implementation. **[Para 14.73]**

**86.** Universal access to safe sanitation should be ensured to contribute to improved health, privacy and dignity to women and gender rights. For this purpose a provision of grant-in-aid of Rs. 200 crore has been recommend. **[Para 14.75]**

**Mobilizing Resources**

**87.** The ULBs should levy the optional taxes they are empowered to levy. By rationalizing, strengthening and streamlining these taxes they can mobilize additionally about Rs.25-30 crore per annum. **[Para 14.78]**

**88.** Government may consider enactment of legislation for imposition of profession tax which is a boyant source of revenue and its proceeds should go to the local bodies. This source is likely to fetch over Rs.50 crore per annum. **[Para 14.79]**

**89.** The trade-licensing fee should be reviewed and the list of trades revised and expanded for coverage; vacant land tax should be levied on capital value and cable operators should be taxed optimally. They may generate over Rs.20 crore annually. **[Para 14.80]**

**Chhattisgarh Urban Infrastructure Fund**

**90.** A Revolving Fund should be constituted as per JNNURM guidelines and it may be merged with the existing Chhattisgarh Urban Infrastructure Fund. A seed capital of Rs. 50

crore should be provided for the Fund. A new corporation by the name of Chhattisgarh Urban Finance and Infrastructure Development Corporation should be established to act as a Fund Manager / Asset Management Company of CUIF to perform the role of a financial intermediary between ULBs and financial markets. The details of Revolving Fund, plough back mechanisms etc., may be decided by the Corporation. The Corporation should give out fund to ULBs in part as loans in part as grant as is being done now for infrastructure development. **[Paras 14.82 and 14.83]**

**91.** Different models of capital expenditure need to be developed for sustainable financing of urban infrastructure. **[Para 14.84]**

**Incentivising Performance**

**92.** The ULBs should be incentivized through additional grants based on two criteria viz., 90% collection of PT and introduction of DEAS. **[Para 14.85]**

**93.** With a view to improve the service levels in ULBs a suitable incentive scheme may be devised under which incentive by way of additional grant may be given to the ULBs which achieve atleast 10% improvement in service levels in a year, over the present levels, in respect of household water connections, coverage by sewerage and solid waste collection and management. **[Para 14.86]**

**94.** An assessment of the level of civic services being provided by the NPs should also be made and the SLB process extended to them. **[Para 14.87]**

**95.** Ward and mohalla committees should be constituted as per the provisions of the Acts to promote participatory urban governance and they be incentivised for their contributions to improve PT collection efficiency. **[Para 14.88 and 17.12]**

**96.** The Councillor Fund should be provided from the Municipal budget and not from the Infrastructure Fund. **[Para 14.89]**

**97.** Timely release of funds to the ULBs should be ensured; details of deductions made from grants should accompany their release; and DUAD should monitor unspent funds lying with the ULBs **[Para 14.90]**

**98.** We have recommended in the interim report that each NP be given rupees one crore for infrastructure and basic services, and the five new district headquarter NPs be given additional rupees one crore, as a one time grant. **[Para 14.90]**

**Financial Gap Assessment and Devolution**

**99.** The gap between the required investments and available resources during the award period should be met from Rs 648 crore which may be mobilized by ULBs through tax reforms proposed, allocations from SFC, and additional grants-in-aid by government. These devolutions and grants are meant for capital expenditure, creating assets in the areas of water supply, sanitation, SWM, roads, etc., and capacity building. The UADD should prepare sectoral plans along with estimates for the award period of five years, for each of these sectors taking into account the requirements of ULBs along with a capacity building plan and make annual allocations accordingly. **[Para 15.5]**

**Good practices in Urban Governance**

**100.** Good governance practices should be disseminated to all the ULBs in the state and SIUGD should play a significant role in documenting, dissemination and their adoption by the ULBs. **[Para 16.13]**

**ULBs : General Reforms**

**101.** E-Governance should be introduced in all functional areas in phases and all officials should be trained in e-governance. **[Para 17.3]**

**102.** A time frame should be fixed for establishing district data centres and to make them functional. Data centres should also be established in the office of Joint Director with connectivity between the centers located in the DUAD and Joint Directors' office and the district centers. **[Para 17.4]**

**103.** Government should establish a SIUGD and allocate Rs. 50 crore for infrastructure development and organising programs. A 2.5% percent of the salary budget of the ULBs should be allocated for capacity building. To improve their capacities all elected and official functionaries should be trained. **[Para 17.7]**

**104.** The High Power Committee headed by the Chief Secretary should also review the implementation of the recommendation of SFCs. **[Para 17.10]**

**105.** The reports of the monitoring agencies at state, district and local levels should be submitted to the High Power committee as a feedback and for appropriate action.

**[Para 17.11]**

**106.** Commissioner/CMO should submit a quarterly report on municipal performance on finances, utilization of Central and State grants, implantation of schemes, service delivery as per benchmarks, grievance redressal, adherence to citizen charters, gaps in working, etc., to enable the Councils to take appropriate decisions and to become partners in development.

**[Para 17.12]**

**107.** MPCs should be constituted for both RMC and Durg-Bhilai urban agglomeration.

**[Para 17.15]**

**108.** ULBs should periodically disclose information on performance and status on finances, service delivery, development schemes, management aspects, etc., for awareness building and to ensure participation and feedback. ULBs should also disclose the status of services included in the Chhattisgarh Lok Sewa Guarantee Act, 2011. **[Para 17.17]**

**109.** An Expert Committee on Urban land should be constituted to study urban land issue in its entirety and suggest ways and means to stop encroachment on government land and also to enable ULBs to have access to land which can be used for asset creation and development; and an inventory of land and other assets should be prepared. The ULBs should tap land-based financing sources - conversion charges, betterment charges, impact fees, development charges; etc; pricing of FSI above a certain limit, within overall planning guidelines and put in place a transparent and accountable mechanism for monetisation of public land with due attention to the needs of the poor and the marginalized. **[Para 17.19]**

**110.** A multi-disciplinary Municipal Project Planning and Management Unit (MPPMU) should be constituted at State level and in large cities. **[Para 17.20]**

**111.** Quality labs under the proposed Municipal Public Works Division should be established to ensure quality standards in infrastructure projects of ULBs and in O&M works. Quality certification should be made mandatory in all infrastructures and O&M works, if necessary through legislative changes. **[Para 17.21]**

**112.** The municipal and town planning Acts, development control regulations, building bye-laws and relevant Rules under different laws be amended to put in place a time-bound process of building plan approvals, facilitate undertaking infrastructure projects through PPP; associate ULBs with city planning, delivery functions being undertaken by the parastatals, etc. **[Para 17.22]**

**113.** The Commission reiterates the suggestions of the 1st SFC and further recommends that the GoC should bring to the notice of the GoI that future allocations should be made to ULBs based on inter alia the status of urban infrastructure, and the estimated costs to achieve the benchmarks stipulated by the Ministry of UD. Secondly, the 14th FC should give weightage to tax efforts of ULBs and provide additional grants on the lines of the performance grant recommended by the 13th FC. Thirdly, allocations to be made to advance e-governance including IT enabled services and urban MIS to achieve good urban governance. **[Para 17.23]**

**Principles of Devolution**

**114.** The Commission recommends transfer of 8% of the net SOTR of the State to the local bodies, which is at the same level as was recommended in the interim report. **[Para 18.8]**

**115.** Of the divisible pool (8% of net SOTR), the share of the PRIs will be 6.15% and of ULBs 1.85%, on the basis of rural and urban population of the State respectively. The share of the PRIs and ULBs in the net SOTR of Rs. 5793.50 crore for the five year award period, comes to Rs. 4453.75 crore and Rs. 1339.75 crore respectively. **[Para 18.10]**

**116.** The district-wise allocation of funds to PRIs shall be on the basis of population (weightage 60%); area (20%); SC/ST population (10%) and households below poverty line (10%). **[Para 18.11]**

**117.** The distribution of district-wise allocation among the three-tiers of Panchayat will be: GP- 85%; JP-10% and ZP-5%. The share of JPs has been reduced from 12% in the interim report to 10% and ZPs' share has been increased from 3% to 5%. Accordingly, the share of GPs, JPs and ZPs shall be Rs. 3785.68 crore; Rs. 458.68 crore and Rs. 209.37 crore respectively over the five year period. **[Para 18.13]**

**118.** In our interim report it was recommended that GPs in PESA area should get an additional Rs. 2 lakh each, out of the total funds proposed to be transferred to PRIs. For the remaining four years, the Govt. should give grant-in-aid of Rs. 2 lakh to each GP in PESA area. **[Para 18.15]**

**119.** The Commission recommends that the entire fund proposed to be transferred to GPs should be untied and utilized for the purpose of putting up street lights/extension of street lights, pipe water supply and its extension, rural sanitation and for maintenance of GP assets. The funds may also be utilized for social and national campaigns. **[Para 18.16]**

120. The funds for JPs may be used for maintenance of JP assets, for provision of technical support to GPs and for 'panch' level empowerment. ZPs, who are being allocated large funds, should utilize the funds for (i) creation of district Panchayat data bank; (ii) maintenance of assets; (iii) publication of a hand book of information on all schemes for Central and State Govt., meant for PRIs; and (iv) preparation and funding of plans/schemes which are the missing links in the schemes of Central and State Govt. for rural development. **[Para 18.17]**

121. The inter se allocation among ULBs at all the three levels should be on the following basis; population-(weightage 70%); area (10%); slum population (10%); and revenue effort (10%). However, in case of NPs for whom slum population is irrelevant, the weightage for population shall be 80% and there shall be no weightage for slum population. **[Para 18.19]**

122. The share of NPs in the total amount proposed to be transferred to ULBs shall be 22% on the basis of their share in urban population. **[Para 18.19]**

123. The allocation proposed for ULBs should be untied and should be utilized primarily for urban infrastructure and basic civic services and should not be appropriated towards State Govt. schemes. **[Para 18.20]**

124. While we propose transfer of funds to PRIs and ULBs to be untied, the State Govt. may ensure that the funds are used for the purposes we have recommended and may issue detailed instructions in this regard. **[Para 18.21]**

125. The total transfer comprising devolution recommended and assignment of revenues to PRIs during the five year award period is likely to be Rs. 7335.2 crore and ULBs Rs. 6624.60 crore. This translates to a per capita annual transfer in urban areas of Rs. 2231.8 and to rural area of Rs. 748.4. **[Para 18.23]**

**Grants-in-Aid to Local Bodies**

**Grants-in-Aid to PRIs:**

126. A annual grant-in-aid of Rs. 2 lakh each should be given to 4607 GP in Schedule V areas, over the next four years (2013-17) to fund rural infrastructure which is severely lacking in these areas. **[Para 19.2]**

**Grant-in-Aid to ULBs:**

**127.** A one time grant-in-aid of Rs. 50 crore is recommended for establishment of an Institute of Urban Governance and Development, primarily meant for capacity development of both elected representatives and officials of ULBs. The grant may be released over a period of two years. **[Para 19.3]**

**128.** A grant-in-aid of Rs. 200 crore may be provided by the State Govt. to ULBs for sanitation. The Deptt. of UAD may prepare a suitable scheme for urban sanitation including construction public toilets, public urinals and funding sanitary toilets for BPL families living in urban areas. **[Para 19.3]**

**Concluding Observations and Recommendations**

**129.** The Vitta Ayog Adhiniyam should be amended making provision for a multi-member SFC drawn from the disciplines of local governance and decentralization, economics, public finance, law, public administration etc. **[Para 20.1]**

**130.** As has been recommended by the 12th FC, convention may be evolved to accept the recommendation of the SFC without modification, as is the practice in respect of the CFC and to take action on SFC's recommendations expeditiously. **[Para 20.2]**

**131.** The SFC should be constituted well in time before the next award period begins. There is a need for synchronization of the constitution of the SFC with the CFC so that its report is available for consideration of the latter. This was also emphasized by the 12th FC. **[Para 20.3]**

**132.** Transfer of funds under SFC devolution may be shown separately in the Finance Secretary's Memorandum which is published along with the budget documents every year.

**[Para 20.4]**

**133.** A permanent SFC Cell should be established in the Finance Department to ensure follow-up of the recommendations, monitor progress and to bring to the notice of the High Power Monitoring Committee under the Chief Secretary, problems in implementation. Such cells should also be established in the UAD and P&RD Departments with similar functions and with linkages with the cell in the FD. The Monitoring Committee under the Chief Secretary which presently monitors utilization of funds provided by 13th FC shuold also monitor utilization of funds recommended for transfer to local bodies by this Commission.

**[Para 18.21 & 20.5]**

# REPORT OF THE SECOND STATE FINANCE COMMISSION

## PART-I

# CHAPTER 1

# Introduction

**A brief introduction to the State of Chhattisgarh**

**1.1** Chhattisgarh was created by way of reorganization of the State of Madhya Pradesh, on the 1st of November, 2000. It has thus completed more than a decade of its existence. The State has been projected as the State of the future because of its immense potential for economic development. The 10$^{th}$ largest state in the country in terms of area (135 thousand sq. km.) and 16$^{th}$ in terms of population (2.55 crore), it has a favourable land to people ratio. Though the population density of the State increased to 189 per sq. km. as per 2011 census, from 154 in 2001, it is still comparatively low. It has a large tribal population (32%). As much as 44 % of State's land area is covered by forests; the forest cover is nearly 50% if the revenue forests are taken into account. It has vast mineral resources. Twenty eight important minerals occur in the State; as much as 16 % of the coal deposits of the country, 19 % of its iron-ore, large deposits of bauxite, lime stone, quartzite and diamond etc are in this State.

**1.2** Chhattisgarh is a power surplus State. The total electricity generation capacity in the State's, including that of NTPC, is nearly 10,000 MW of which the share of State generation is more than 3,000 MW. With about 30,000 MW new generation capacity in various stages of implementation, the State could be the power hub of the country in future. The State has a productive agriculture sector with preponderance of paddy. It has also a good industrial base, though largely based on local mineral resources.

**1.3** The economic growth of Chhattisgarh ever since it became a separate State, has been appreciable. The CAGR of State's GSDP (at current price) for the period 2001-02 to 2010-11 has been high at 17.8 % as against 14.68 % for all general category States in the country. The share of the three key sectors i.e. agriculture, industry and services in the GSDP (constant price) during the last five years (till 2011-12) has been 6.29%, 7.18% and 11.17 %

respectively. However, while the 11th Five year plan target for services has been exceeded, the target for the two other sectors has not been achieved. In fact, the percentage share of industry in the GSDP is now half of what it was before the 11th FYP (14.70 %), at constant prices. The per capita GSDP has grown at 13.61 % (CAGR) during the same period. The per capita income grew, at current prices, from Rs. 18,559 to Rs. 41,667 and is likely to register further growth and go upto Rs. 46,753 in 2011-12.

**1.4** The social development indices of the State have not, however, kept pace with its growth story. These continue to be somewhat slugglish. The poverty ratio is high at 48.70 % as against India average of 27.50 %. The literacy rate which was higher than the all India average in 2001 census, is 71.04 % in 2011 as against all India average of 74.0%. Infant mortality (per 1000 live births) stands at 54 as against all India average of 50. The sex ratio has improved and is 991 as per 2011 census. Life expectancy at birth has increased to 66.8 years. The socio-economic indicators of the State are given in the table below:

**Table: 1.1 : Socio-economic Indicators of Development of Chhattisgarh**

| | Particulars | Chhattisgarh | India |
|---|---|---|---|
| 1 | Density of Population (per sq.km) | 189 persons | 382 persons |
| 2 | Literacy Rate | 71.0 percent | 74.0 percent |
| 3 | Sex Ratio | 991 | 940 |
| 4 | Life Expectancy | 66.8 | 67.1 |
| 5 | Tribal population | 32.8 percent | 8.2 percent |
| 6 | Population Below Poverty Line | 48.7 percent | 27.5 percent |
| 7 | Infant Mortality Rate (Per 1000 live births) | 54 | 50 |
| 8 | Per Capita NSDP / NDP ( 2010-11) at Current price | 41,167 | 54,835 |
| 9 | Forest Cover ( Area under forests) | 44% | 23% |
| 10 | Area under cultivation | 36% | 60% |

Source: (i) Statistical Abstract of Chhattisgarh. (ii) Human Development Report

**1.5** The State had 18 districts, and now has 27, as many as 9 having been added in 2012. The district-wise profile depicting geographical area, population, sex ratio and literacy rate is given in Annexure 1.1.

**Local Bodies**

**1.6** Table 1.2 gives details of Panchayats (PRIs) and urban local bodies (ULBs) in the State. Panchayats have a long history in Chhattisgarh as may be seen in Chapter-5. Madhya Pradesh was the first State in the country to enact a new Panchayat Act in 1993 incorporating the provisions of the 73rd Amendment to the Constitution. This Act was in operation when the new State of the Chhattisgarh came into being in Nov, 2000 and this was adopted by and made applicable to, the new State. A large part of the State, spread over 88,000 sq.km area (65% of its geographical area), covering 13 districts completely and 5 districts partially, comprising 85 Blocks (out of a total of 146) is in Schedule V. PESA is in operation in these areas.

**Table 1.2 : Number of PRIs and ULBs in 2001 and 2011**

| Type of Local Body | 2001 | 2011 | Average Area in sq.km | Average size of population (2011) |
|---|---|---|---|---|
| Rural Local Bodies (PRIs) | | | | |
| 1. Nagar Panchayat | 9139 | 9734 | 4050 | 2014 |
| 2. Janpad Panchayat | 146 | 146 | 568 | 1.34 lakh |
| 3. Jila Panchayat | 16 | 18 | 8 | 10.89 lakh |
| Urban Local Bodies (ULBs) | | | | |
| 1. Municipal Corpn. | | 10 | 98 | 3.22 |
| 2. Municipal Council | | 32 | 37 | 40,298 |
| 3. Nagar Panchayat | | 127 | 22 | 10,123 |

**1.7** The State has a long history of 145 years of municipal administration. Raipur City was the first city of the State to have a Municipal Council, which was constituted in the year 1867. At the time of independence, municipalities in 8 towns were managing civic affairs, and these were Raipur, Bilaspur, Raigarh, Rajnandgaon, Jagdalpur, Kanker, Ambikapur and Chirmiri. The growth of urbanization in the State has been discussed in Chapter 11.

**State Finance Commission**

**1.8** The 73rd and 74th amendments to the Constitution accorded Constitutional status to rural and urban local bodies, provided for continuity in local governance through regular and periodic elections, specified their functional domain, and provided for strengthening their finances. The Constitution envisages that they function as the third tier of Govt. To function truly as units of self-government and live up to their Constitutional mandate, the local bodies need adequate financial resources. Article 243 I of the Constitution of India mandates that the State constitute a State Finance Commission, after every five years, to review the financial position of the Panchayats and recommend devolution of financial resources from the State Govt. to them. Article 243 Y makes a similar provision in respect of Municipalities. The State Finance Commission's primary task is to make an assessment of their financial resources and make recommendations for devolution of funds from the State to them. The second State Finance Commission has been constituted by the State Govt. in pursuance of the above Constitutional provisions and also the provisions of the Chhattisgarh Rajya Vitta Aayog Adhiniyam, 1994, the State enactment on Finance Commission.

**First State Finance Commission**

**1.9** The First State Finance Commission (FSFC) was constituted on 22nd August 2003 with Shri T.S. Singh Deo as Chairman and Shri Paras Chopra as Member. The State Government reconstituted the Commission with Shri Virendra Pandey as its Chairman on 14th July, 2004. No other member was appointed. The Commission submitted its report in the last week of May, 2007 for the period 2005-06 to 2009-10. The State Government took nearly two years to study the report and finally the ATR was submitted to the Vidhan Sabha on 29th July, 2009.

**Second State Finance Commission**

**1.10** The Government of Chhattisgarh constituted the Second State Finance Commission (SSFC), vide Finance Department notification No. 1086/L-8-9/2011/Fin/B-4, dated 23rd July 2011 with Shri Ajay Chandrakar, formerly Minister of Panchayat and Rural Development, Higher Education and Parliamentary affairs, as Chairman and Dr. Ashok Kumar Parakh, Economist, as Member (Annexure 1.2). The Chhattisgarh Rajya Vitta Aayog Adhiniyam, 1994, as amended in 2003, has provision for only two members of the Commission, including the Chairman.

**1.11** Shri R.S. Vishwakarma, IAS, Finance Secretary to the State Govt., was in addition, Secretary to the Commission. He was replaced by Shri Awadh Bihari, IAS, Commissioner, Treasury and Accounts, and IG, Registration, on 13th April, 2012. On his superannuation on 31st December, 2012, Shri H.P. Kindo, IAS Special Secretary, took over as Secretary on 1st January, 2013. He was replaced by Smt. Ritu Sain, IAS, on 20-02-2013. She holds this charge in addition to her substantive appointment as Joint Secretary, GAD. The Commission thus never had a whole time Secretary.

**1.12** The recommendations of the SSFC were to cover a period of 5 years, i.e. 2011-12 to 2015-16 and the Commission was required to submit its report by 31st July, 2012. It took the Commission some time to mobilize required manpower and other resources, and it could begin its normal functioning nearly six months after its constitution, by January 2012. The Commission took some time and a lot of effort to collect relevant information and primary data from PRIs and ULBs. Since it was not possible to analyse all information and data collected and formulate its recommendations in the short time available, the

Commission advised the State Government to extend the award period of First Commission's recommendations up to 31st March, 2012 and revise the award period of the Second Commission from 2011-16 to 2012-17. The Commission made such a recommendation despite the fact that the revised period would not be synchronous with the term of the Central Finance Commission, keeping in view of the fact that the recommendations of the First SFC (2005-10) were given effect to by the State Govt. from the year 2007-08. With the second Commission's term starting from 2011-12, the first Commission's award would have been operational for four years. Secondly, the award period prescribed by the Govt., in any case, was not synchronous with CFC's and since there was a delay of nearly two years, the second Commission's award would have been in effect only for three years. On the advice of the Commission, the State Govt extended the award period of the first SFC by one year to cover 2011-12; and revised the award period of second SFC to 2012-17 by Finance Deptt. Notification Nos. 998/680/2012/Estt/Four and No. 1000/680/2012/Four, both of 15.6.2012 (Annexure 1.3). The State Govt. also extended the term of this Commission upto 31st March, 2013 by F.D. Notification No. 1238/680/2012/Estt/Four dated 3.8.2012 (Annexure 1.4).

**Terms of Reference**

**1.13** The Terms of Reference (TOR) of the second SFC, as given in the Government of Chhattisgarh, Finance Department Notification No. 373.L-8-9/2011/Fin./B-4 dated 13th September, 2011 and are as under:-

"1. As per Article 243-I and 243-Y, the State Finance Commission shall review the financial position of the Panchayats and Municipalities in the State and make recommendations to the Governor as to the principles which should govern:

- **i)** The distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;
- **ii)** The determination of the taxes, duties, tolls and fees which may be assigned as, or appropriated by, the Panchayats and Municipalities;
- **iii)** The grants-in-aid to the Panchayats and local urban bodies from the Consolidated Fund of the State;

iv) The measures needed to improve the financial position of the Panchayats and Municipalities including measures for improving the management of available resources and measures for recovery of costs (User-charges)

2. The Commission shall also make recommendations on any other matter referred to it by the Governor in the interest of sound finances of the Panchayat and Municipalities.

3. In making its recommendations, the Commission shall have regard, among other consideration, to:

i) The fiscal demands on the State Government in view of the Fiscal Responsibility and Budget Management Act, 2005;

ii) The Recommendations of the Thirteenth Finance Commission with regard to Local Bodies;

iii) The functions and services transferred by the State Government to the Panchayats and Municipalities in pursuance of the constitutional amendments vis-a-vis the transfer of the services of employees engaged in those functions and services

iv) The need for providing adequate incentive to Local Bodies for better resource mobilization and financial discipline as well as closely linking expenditure and revenue raising decisions;

v) The requirement for speed and effectiveness in the delivery systems of the Panchayats and Municipalities and the possible use of Information Technology and e-governance tools;

vi) The need for developing models for capital expenditure to create assets like water supply systems, roads, bridges, minor irrigation schemes, drainage systems, solid waste management systems, etc. and;

vii) The importance of standardization of accounting and audit procedures of the Panchayats and Municipalities.

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

5. The Commission shall make its report available up to or before 31st July, 2012 on each of the matters aforesaid covering a period of five years commencing on the first day of April 2011." (This has been changed subsequently as mentioned earlier to 1st of April, 2012).

### 1.14 Methodology and Work Procedure

Article 243-I (3) of the Constitution provides that the SFCs shall determine their own procedure of work. Accordingly, the Commission evolved its work procedure. The procedure followed comprised collection of primary and secondary data and their analysis; wider consultation with all stake-holders- the local bodies, the concerned Deptts. of the State Govt., elected public representative, NGOs, legislators, Ministers and the people at large; fields visits to see the working of local bodies closely; field studies; consultative workshops, study visits to other States, etc.

### 1.15 Collection of data and information

The Commission collected macro level data relating to PRIs and ULBs from the concerned Departments i.e. Panchayat and Rural Development (P&RD) and Urban Administration and Development Departments (UA&D) respectively. The Commission collected relevant data relating to finances of municipal bodies from the Directorate of Urban Administration; some aggregate data relating to PRIs from the Director Panchayat; and information regarding training from SIRD and audit from the Local Fund Audit Department.

### 1.16 Collection of micro level data from local bodies

(1) **Panchayat Raj Institutions:** The Commission prepared detailed and structured questionnaires for collection of information/data on PRIs. The response to the questionnaires was as follows: Zila Panchayat 18 (100%), Janpad Panchayat 109 (75%) and Gram Panchayat 5,427 (55%). The Commission selected a sample of 1,945 (representing 20% of total GPs in the State) for detailed study. Unfortunately, the quality of information and data received was not up to the mark and the analysis of data has been hampered by their poor quality.

(2) **Urban Local Bodies**: Questionnaires seeking data on various aspects of Municipal finance and civic services were sent to all the three categories of Municipal bodies through U & AD Department. The Commission received responses from all Municipal Corporations (100%), 18 Municipal Councils (56%), and 77 Nagar Panchayats (60%). The relevant data were analysed.

**1.17 Discussion with State Govt.:** The Commission also had detailed discussion with the officers of Forest, Mineral Development, Tribal Welfare, School Education and Health Departments and obtained requisite information from them. In case of the key departments such as Finance, P&RD, UA&D, interactions were with the Additional Chief Secretary (Finance), Additional Chief Secretary P&RD and Principal Secretary U&AD respectively. The Commission also had discussions with Secretary, Forest; Secretary, Tribal Welfare; OSD, Mineral Development; Director, Urban Administration; and Director Panchayat, etc. (List at Annexure 1.5).

**1.18 Field Studies:**The Commission commissioned two reputed NGOs, SAMARTHAN and PRADAN, to conduct field studies on PRIs in selected districts. A study on the 'Financial structure of Gram Panchayts' was done by SAMARTHAN, in four selected districts, i.e. Bastar and Sarguja (PESA districts) Mahasamund and Rajnandgaon (Non-PESA districts). A study on 'Effectiveness of Gram Panchayats in Managing Finances' was undertaken by PRADAN in Raigarh, Bilaspur, Dhamtari, and Kanker districts. Both the organizations selected 8 Gram Panchayats in each of the districts assigned to them and the selection was made carefully to represent various scenarios. (List of GPs at Annexure 1.6). Ten municipal bodies comprising 3 Municipal Corporations (Raipur, Durg and Korba), 3 Municipal Councils (Dhamtari, Mungeli and Jashpur), and 4 Nagar Panchayats were selected for detailed study by the consultant. Of the four Nagar Panchayts, two are old, established more than two decades back (Ahiwara and Pithora) while the remaining two are new (Baloda and Saragaon) established during the last few years. The study was conducted by a reputed organization, i.e. the Administrative Staff College of India (ASCI), Hyderabad. They held detailed discussions with the elected functionaries and officials of the ULBs as also Collectors of Bilaspur, Mungeli and Janjgir Champa districts. The consultants in course of their study also had detailed interaction with officers of the Town and Country Planning Organization (TCPO), Local Fund Audit Department (LFAD), Public Health Engineering Department (PHED), Raipur Development Authority (RDA), and SIRD.

**1.19 Consultation with Local bodies:** The Commission organized 8 regional (mostly Division level) consultations with elected representatives and officials of local bodies, both rural and urban, as given in the table below:

**Table 1.3**

| Date & Place of Consultation | Districts Covered | Participants |
|---|---|---|
| Raipur<br>15.05.2012 (i) PRIs<br>15.06.2012 (ii) ULBs | Raipur, Dhamtari, Mahasamund, Gariaband, Balodabazar | 84 |
| 16.05.2012 Bemetra<br>17.05.2012 Durg | Bemetra<br>Durg, Rajnandgaon, Kawardha, Balod | 25<br>66 |
| Bilaspur<br>22.05.2012 (i) PRIs<br>02.06.2012 (ii) ULBs | Bilaspur, Mungeli, Champa-Janjgir, Korba, Raigarh | 59 |
| Ambikapur<br>24.05.2012 (i)PRIs<br>09.07.2012 (ii) ULBs | Sarguja, Koriya, Jashpur, Balrampur, Surajpur | 114 |
| 07.06.2012 Jagdalpur<br>PRIs & ULBs | Jagdalpur, Kanker, Dantewada, Bijapur, Sukma, Narayanpur, Kondagaon | 118 |

In these meetings (List of participants at Annexure 1.7) discussions were held with elected representatives and officials of local bodies separately. These meetings were attended by Mayors of Municipal Corporations, Councillors, Chairman of Municipal Councils and of Nagar Panchayats, Chairman of Zila Panchayats and Janpad Panchayats, Members of Zila Panchayats, Sarpanchas of selected Gram Panchayats, Municipal Commissioners, CMOs, Chief Executive Officers of Zila Panchayats, . The Divisional Commissioner, Sarguja division, Collectors of Raipur, Bilaspur Bastar and Durg districts also participated. The Commission received valuable suggestions from the participants.

**1.20 Inviting Suggestions from Public:** The Commission invited suggestions from public by releasing advertisements and issuing press notes (Annexure 1.8) and through its website. The response unfortunately was poor. The Chairman addressed letter to all MPs and MLAs of the State inviting suggestions from them.

**1.21** The Commission also invited suggestions from industrialists of the State through their representatives. A meeting with them was held on 14th June, 2012 (list of participants Annexure 1.9)

**1.22 Workshops:** The Commission organized two workshops. A workshop was organized on 4th August, 2012 on 'Fiscal decentralization and Internal Revenue Mobilization at GP level' at the State Institute of Panchayat and Rural Development (SIRD), Nimora, Raipur in collaboration with them. The heads of GPs were invited to share their experiences and views on mobilization of internal resources. The second workshop was organized on the 'Finances of Municipal bodies' in collaboration with Urban Administration and Development Department, of the State Govt. of C.G Participants comprised reputed experts on the subject and officials of municipal bodies, who shared their experiences and views. (List of participants at Annexure 1.10).

**1.23 Interaction with Hon'ble Ministers of concerned Departments:** The Commission held consultation meetings with Hon'ble Chief Minister Dr. Raman Singh who also holds the Finance portfolio, Shri Amar Agrawal, Minister for Urban Administration & Development and Shri Hemchand Yadav, Minister for Panchayats & Rural Development. Senior officers of the concerned Department were present in the meetings.

**1.24 Visit to other States**: The Commission visited Rajasthan and Gujarat States to study the local bodies in these two States and share the experiences of Finance Commissions of these States. The Commission paid a two days visit to Rajasthan on 3rd ad 4th Sept, 2012. We visited the office of the fourth State Finance Commission of Rajasthan on the 3rd Sept, 2012 and discussions held with Dr. B.D. Kalla, Chairman, SFC, Shri Rajpalsingh Sekhawat, Member, Shri J.P. Chandelia, Member and Dr. P.L. Agrawal, Member Secretary. The Commission also held separate meetings with Principal Secretary, Finance Department and senior officers of Urban Development & Housing Department and Rural Development and Panchayati Raj Department of Rajasthan Govt. on the working of local bodies in the State. We *visited Chandlai and Dooni Gram Panchayat and Chaksu Municipal Council on* 04.09.2012 to have first hand knowledge of working of local bodies. The Commission also visited Gujarat State on 6th and 7th Sept, 2012. We held discussion with the third SFC of the State: Dr. Bharat Gariwala, Chairman & Dr. D.N Pande, Member Secretary. The Commission also held separate meetings with senior officers of the Panchayat & RD, Urban Development Deptts. and officers of Gujarat Urban Development Corporation. The Commission paid a field visit to two GPs Adlaj and Uwarsad and the municipal body at Himmatnagar on 7th Sept, 2012 to study their working.

We are grateful to Govt. of Rajasthan and Gujarat and the State Finance Commissions of these States for the very useful insight they provided and also for the kind courtesies extended to us.

**1.25 Field Visits to PRIs & Municipal Bodies:**

The Commission visited a few PRIs and municipal bodies in the State to study their working and to collect first hand primary information. The following institutions were covered in these visits: Zila Panchayat, Mahasamund; Janpad Panchayats, Arang and Dharsiwan; Nagar Panchayats of Mana and Baloda Bazar; Municipal Council of Kumhari; Bellargaon, Siyadehi and Kukrel Gram Panchayat in Nagri Janpad Panchayat area (Dist. Dhamtari) and Kodikasa, Kekatitola and Mathaldabai in Dist. Rajnandgaon.

**1.26** We had requested the Finance, Panchayat and U & AD Departments to submit memoranda on their expectations from the Commission. Only the U & AD and Panchayat Departments submitted their suggestions, if not in the form of a memorandum (Annexure 1.11).

**Constraints faced by the Commission**

**1.27** The Commission functioned under several limitations and constraints. The Commission never had the services of a full time Secretary as mentioned in Para 1.11. It also could not have the services of experienced staff from the concerned Deptts. Secondly, inspite of the best efforts including reminder in the consultation meetings, through the concerned Deptt. and personal contact, the data received from the local bodies were of very poor quality. Even the quality of the data received from the ZPs and Municipal Corporations were not up to the mark. As per macro level data, neither the Panchayat Deptt. nor the Deptt. of Urban Administration and Development maintain any data bank on the functioning of the local bodies in their charge. U & AD does have data on municipal bodies; but there is a mismatch between their data and data received from the local bodies themselves. The Directorate of Panchayat does not keep any data on the functioning of Panchayats. We need hardly emphasize that comprehensive data on the working of the local bodies must be maintained at the Directorate level and updated periodically. Our analysis of the finances of the local bodies are based on such inadequate data and our recommendations may also suffer from such limitations.

**Design of the Report:**

**1.28** The report of the Commission has been divided into five parts. The first part deals with, apart from an introduction, the issues, approach and the methodology followed by the Commission, the recommendations of the first Finance Commission and their implementation including their impact on State's Finances and more important, an analysis of the finances of the State. The second part deals with rural local bodies; the Panchayats. This part includes the status of functional devolution on the Panchayats, the status of their finances, accounts, and audit, and also the governance issues. In the third part we have dealt with urban local bodies. This part includes status of municipalities in the State, their finances, the status of their infrastructure and delivery of civic services, the financial gap assessment of devolution and governance issue relating to the urban local bodies. In part four, we have discussed the principles we have followed for devolution and it includes our recommendations regarding devolution of funds to the PRIs and ULBs. The last part of the report contains some of our general suggestions. A summary of the recommendations of the Commission is given at the very beginning of the report.

**1.29** The Commission submitted an interim report for the year 2012-13 to the Hon'ble Governor on the 30th November, 2012 (Annexure 1.12). This the Commission thought necessary as the year 2012-13, which is the first year of its award period, was coming to an end. We did not want the local bodies of the State to be deprived of the award of the Commission in the very first year of the award period.

# CHAPTER 2

# Issues and Approach

**2.1** In every federal set-up, devolution of funds takes place from the higher levels of government to the lower ones; but such devolution generally does not meet the fiscal gap of the lower levels to the full extent. In India, the system of fiscal transfers from the Centre to the States, operating for more than 60 years, could not meet all the financial needs of the State Govts. The task of meeting the revenue gap of ULBs and PRIs, is more difficult. Their demands are large and the financial resources of a State are limited as compared to that of the Central Govt. The capacity of local bodies to raise their own financial resources is also very limited. The Constitution envisages the local bodies to be effective third-tier of government, but there is no specific provision in the Constitution for the sources of their finances. There is no third list of subjects in respect of which taxation powers vest in the local bodies. This position is sought to be remedied, to an extent, by the provision of sharing of revenues between the State Govt. and the local bodies through the instrumentality of the SFC. The basic philosophy is that with the devolution of function to the local Govt., devolution of adequate financial resources is necessary to develop their institutional capacity in order to enable them to carry out the functions assigned to them and to provide the services which the citizens are entitled to from them. The basic principle that governs the devolution process is that the local governments should enjoy financial autonomy, which implies both financial adequacy and freedom to spend as considered fit. In other words, the financial resources devolved should be adequate to meet the expenditure on functions devolved on the local governments. Secondly, they should have the freedom to spend that money in a manner consistent with their felt needs and local imperatives. The SFC may, however, recommend such devolution, ensuring a balance between the fiscal position of the State on the one hand and the requirements of the local bodies on the other. The objective is to strengthen the fiscal domain of local bodies, while taking care not to recommended transfer of resources from the State Govt. which would adversely affect its finances and make it difficult for the State Govt. to achieve targets laid down in the Fiscal Responsibility and Budgetary Management (FRBM) Act. The TOR of the Commission specifically requires that, while making its recommendations, the Commission should keep in mind the provisions of the State FRBM Act.

**2.2** Chhattisgarh is a predominantly rural State with 77% of the population living in rural areas. The PRIs, particularly the GPs are close to the people and hence need to be the most effective unit of self-government in the rural area. The State Panchayat Act has provided for full functional devolution as per Schedule-XI of the Constitution and in Chhattisgarh all the 29 functions have been entrusted to the GPs. At its present capacity level, however, the GP are unable to carry out all these functions, resulting in a reverse trend of withdrawal of functions from the GPs, as has been observed by the Commission. Apart from funds involved in the discharge of these functions, the agency functions assigned to the GPs and implementation of important State and Central Schemes for rural employment and poverty alleviation, entail management of large expenditure, anything between Rs.30 lakhs to Rs. 1 crore. The GP with its single employee i.e. the Panchayat Secretary, does not have the capacity even for the primary Panchayat functions like delivery of basic services in the village. Maintenance of accounts is poor and statutory audit by the Local Fund Audit Department is practically non-existent. In our approach to devolution, therefore, the emphasis is on development of institutional capacity of the GPs. This should include provision of additional trained staff, adequate training and motivation of both the elected representative and officials. Besides, maintenance of accounts and timely audit are necessary to ensure functional and financial accountability which is lacking presently.

**2.3** As we have mentioned in Chaper 1, PESA is in operation in a large part of the State. The capacity of the GPs in these areas is generally very poor. They have little scope for rising own financial resources; the state of physical infrastructure in these predominantly tribal areas is also very poor. The density of population is low at 91 per sq. km., as against 303 in non-PESA areas. As a result, the per capita cost of infrastructure is high. The human development index (value) of PESA area is 0.397 as against 0.517 for non-PESA areas. Left-wing extremism in most of these areas has made matters worse. The Commission feels that it is in these areas, more than elsewhere in the State, the emphasis has to be on eradication of poverty and inclusive growth. Inclusive growth ensures socio-economic justice which requires that people left behind in development are enabled and participate in the planning and implementation of their own development. The Commission's approach is to assign additional financial resources to the PRIs in PESA areas with a view to ensure that they function effectively and are enabled to provide basic services in villages. We have recommended a special allocation for them.

2.4 Urbanization in the State is largely confined to Raipur, Durg, Bhilai and Bilaspur and Korba. The urban population constitutes only about 23% of the total population of the State, but is growing, and is likely to reach 40% in two decades. Many of the municipal areas particularly areas under Nagar Panchayats, are in fact in a transitional phase. Lack of formal criteria for notification of municipal areas has unfortunately impeded planned development of towns in the State. This is best exemplified in the manner in which Nagar Panchayats have been created without much regard to the size and nature of the population and presence of urban infrastructure. Many of the NPs are not 'nagar' while they have discontinued to be Panchayats. The result in many cases has been most unfavorable to the citizens living in the NPs. They are no longer entitled to funds under the various rural development schemes while there is very little scope for raising tax revenue from people, largely rural. The Commission's view is that the process of declaration of ULBs must be rationalized and their capacity strengthened so that they are in a position to deliver a modicum services to the citizens. We have recommended a one-time grant-in-aid of Rs.1 crore for NPs in our interim report.

2.5 There are serious governance problem with the ULBs. They also suffer from severe lack of capacity characterized by lack of staff, poor quality and capacity of existing staff, lack of systems and professionalism in delivery of services, poor resource base in some and poor resource mobilization in most. We feel that unless these problems are seriously addressed transfer of financial resources alone may not make them effective decentralized unit of local self Government. This requires strengthening them functionally, financially and also provision of adequate and well trained staff. The State has to meet the needs not only of the present but also of the future. As already mentioned urbanization is likely to reach 40% in the next two decades.

2.6 An analysis of the finances of the local bodies is an important step in the estimation of the revenue gap which the financial package recommended by the SFC is meant to meet. For such analysis we collected data from the P&RD Deptt and Deptt of UA&D. We also made efforts to obtain primary data from all the PRIs and ULBs through detailed questionnaires. In this effort, we have faced the same problems, as was faced by the first SFC and that is, lack of adequate and reliable data. Neither the concerned Deptts nor the Finance Deptt. of the State Govt. compile data in respect of the sources of income, including own sources, and disaggregated expenditure on housekeeping, provision of basic services, etc. of PRIs and

ULBs. In the absence of such data, working out the revenue gap with some degree of accuracy is rendered an impossible task. Not only are there no centralized data available with the respective Departments, the primary data collected from the local bodies directly by this Commission were also not of much help. This is a serious handicap and will continue to be so in future unless detailed data regarding Panchayats including the finances, services provided, accounts and audit are maintained for each district preferably by the ZPs and at the State level by the Director of Panchayats. In our interim report as also in this report, we have recommended that part of the fund allocated to the ZPs should be used for maintenance of district data bank. So far as ULBs are concerned, some centralized data are available with the Director, UAD. But these data do not tally with those obtained from the ULBs directly. Obviously, even with regard to ULBs enough attention has not been paid to compilation of data.

**2.7** The financial position which emerged from the data we have collected, in respect of both PRIs and ULBs, is not very encouraging. So far as GPs are concerned, from a sample size of 5427 GPs, which is more than 50% of the total, it emerges that the percentage of GPs which imposed any tax during the last three years (2008-11) is 39.67%. The average own income of a GP is a pittance, at Rs. 24,000 per year, which comes to about Rs.12 per capita. On a sample size of 1945 GPs, which is 20% of the total number in the State, the results are only marginally different. The total annual average receipts and expenditure of GPs is about Rs.11 lakh. The level of the most essential civic services is very poor. For example, in only about 11% of GPs is there piped water supply and only about 10% have drainage. Street lights are provided in 52% of GPs. The position in respect of ULBs is only marginally better. In case of Nagar Panchayats, from a sample size of 78 (out of a total of 127), about 95% collect taxes and the same percentage of NPs have own income. Thus five percent of the NP do not recover any tax. The average own income of a NP is about Rs.15.12 lakh; the average annual receipt is about Rs.82.5 lakh and average annual expenditure about Rs. 70 lakh. So far as Nagar Palikas are concerned from a sample size of 18 out of a total of 32 Nagar Palikas, the position which emerges is that all of them impose taxes and have their own income which is on an average of the order of Rs.103.40 lakh per annum. The average receipts and expenditure are more Rs.463 lakh and Rs.476 lakh respectively. Thus their own income is less than 25% of their total receipts.

**2.8** The local bodies, whether PRIs or ULBs, are generally reluctant to impose taxes and raise revenue. The elected representatives do not want to impose any tax- even those taxes which are obligatory under law mainly on political considerations. This is true not only of the PRIs but also of ULBs. The Commission is convinced that unless the local bodies raise adequate financial resources, their autonomy as local self-government units, their sense of responsibility to the citizens and accountability will continue to be low. In view of this position, the Commission's approach is that the State Government has to initiate reforms and encourage the process of raising revenues locally and remove all constraints on PRIs' and ULBs' revenue raising capacity.

**2.9** For the State Finance Commission to be effective and meaningful in its recommendations, compilation of financial data relating to PRIs, particularly of Gram Panchayats is very essential. It is also required for any meaningful planning exercise at the district level. We have not made any assessment of revenue gap in respect to the PRIs because of lack of data. An assessment has been made in respect of ULBs, particularly, the Municipal Corporations and Councils, in respect of which service level benchmarks have been specified by the Ministry of Urban Development, GoI and endorsed by the 13th Finance Commission. The Commission had the advantage of the financial norms for service delivery recommended by the High Power Expert Committee on Urban Infrastructure and Services which facilitated an assessment of the financial resources required to meet the infrastructure and service delivery gaps as also the requirement to meet the future needs, including O&M costs. The financial requirement of ULBs has been computed on the basis of the norms indicated by the Committee.

**2.10** With the recognition of the criticality of urban areas to national development, the Government of India has launched several development programs like JNNURM, Rajiv Awas Yojana, etc. One of the conditions to access these funds is the introduction of basic reforms in accounts, e.governance, municipal cadres, etc., in ULBs. One of the elements of the approach of this Commission is to look holistically at the working of the ULBs and recommend reforms in areas like staffing, accounts, e-governance, transparency and accountability, etc., so that they are adequately strengthened and equipped both in terms of finances and governance, to be in readiness to access the funds under the above schemes.

**2.11** The overall approach of the Commission to devolution of funds on local bodies in the State is that adequate funds should be transferred to them but with less strings attached. Simultaneously, serious steps are required for their capacity development. Presently the ULBs are not in a position to utilize the funds provided to them under various schemes of the Central and the State Government. Thirdly, they should be encouraged to optimize their own internal resource mobilization which alone will make them more responsible and accountable.

2.12 In recent years both the Central and State Finance Commissions have expanded their scope to include governance which is critical to improve the performance of local bodies, both rural and urban. This Commission also believes that financial reforms are possible and effective only when they are accompanied by overall governance improvements. The 11th and 12th Finance Commissions had included governance reforms in their recommendations. The 13th Finance Commission has not only laid down a broad framework of reforms but also has made special grants conditional on the reforms having been carried out. The State Government accepted the reforms recommended in respect of ULBs has carried out all of them and has received the incentive grants. Our's approach is to carry forward the reforms process so as to access the possibly larger funds which the 14th Finance Commission may provide. The Commission viewed the terms of reference with this broad approach and has made its recommendations accordingly.

# CHAPTER 3

## First State Finance Commission : Status of Implementation of Recommendations

**3.1** The First State Finance Commission which was constituted by the Government of Chhattisgarh on 22.8.2003 submitted its report to the Governor of Chhattisgarh in May 2007. The Commission had suggested that the recommendations be given effect to from 1st April 2007. However, the State Government continued to transfer funds to local bodies as per the recommendations of 1st MP SFC which was being followed by the new State after reorganization, till the release of ATR on July, 2009. But the recommendations were made effective from the year 2007-08.

**3.2** The First SFC had recommended devolution of 8.287 % of the own tax revenue of the State to the local bodies during its award period 2007-12. However, the State Govt. agreed to devolve only 6.0 %. The First SFC had made a total of 81 recommendations, out of these, the State Government accepted 36 while 5 others were accepted with modifications. The status of recommendations as per the ATR, as submitted by the State Government to the Vidhan Sabha on 29th July, 2009, is given in Table 3.1

**Table.3.1 : Status of Recommendations**

| Sl No | Recommendations | Total No. | Status of Recommendations (No.) | | | |
|---|---|---|---|---|---|---|
| | RLB/ULB/State Government | | Accepted | Accepted With Modifications | Rejected | To be Referred to CFC/CG |
| **A** | **Rural Local Bodies** | | | | | |
| 1 | Devolution | 4 | - | 1 | 1 | 2 |
| 2 | Assigned Revenue | 10 | 1 | | 9 | |
| 3 | Internal Resource Mobilization (IMR) | 18 | 10 | - | 8 | - |
| 4 | Non-fiscal recommendations | 12 | 5 | | 7 | |
| | **Total** RLB | **44** | **16** | **1** | **26** | **2** |
| **B** | **Urban Local Bodies** | | | | | |
| 1 | Devolution | 6 | 1 | 4 | 1 | |
| 2 | Fiscal Policy | 4 | 3 | | 1 | |
| 3 | Non-fiscal recommendations | 19 | 15 | | 4 | |
| 4 | Central Government | 8 | - | - | - | 8 |
| | **Total** ULB | **37** | **19** | **4** | **7** | **8** |
| | **Total Local Bodies** | **81** | **36** | **5** | **33** | **10** |

**Status of Implementation of Recommendation : PRIs**

### 3.3 Devolution of Revenue

I. The Commission had recommended devolution of 6.00 percent of State's net own tax revenue to rural local bodies. The State Govt. **agreed to devolution of 4.79 percent** share of State's net own tax revenue to be given from the year 2007-08. The State Government decided to include the amount being given to PRIs for development of rural infrastructure development schemes : Gram Nirman, Gram Gaurav, Gram Vikas and Gram Utkarsh, in the devolution amount. The details of year-wise transfer of amount has been given in Table 3.2 & 3.3.

**Table 3.2 Amount of Devolution and fund transferred to PRIs from 2007-08 to 2011-12**

(Amount in Crore Rupees)

| Year | 4.79 % of Net SOTR to PRIs | Gram Utkarsh | Gram Nirman | Gram Gaurav | Gram Vikas | Basic Grants | Total | *Net to be Transferred to PRIs (col.2-8) |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 2007-08 | **235.69** | 16.00 | 72.00 | 10.26 | 1.96 | **116.02** | 216.24 | 19.15 |
| 2008-09 | **269.06** | 30.00 | 38.00 | 20.00 | 18.50 | **130.00** | 236.50 | 32.26 |
| 2009-10 | **293.10** | 16.63 | 38.00 | 20.00 | 18.50 | **130.00** | 223.13 | 69.97 |
| 2010-11 | **377.98** | 75.00 | 15.00 | 15.00 | 15.00 | **150.00** | 270.00 | 107.98 |
| 2011-12 | **444.93** | 105.00 | 25.00 | 25.00 | 25.00 | **150.00** | 330.00 | 114.93 |
| Total | **1620.76** | 242.63 | 188.00 | 90.26 | 78.96 | **676.02** | 1275.87 | **344.29** |

**Source : Finance Department, Govt. Of Chhattisgarh**

Note : * Amount agreed by the State Govt. to be transferred to PRIs through various Plan and Non-planschemes under revenue sharing devolution scheme.

The State Government has claimed that it had transferred more funds through various schemes to PRIs than Rs. 344.29 crore as per Table 3.2 (col. 9). As per the details received from the State Government, the total amount transferred to PRIs under various schemes was Rs. 434.97 during 2007-08 to 2011-12 ( 5 years) as may be seen from Table 3.3.

**Table 3.3 Amount Transferred Under Plan & Non-plan Schemes to PRIs**

(Rs. in crore)

| Sl.No. | Name of Scheme | Amount |
|---|---|---|
| 1 | General Purpose Grant to Zila Panchayat | 3.96 |
| 2 | Honorarium to Panchayat Office- bearers | 32.48 |
| 3 | Training to Panchayat Office bearers | 2.80 |
| 4 | Sachiveeya Vyavstha ( Salary of Panchayat Secretaries) | 156.70 |
| 5 | Tristriya Puraskar ( Prizes for Best Panchayats) | 1.89 |
| 6 | Zila Panch Sammelan | 2.55 |
| 7 | Panchayat Gazette | 0.31 |
| 8 | PRI related charges | 234.28 |
| | **Total** | **434.97** |

Source : Finance Department & P&RD Deptt. and Govt. of Chhattsigarh

II) The Commission had recommended to provide general per capita grant of Rs. 166.48 crore to PRIs every year from the year 2005-06 (Per Capita Grant @ Rs. 90.00 to GPs, Rs. 8.00 to JPs and Rs. 2.00 to ZPs). The State Govt. had decided to place this matter before the 13th FC for assistance but could not be placed.

III) The Commission had recommended an agency Commission equivalent to 3 % of the estimated cost of the schemes of the government line departments including the Centrally Sponsored Schemes (CSS) may be allowed to the Panchayats towards their implementation costs. The State Govt. had decided to maintain status-quo of agency grant of the schemes of its line departments and to request 13th FC to recommend to the Central Govt. to provide agency Commission equivalent to 3 % of the estimated costs of CSS. But the recommendation could not be placed before 13th FC.

IV) The Commission had recommended an establishment grant of Rs. 71.81 crore to PRIs. However the State Govt. do not accept this recommendation

### 3.4 Assigned Revenue

The Commission had given 10 recommendations with regard to assigned revenues. The State Government accepted only one recommendation and did not accept the remaining 9 recommendations. The lone accepted recommendation is that ninety (90) % of the revenue from the State-administered entertainment tax be allotted to *ULBs* and *PRIs*, in the ratio of 2:1 respectively. The transfer of PRIs share of entertainment tax revenue in the form of Entertainment Tax Grant has been effective from the year 2010-11. The amount transferred during 2010-11 and 2011-12 was Rs. 5.35 crore and Rs. 1.90 crore respectively. Thus total amount transferred in these two years was Rs. 7.25 crore.

### 3.5 Internal Revenue Mobilization by the Panchayats :

The State Government accepted some of the recommendations on the above subject including assessment of Property tax on classified plinth area basis; powers to GP to levy Theatre tax on non-cinematographic/ performances; etc.

**3.6** The P & RD Deptt. has constituted a committee vide its order No. 76 dated 16th Dec. 2011 and referred all the above recommendations to examine. The report of the Committee is awaited. In view of the importance of this Committee, we **have requested the State Government in our interim report, submitted in Nov. 2012 to immediately operationalize the Committee and fix a time period of three months for submission of its report.**

**3.7** The Commission has recommended that when a JP and the ZP, by resolution, request the govt. that a surcharge on excise duty be levied at a rate not exceeding 10 % in their jurisdiction area, the State govt. should invariably levy the surcharge at the suggested rate and collect the same, along with their principal duty in the specified areas. To this recommendation, the State Govt. decided to levy and collect the surcharge on State Excise Duty at State level and transfer to JP and ZP on the basis of collection in their respective area.

**Non-fiscal recommendations**

**3.8** The State Government has accepted following 5 recommendations :

| Sl. No. | Recommendation Accepted | Action taken by the Panchayat Department |
|---|---|---|
| 1 | The existing Panchayat Auditors who are conducting 'internal audit' of the GPs may be designated as 'Panchayat Internal Auditors.' | Action is under process. |
| 2 | All Officers / Officials involved in accounts and audit of different levels of Panchayats should be given regular training in the area of Accounts. | Arrangement of training has been made at P & RD Institute at Nimora. |
| 3 | A *'special drive'* with time bound programme for the completion of post-audit of all unaudited accounts of the Panchayats by the local fund auditors | The responsibility of audit of accounts has been entrusted to LFA Deptt. The action plan has been prepared for the internal audit. |
| 4 | To expedite process of transfer of powers, authority and fund support. | The action of transfer of powers is in process. |
| 5 | Fresh Review and modifications in the existing Statutory provisions and the executive rules vis-a-vis the working of panchayats at all levels. | A Committee has been constituted vide its order No. 76 dated 16.12.11 to examine existing rules in this regard.<br>The Report of the Committee is still awaited. |

**Status of Implementation of Recommendations : Urban Local Bodies.**

**Revenue Devolution**

**3.9** The recommendations of the Commission and action taken by the State Government are given in the table below ;

| Sl No | Recommendations of the Commission | Decision taken by the State Govt. |
|---|---|---|
| 1 | (a) Devolution of 1.659 % of State's net own tax revenue to ULBs. | **Agreed to devolution of 1.21 % share of State's net own tax revenue** to be given to ULBs from the year 2007-08.<br>The State Govt. adjusted amount being given to ULBs for infrastructure development in this amount. |
| 2 | Criteria and weights for working out the inter-se allocation to different ULBs in the State :<br>CRITERIA — WEIGHT(%)<br>1. Population — 80 %<br>2. Area — 10 %<br>3. Slum population — 10 % | Decided to adopt modified criteria for inter-se allocation to different ULBs :<br>CRITERIA — WEIGHT (%)<br>1. Population — 70 %<br>2. Area — 10 %<br>3. Slum population — 10 %<br>4. Revenue Effort — 10 % |
| 3 | Allocation of Rs. 16 crore for disbursement among ULBs as General Purpose Grant for first year of award period and increase every year by one crore over the previous year. | The Department has been disbursing Rs. 8 crore<br>Year among ULBs from the year 2007-08. |
| 4 | 15% annual increase in the transfers from the State Government in respect of compensation for certain taxes and Assigned Revenue and every year. The amount of octroi compensation should increase accordingly with Entry Tax. | Decided to increase the amount of devolution in respect of Assigned revenue and compensation of certain taxes on the basis of actual collection of revenue. The Finance deptt. had accepted provision of Rs. 405 crore in the Budget 2011-12 |
| 5 | Distribution of Entertainment tax in the ration of 2:1 among ULB and RLBs. | Accepted. Accordingly 67 % share of ULBs worked out Rs. 10.59 crore and provided the in the supplementary budget. The budget provision in the year 2010-11 was Rs. 9.25 crore. |
| 6 | Rs. 8.00 crore which is being given as Compensation of passenger tax every year should be given as General purpose grant. | Accepted and provided Rs. 8.00 crore as General purpose grant in the 2011-12 State budget. |

**3.10** The State Government has agreed to devolution of 1.21 % of net proceeds of SOTR from 2007-08. The agreed amount worked out to Rs. 405.05 crore for five years (2007-08 to 2011-12). The actual amount transferred to urban local bodies was Rs. 648.10 during these years. The year-wise details are given in Table 3.5.

**Table 3.5 : Funds Transferred to ULBs**

(Amount Rs. in Crore)

| Year | Amount of Net SOTR | Agreed Amount of 1.21 % of Net SOTR | Actual amount Transferred |
|---|---|---|---|
| 2007-08 | 4903.91 | 58.85 | 48.93 |
| 2008-09 | 5599.21 | 67.19 | 207.61 |
| 2009-10 | 6106.29 | 73.28 | 54.22 |
| 2010-11 | 7874.62 | 94.50 | 142.05 |
| 2011-12 | 9269.29 | 111.23 | 195.40 |
| Total | 33,753.32 | 405.05 | 648.1 |

The scheme-wise details of transfer of funds to ULBs from 2007-08 to 2011-12 is given in Table 3.6.

**Table 3.6 : Scheme-wise Transfer of Funds to ULBs**

| Sl.No. | Name of Scheme | Amount Rs. in crore |
|---|---|---|
| 1 | Urban Infra-structure Grant | 340.91 |
| 2 | Basic Services Grant | 205.69 |
| 3 | Specific Purpose Grant | 58.60 |
| 4 | Drinking Water & Sanitation Grant | 29.68 |
| 5 | Grant for Water works maintenance | 5.39 |
| 6 | Group Insurance Scheme for Urban LIG People | 3.48 |
| 7 | Resettlement Environment | 4.05 |
| 8 | Training of Elected ULB Representatives | 0.41 |
| | Total : | 648.21 |

**Fiscal Policy**

**3.11** The Recommendations of the Commission and action taken by the State Govt. are given below :

| Sl No | Recommendations of the Commission | Action taken. |
|---|---|---|
| 1 | The amount of grant is to be distributed according to well defined policy. | Recommendation was accepted.<br>*To implement the devolution formula the UA & D Department has issued letter no. 1158/862/18/10 dated 6.3.2010.* |
| 2 | The Grant-in-aid should be systematically classified and there should be proper and adequate system of monitoring and review of the uses of grants. | Accepted by the Government.<br>The provision of systematic classification of Grant-in-aid has been made from supplementary budget 2011-12.<br>*To implement the recommendation the UA & D Department has issued letter No. 1413/3056/2009/18.* |

| | | |
|---|---|---|
| 3 | The two types of transfers from the State Government to ULBs, Grant-in-aid and compensation in lieu of certain taxes abolished should not be clubbed together. | Decided to continue the present system. |
| 4 | The system of transfer of funds from the State Government to ULBs should be progressive, transparent and purposeful. | Accepted.<br>The Directorate of UA & D has started transfer of budget allocation of ULBs directly through *e-transfer* in their accounts in the nationalised banks. The ULBs are spending the amount for the purpose the amount was sanctioned. |

## Non-Fiscal Recommendations

**3.12** The Commission had given 19 recommendations, of these 15 were accepted by the State Government. The concerned Administrative Departments were instructed to take necessary action in this regard. These are as follows :

| Sl No. | Recommendation | Action Taken/ Compliance |
|---|---|---|
| 1 | Annual Economic Survey of the State may include one chapter on the functioning and performance of l*ocal bodies* in the State. | *Accepted and started to include one chapter on ULBs.* |
| 2 | The technique should be developed with priority and seriousness to get r*eliable data and accounts* for the future. | To get reliable data, double entry system of accounting has been adopted from 1.4.2008. CAs have been appointed in 10 groups from 1-1-2010. The work is in progress. |
| 3 | Reforms in the system of accounting may be introduced in consultation with CA & AG and the Director, *Audit, may provide format for the preparation* of budgets of ULBs. | Reforms in the accounting system has been introduced as above. |
| 4 | The Directorate of UD & A Department needs to be strengthened in terms of expertise. | The experts are being consulted from time to time in this regard. |
| 5 | The GOI has attached conditionality factor to Urban Reforms Measures, the State Government may make review of the conditionalities before joining the programme. | Reforms measures have been implemented with conditionality attached to them. |
| 6 | Need for training of elected ULB reps. in the area of municipal governance, decentralized planning, resource mobilization and relationship with executives. | Training programmes for elected ULB reps are being organized frequently. |
| 7 | Electrical bills should include ULBs fees in proportion of their infrastructure costs. State Govt. should request Electricity Regulatory Commission to decide on the fees for ULBs. | No action initiated so far. |

| | | |
|---|---|---|
| 8 | An inventory of properties and assets of ULBs should be prepared and updated every year | This work is being done under supervision of CAs. |
| 9 | Computerization of municipal operations and records. | One ULBs Data Centre has been set up in the Directorate of UA&D. The work of computerization at ULBs has begun. |
| 10 | Exploring the possibility for increasing PPP in municipal services | PPP modal has been adopted in many areas such as infrastructure development, civic services, maintenance of parks, etc. The possibility of inclusion of other areas are under study. |
| 11 | Setting up a training institute for Municipal employees. | Govt. agreed to provide training to them in the State Academy Administration. |

**3.13** With regard to the implementation of the following recommendations of the Commission, instructions were issued to the concerned Administrative Department to examine them at competent level before submission of proposals:

| Sl No. | Recommendation | Action Taken at Department Level |
|---|---|---|
| 1 | Constitution of Ward Committees with definite functions needs to be activated in ULBs with more than one lakh population | Ward committees have been constituted in 3 municipal corporations having population of 3 lakh and more as prescribed in section 48 (A) of CG Municipal Corporation Act 1956.<br>The constitution of committees in the municipal corporation with population in the range of 1 lakh to 3 lakh is yet to be initiated. |
| 2 | Constitution of a Regulatory Authority on the pattern of Electricity Regulatory Authority, to recommend Water Tariff to be charged by ULBs in the State | The CG Municipal Revenue (Regulatory Authority) Act 2011 has been passed. |
| 3 | New taxes which the ULBs may be empowered to levy and collect. | CG Municipal Revenue Regulatory Authority Act 2011 has been passed. In the meantime the UA & D Department has issued notification on increase in fees and tax rates on following items:<br>1) Increase in water tax rates in residential and commercial multi-story buildings.<br>2) Fees on mobile towers<br>3) Setting up of ATM machines<br>4) Advertisement hoardings<br>5) Colonizers registration fees |

**Recommendations which call for the attention of the Central Government:**

**3.14** The State Govt. decided to forward all recommendations to the Central Government for attention and favourable consideration. The gist of recommendations are as follows :

Transfer of all Centrally Sponsored Schemes to LBs; Introduction of a local list of taxes in the VIIth Schedule of the Constitution; Inclusion of Central government properties in the net of property tax levied by ULBs may be examined; 3 % project cost of CSS in urban areas be assigned to ULBs as agency commission; Creation of a financial institution to provide funds to local bodies for bankable infrastructure projects; etc. However, these proposals have not so far been sent.

**Recommendations of the First State Finance Commission: Impact on State Finances**

**3.15** In the five year award period of the First Commission (year 2007-08 to 2011-12), 6.0 % of the net SOTR came to Rs. 2025.20 crore, out of which PRIs @ 4.79% were entitled to 1620.16 crore, while the ULBs @ 1.21 % to Rs. 405.04 crore. As per the figures furnished by the State Finance Deptt., the total funds transferred to PRIs during this period is Rs. 1710.80 crore as against 1620.16 crore as per the SFC's award, and to ULBs Rs. 648.21 crore as against 405.04 crore.

**3.16** The table below gives the various grants purported to have been transferred to local bodies.

**Table – 3.7 : Transfer to PRIs and ULBs**

(Rs. in crore)

| PRIs | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Total |
|---|---|---|---|---|---|---|
| Basic grants / State Schemes | 216.24 | 236.50 | 223.13 | 270.00 | 330.00 | 1275.87 |
| Transfer to PRIs (other expenditure) | 47.39 | 66.96 | 84.00 | 107.45 | 129.17 | 434.97 |
| Grants to PRIs including assigned revenues | 62.16 | 60.77 | 64.55 | 74.32 | 136.72 | 398.52 |
| **Total** | **325.79** | **364.23** | **371.68** | **451.77** | **595.89** | **2109.36** |
| **ULBs** | | | | | | |
| Transfers of ULBs including State Schemes | 48.93 | 207.61 | 54.22 | 142.05 | 195.40 | 648.21 |
| Grants to ULBs including assigned revenue | 521.73 | 498.45 | 444.00 | 686.43 | 694.76 | 2845.37 |
| **Total** | **570.66** | **706.06** | **498.22** | **828.48** | **890.16** | **3493.58** |

It may be observed that the four State Plan Schemes, which have been made part of the devolution to PRIs, claimed nearly 37% of the total devolution to PRIs; the basic grant provided to PRIs constitutes the other about 60%. The State Govt. has also included, as transfer to PRIs by way of grants, certain other expenditure. This amounts to Rs, 434.97 crore in the five year period aforementioned, and includes, apart from general purpose grants to Zila Panchayats, honorarium to Panchayat office bearers, training to office-bearers, salary to Panchayat secretaries, prizes for best Panchayats, Zila Panchayat Sammelan, Panchayat Gazettes and an unexplained 'PRIs related charges'. These charges include the expenditure on the salary of Panchayat Auditors, who are Govt. employees. Thus the Govt. has included all other expenditure connected with PRIs, as transfer of funds to them. **This is not a very reasonable classification. The normal presumption is that only that part of the fund should be treated as transfer to PRIs which they can spend. Expenditure incurred on Zila Panchayat Sammelan, Panchayat Gazette and 'PRI related charges' should not be treated as transfer of funds to PRIs.**

**3.17** Similar is the situation with respect to transfer of funds to ULBs. A case has been made out that as against the FC's award of Rs.405.04 crore, a total of Rs.648.21 crore has been transferred to the ULBs during this period. The basic services grant provided is only Rs.205.69 crore which is less than 30% of the total transfer. The maximum amount of Rs.340.91 crore has been provided as grant for urban infrastructure. No grant was provided under this head in the year 2007-08; the very next year (2008-09) the provision was Rs.161 crore, while the next year (2009-10) it came down out to Rs.7.50 crore. It appears that this grant has been released on the basis of demand and selectively. **One of the important principles of transfer of funds is that the transfer should be predictable so that the local bodies can plan their expenditure. From the manner in which transfer of funds have been made to the ULBs, it is obvious that this principle has not been observed. The total grants provided under various other heads, including Entry Tax Compensation, Passenger Tax, Grants, Entertainment Tax, FL License fees, etc amounted to Rs.2845.37 crore. Thus, the total amount transferred to the ULBs in the last 5 years is Rs.3243.88 crore.**

**3.18** It is to be noted that the modality of transfer of funds to ULBs is laid down in the Chhattisgarh Municipal Urban Development Rules, 2003. Funds are provided to the ULBs by the State Govt. following the provisions of these Rules. The Rules provide for creation of a Chhattisgarh Municipal Infrastructure Fund with provision for opening two accounts in this Fund; first, the Devolution Account and second the Infrastructure Account. The Rules provide that the grants received from the State Govt. on the basis of recommendations of the

Finance Commission, for improvement of the basic services, 'shall also be transferred to the Infrastructure Account'. The 'Devolution Account' is mainly meant for transfer of the proceeds of the Entry Tax which is by the way of compensation for abolition of which Octroi was a major source of income of the Municipal bodies. It was abolished by the State Govt. In 1976 and against the revenue lost, compensation is being provided to the ULBs. This should not be treated as devolution of funds. Infact, the whole scheme of transfer, as embodied in **these Rules, needs a fresh look. The manner in which grants are given to the ULBs, including the award of the SFC, leaves very little discretion with the local bodies to plan and fund schemes and works as per local needs. While the State Govt. has a number of plan schemes for assistance to ULBs, these do not fill the gap in the financial resources required by them for the provision of basic services.**

**3.19** The overall position of transfer of financial resources by the State Govt. to the local bodies, including those under various schemes of the State Govt., comes to an average of 5.2% of the own revenues of the State, 2.9% of the total revenues of the State, and 2.7% of total expenditure of the State annually, in these five years. The year wise position is given in the table below :

**Table 3.8 : Transfer to PRIs/ULBs as percentage to State's Own Revenue/Total Revenue /Total Expenditure**

(Rs. in crore)

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 (RE) |
|---|---|---|---|---|---|
| 1.Own Revenue Receipts (Tax+Non Tax) | 7638.52 | 8795.93 | 10166.27 | 12840.46 | 15031.94 |
| Transfer to-PRIs (%) | 4.3 | 4.1 | 3.7 | 3.5 | 4.0 |
| Transfer to-ULBs (%) | 7.5 | 8.0 | 4.9 | 6.5 | 5.9 |
| 2. Total Revenue | 13878.65 | 15662.76 | 18153.65 | 22719.54 | 27708.3 |
| Transfer to-PRIs (%) | 2.3 | 2.3 | 2.0 | 2.0 | 2.2 |
| Transfer to-ULBs (%) | 4.1 | 4.5 | 2.7 | 3.6 | 3.2 |
| 3.Total Expenditure | 14472.91 | 17226.07 | 20910.44 | 22876.16 | 32747.46 |
| Transfer to-PRIs (%) | 2.3 | 2.1 | 1.8 | 2.0 | 1.8 |
| Transfer to-ULBs (%) | 3.9 | 4.1 | 2.4 | 3.6 | 2.7 |

**3.20** The nature of transfer of funds to PRIs and ULBs, particularly the ULBs, is not in keeping with the spirit of the relevant provisions of the Constitution. While adequate funds, in fact more than the devolution recommended by the State Finance Commission, may have been transferred to the local bodies, the manner in which funds have been provided does not enable the local bodies to function as units of self-govt. The Govt. continues to provide funds under its own schemes. The transfers are neither certain nor predictable. This does not enable local bodies to plan development of infrastructure and provision of basic services. In fact, in the matter of accounting also it is observed that all funds of State Plan Schemes and some even of Central Govt. Schemes (such as Mid-Day Meals Programme) are treated as 'financial assistance' to local bodies and all the expenditure are booked under 'grant' head. Consequently, the C&AG books all such expenditure as 'financial assistance' to local bodies. The figures given in the table below are from the C&AG's report on State Finances for the year 2010-11.

**Table 3.9 : Financial Assistance to Local Bodies**

| Heads | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|
| Panchayat Raj Institution | 769.82 | 955.14 | 1299.47 | 1520.71 | 1835.92 |
| Urban Local Bodies | 544.84 | 618.15 | 737.26 | 577.71 | 905.50 |
| Total assistance to Local Bodies | 1314.66 | 1573.29 | 2098.42 | 2098.42 | 2741.42 |
| % of total expenditure of the year | 11% | 11% | 12% | 10% | 12% |

As is seen from the table above, on an average 'financial assistance' provided to local bodies constituted over 10% of the total expenditure of the State Govt. This presents inflated figures as financial assistance to local bodies and is misleading. The above includes assigned revenues from certain taxes, share of own tax revenues as recommended by the Finance Commission, funds provided under the various State Govt. schemes, and some Central Govt. schemes. This also includes transfer of funds by the line Deptts. to fund the functions transferred by them to the local bodies after the 73rd and 74th amendment to the Constitution. The expenditure on these functions was being incurred by the line Departments in any case and hence this should not be treated as 'financial assistance' to PRIs/ULBs. Similarly, funds provided for agency functions should not be treated as 'grants'.

**3.21 It is advisable that the manner of presentation in accounts of funds transferred to local bodies be reviewed in consultation with the C&AG, if necessary. The accounts should clearly show funds transferred to the PRIs/ULBs as per the recommendations of the SFC. In the absence and such clarity, the impact of the SFC's recommendations on the State's finances cannot be assessed by the next SFC and the Central Finance Commission. Although separate budget books are prepared since last year for PRIs and ULBs by the State Government, these do not reflect the position clearly. In fact, these are only extracts of the detailed budget of the concerned Departments. In its present form it does not include assigned revenues. The books should clearly reflect the funds given to the local bodies by way of assigned revenues, financial devolution by the SFC, grants provided under Plan schemes, other grants provided by the State Govt. , grants**

**provided by the Central Finance Commission and funds transferred by the line Department separately. Only then will the purpose for which these books are prepared, as per the recommendations of the CFC, shall be served.**

### Implementation of 13th Finance Commission Recommendations

**3.22** Under the 13th FC award, Chhattisgarh was allocated Rs. 2267.29 crore as a share of 2.59 percent of total divisible pool of general basic grant and general performance grant, and a share of 13.21 percent in the divisible pool of the special area grants. The allocation of the said amount among PRIs and ULBs was Rs. 1814.28 crore and Rs. 453.02 crore respectively. In addition to the above, an amount of Rs. 647.11 crore was provided towards Central contribution to Calamity Relief Fund. The year wise allocation of grants is given in Table 3.10.

**Table 3.10 : 13th Finance Commission Allocation of Funds to Chhattisgarh**

(Amount in Rs. Crore)

| | Item | 2010-11 | 11-12 | 12-13 | 13-14 | 14-15 | Total |
|---|---|---|---|---|---|---|---|
| | **Local Bodies** | | | | | | |
| 1 | **General Basic Grant** | **194.4** | **225.4** | **263.5** | **312.2** | **369.6** | **1365.2** |
| | i) PRIs | 155.5 | 180.3 | 210.8 | 249.8 | 295.7 | 1092.2 |
| | ii )ULB | 38.9 | 45.1 | 52.7 | 62.4 | 73.9 | 273.0 |
| 2 | General Performance Grant | **0.0** | **77.1** | **180.8** | **213.3** | **251.6** | **722.8** |
| | i) PRIs | 0.0 | 61.7 | 144.6 | 170.6 | 201.3 | 578.2 |
| | ii )ULB | 0.0 | 15.4 | 36.2 | 42.7 | 50.3 | 144.6 |
| 3 | **Total General Grant** | **194.4** | **302.5** | **444.3** | **525.5** | **621.2** | **2088.0** |
| I | Total Grant : PRIs | 155.6 | 242.1 | 355.6 | 420.5 | 497.1 | 1670.9 |
| II | Total Grant : ULBs | 38.8 | 60.4 | 88.7 | 105.0 | 124.1 | 417.1 |
| III | Special Area Grant | 21.1 | 31.6 | 42.2 | 42.2 | 42.2 | 179.3 |
| | **Total Grant : Local Bodies** | **215.5** | **334.1** | **486.5** | **567.7** | **663.4** | **2267.3** |

Source : 13th FC Report, Annexure 10.15

### Grants to PRIs

**3.23** The 13th Finance Commission had provided to the PRIs in the State a share of 2.65 per cent in the total divisible pool of General basic and General performance grants. Though the Commission did not insist on fulfilment of any condition for the drawal of its grant for 2010-11 by the States, it laid down certain conditionalities to be satisfied by each State for the drawal of General Area Grant from 2011-12 onwards. For drawal of General Area Performance Grant, the Finance Commission stipulated nine eligibility conditionalities for being satisfied by the States, which included a proper accounting framework, audit under guidance of C & AG, appointment of independent local body Ombudsman, etc. The State government has complied with all the conditionalities laid down by the Finance Commission and the Government of India has released Rs.170.55 crore for 2010-11 and Rs.308.42 crore for 2011-12 to the State. The entire two years' grant of Rs.478.97 crore was apportioned among the GPs, JPs and ZPs initially in the ratio of 60:25:15 respectively. Following this formula State Govt. released Rs. 102.14 to GPs, Rs. 42.73 crore to JPs and Rs. 25.68 crore to ZPs in the year 2011-12. However later the ratio was changed to 70:20:10.

**3.24** Detailed guidelines were issued by the State government for the utilization of the Central FC Grants. The General Areas Basic Grant and the Aggregate Special Areas Grant were allocated to the ZPs and JPs sector-wise (30%), and exhaustive list of works that could be taken up under each of the specified sectors were clearly indicated. Similarly works which could be taken up with the grant earmarked to GPs (70%), were also specified, without any specific sectoral allocation of the grant.

**Urban Local Bodies**

**3.25** Under 13[th] FC Award, Rs. 453.02 crore was allocated to Urban local bodies towards general and basic grant ( Rs. 417.10 crore ) and special area basic & performance grant (Rs. 35.10 crore) as has been shown in table 3.10. The State Govt. decided to allocate these funds to undertake works relating to solid waste management (SWM), storm water drainage, water supply, sanitation and other related works as also to maintain a database on all aspects of urban governance. The allocations to different types of ULBs can be seen from the Table 3.11.

**Table 3.11 : Allocation of Funds to ULBs under 13[th] Finance Commission**

*(Rs. in crore)*

| | Type of ULBs | SWM | SW Drains | Water Supply | Sanitations | Database | Total |
|---|---|---|---|---|---|---|---|
| 1 | Muni. Corporation | 91.68 | 82.04 | 53.74 | 28.01 | 3.75 | 259.22 |
| 2 | 13 Muni. Councils | 10.18 | 27.14 | 36.82 | 2.4 | 3.25 | 79.79 |
| 3 | 19 Muni. Councils | -- | -- | -- | -- | -- | 10.65 |
| 4 | 6 NPs | 8.96 | 9.7 | 7.75 | 2.85 | 1.5 | 30.76 |
| 5 | 120 NPs | | | | | | 71.35 |
| | Total | | | | | | 451.77 |

The Commission found variations in the allocation of funds to the different types of ULBs. Municipal Corporations got 52.22 percent; Municipal Councils 20.24 percent and NPs 22.54 percent. This is broadly in tune with the population of these three types of local bodies as per census 2001. The Municipal Corporations were allocated Rs. 259.22 crore. In case of MCs the Govt. allocated Rs. 91.69 crore of which Rs. 79.79 crore were allocated to 13 MCs and the remaining to the other MCs for the procurement of soild waste machinery. Similarly Rs. 102.11 crore were allocated to NPs of which Rs. 30.76 crore were given to six NPs and the remaining to 120 other NPs for procurement of machinery for solid waste and the remaining to 120 other purposes.

**3.26** The Govt. laid down criteria for allocation of 13$^{th}$ FC funds based on population, demand, potential for investment, absorption capacity, etc. The Govt. assumed that several local bodies do not have adequate capacity to absorb funds and allocated based on its judgment. The district head quarter ULBs received higher allocations than others as the government felt that these ULBs need to improve their infrastructure. In the informal discussions the Commission have had with the officials, it was informed that as the release of 13$^{th}$ FC funds is subject to submission of utilization certificates and the government seem to have considered the capacity of the ULBs to commit expenditure and submit the certificates on time.

**3.27** There appears to be a need for some element of uniformity in the approach of successive Finance Commissions so far as grants to local bodies are concerned. For instance, specific earmarking of grants to maintenance of accounts and creation of a data bank was made by the 9$^{th}$ Finance Commission, while no such earmarking was made by the subsequent commissions. States may find it difficult to meet costs involved after the award period is over, if they act upon the recommendation of a Finance Commission that involves outlay of a recurring nature. It is desirable if each Finance Commission selects certain core areas for which local bodies need some earmarked grants. This, the State Govt. may recommend for consideration of the 14$^{th}$ Finance Commission.

# CHAPTER 4

# Review of State Finances

**4.1** An evaluation of the fiscal capacity of the State is necessary to assess the extent to which transfer of funds from the State Govt. to local bodies may be made without upsetting the resource base required for the State to meet its committed liabilities and pursue socio-economic development, while not ignoring the resources that the local bodies must have for effective delivery of basic services and discharging their Constitutional responsibilities to the citizens. This requires an analysis of the finances of the State to project for the next five years Govt's own revenues from taxes, duties, etc which may be shared with the PRIs and the ULBs and also the total revenues of the State Govt. from which suitable grants both untied and tied, may be provided to the local bodies.

**4.2** We have made a review of the finances of the State Govt. of the last five year period i.e. 2006-07 to 2010-11 to see the trends of revenues and expenditure, so as to project the revenues and expenditure for the coming five years i.e. 2012-13 to 2016-17, i.e. the award period of the Commission. Generally the nexus between the growth of GSDP and the revenues and expenditure of the State during the last five years has been used to arrive at the normative values of such projections. This Commission also had the benefit of the projection of revenue and expenditure made by the 13$^{th}$ Finance Commission (13$^{th}$ FC) for the period 2010-15. The Commission has looked at the actual for the years 2010-11, for 2011-12(RE) and the budget estimates for the year 2012-13, as against the projections made by the 13$^{th}$ FC. We have also considered the projections of revenue made by the State Govt. for the Twelfth Five Year plan, the period of which coincides with the award period of this Commission. The projections made by the Commission are broadly based on this, but to an extent moderated by the trend growth rate (TGR) of revenues and other factors. The data and information for this reviewed have been drawn from the budget documents of the Government. We have also drawn extensively on the excellent report of the C&AG of India on State Finances for the year ending 31.03.2011.

## Gross State Domestic Product (GSDP)

**4.3** The GSDP mirrors the economic development of a State and also serves as a proxy for the fiscal capacity of the State. Hence a brief discussion of trends in GSDP is called for. Chhattisgarh, which has completed a little more than a decade of its existence as a separate State, has recorded a high rate of growth of GSDP. The long term growth rate of GSDP of the State has been an impressive 14.52% at current prices and 8.12% at constant prices. During the last five years (2006-07 to 2010-11) the trend growth rate at current prices has been 14.35% inspite of a bad year (2009-10) in which the growth rate dipped to a low of 2.36%. The growth rate at constant prices during the same period was 7.40%. The trend of GSDP growth in the last five years is given in the table below:

**Table 4.1 : Trends in GSDP Growth**

| At current price | 2006-07 | 2007-08 | 2008-09 | 2009-10 (P) | 2010-11 (Q) | 2011-12 (A) |
|---|---|---|---|---|---|---|
| GSDP (Rs. in crore) | 66874.89 | 80255.11 | 96972.18 | 99261.96 | 117566.74 | 135536.34 |
| Growth rate (%) changing over previous year | 25.28 | 20.10 | 20.83 | 2.36 | 18.44 | 15.28 |
| **At Constant Price** | | | | | | |
| GSDP (Rs. in crore) | 58598.16 | 63643.77 | 68982.11 | 71221.19 | 79166.09 | 87723.17 |
| Growth rate % | 18.60 | 8.61 | 8.39 | 3.25 | 11.16 | 10.8 |

*Source: Economics Survey, 2011-12, Directorate of Economics and Statistics, Govt. of C.G*
P-Provisional, Q-Quick Estimate, A-Advance Estimate

There was a drastic dip in the growth rate in the year 2009-10. This was a bad year with a drought situation in 66 blocks of 12 districts. The growth of the primary sector was marginal while there was a negative growth (-7.38%) in the secondary sector. The service sector's better growth could not compensate the failure of the other two sectors. This year may have to be treated as an aberration. The economy of the State bounced back to appreciable growth the very next year (2010-11) al beit on a lower base. Even after taking into account the bad year, the trend growth rate has been 14.35% of the five year (2006-11) period. The five year trend growth rate at constant prices works out to 7.40% which is higher than the national average. It is however, estimated that the GSDP of State at current prices in the year 2011-12 will be Rs. 1,35,536.34 crore, registering a growth of 15.28% over 2010-11. At constant prices the growth rate is likely to be 10.81%.

**4.4** The sectoral growth rates of GSDP also do not reveal a clear trend. The average growth rate of the primary sector during the five year period works out to 14.85%, while it has been as high as 25% in 2007-08 and as low as 1.02% in 2010-11. Similarly, the average growth rate of the secondary sector is 20.93%, while the fluctuations have been of the order of 51.80% in 2006-07 and (-) 7.38% in 2010-11. The growth of tertiary sector, however, has not displayed such wide variations. But, while the services sector has driven the economic growth in the country, its contribution to GSDP in Chhattisgarh is almost constant at 33 to 35%. It has registered some increase only in the last two years. At constant prices, the contribution of the services during the 11th FYP was 11.17%, more than the plan target of 8%.

**4.5** The long-term GSDP growth rate has been 14.52%. The 13th Finance Commission has assumed a growth rate of about 12.5% at market prices till 2015. This has been arrived at after making the necessary adjustments for bringing up the GSDP of all States to a comparable level and taking into account the growth target rate of GSDP over the same period as fixed by the Planning Commission. The GSDP of the State for 2010-11 and 2011-12 exceeds the forecast by the 13th FC, as follows:

| Year | 13th FC Forecast (Rs. in Cr) | Estimated (Rs. in Cr) | |
|---|---|---|---|
| 2010-11 | 102004 | 117566.74 (Q) | 15.3% Higher |
| 2011-12 | 114728 | 135536.34 (A) | 18.2% Higher |

**4.6** As already mentioned the trend growth rate of the last five years (2006-07 to 2010-11) at current prices has been 14.35%. Considering that mining activities in the State are bound to grow given the large deposits and coal, iron-ore, bauxite etc; that a number of large power plants are likely to be commissioned; and that there is considerable growth of construction activities in the State and growth of the transport sector, it will be reasonable to assume that the State's economy will grow at a rate equal to the long-term average, if not higher. However, we have also to factor in the economy of the country, which is bound to affect the State. The growth of the economy has slowed down and the growth rate for the year 2011-12 has been scaled down to 6.50 to 7% from 9%. The overall outlook of the economy casts doubts about the 12th plan target growth being achieved. This will have its impact on the State. The forecast of GSDP growth rate at current price for the year 2011-12 at 15.28% is slightly more than the long-term average of the State. In this background, we propose to adopt, for the purpose of our evaluation of the fiscal capacity State, a growth rate of GSDP at current price, equivalent to the long term growth of 14.5% for the years 2012-17. This will be at a rate higher than the rate adopted by the 13th FC. This is also marginally different from the projections made by the State Govt. for the 12th Five Year Plan on the basis of the recommendations of the Planning Commission Working Group. These projections are apparently based on the trend growth rate of GSDP of the State at 12.8% and as per approved plan are as under:

(Rs. in crore)

| 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| 1,52,830 | 1,72,330 | 1,94,318 | 2,19,112 | 2,47,070 |

GSDP estimates for the base year (2011-12) is 15.28% higher than the previous year at Rs. 1,35,536.34 crore. For the purpose of our calculation it has been moderated to 14.5%. Thus the base year GSDP has been taken as 1,34,613 core. For the period 2012-17 the GSDP projected on the above basis is as under:

**Table-4.2 : GSDP (at Current Prices)**

(Rs. in crore)

| Base Year 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| | 14.5% | 14.5% | 14.5% | 14.5% | 14.5% |
| 1,34,613 | 1,54,132 | 1,76,481 | 2,02,072 | 2,31,371 | 2,64,920 |

We have assumed GSDP growth as above, during the award period of the Commission (2012-17) for all purposes.

## Financial Status of the State

The financial position of the State as it was in 2006-07 and in 2010-11 i.e. over the period of last five years, as also the position in 2011-12 and as in the current year's budget, is given in the table below:

**Table-4.3 : Financial Position of the State**

(Rs. in crore)

| S.No. | Description | 2006-07 A/C | 2010-11 A/C | 2011-12 RE | 2012-13 BE |
|---|---|---|---|---|---|
| **I** | **Revenue Receipts (a+b)** | **11453.24** | **22719.54** | **27708.30** | **31378.64** |
| **(a)** | **State's Receipts** | **6497.06** | **12840.46** | **15031.94** | **17521.15** |
| 1. | Tax Revenue | 5045.72 | 9005.14 | 10494.76 | 12175.59 |
| 2. | Non Tax Revenue | 1451.34 | 3835.32 | 4537.18 | 5345.56 |
| **(b)** | **Central Receipts from centre** | **4956.18** | **9879.08** | **12676.36** | **13857.49** |
| 1. | States Share in Central Taxes | 3198.77 | 5425.19 | 6517.22 | 7494.83 |
| 2. | Grant in Aid | 1757.41 | 4453.89 | 6159.14 | 6362.66 |
| **II** | **Capital Receipts** | **196.53** | **-769.06** | **4488.16** | **5793.90** |
| | Recovery of Loans & Advance | 356.92 | 563.81 | 1253.08 | 1571.70 |
| **III** | **Total Receipts** | **11649.77** | **21950.48** | **32196.46** | **37172.54** |

| | | | | | |
|---|---|---|---|---|---|
| **IV** | **Non Plan Expenditure** | **6228.09** | **11299.72** | **13774.74** | **15642.42** |
| | **Revenue Expenditure (Include Interest Payments)** | **6194.03** | **11286.39** | **13762.68** | **15631.14** |
| | Loan & Advance | 1025.53 | 1198.37 | 11.27 | 10.47 |
| **V** | **Plan Expenditure** | **5545.30** | **11576.44** | **18972.72** | **21931.19** |
| | Revenue Expenditure | 2608.41 | 8069.36 | 11805.01 | 12788.24 |
| | Capital Expenditure | 2169.08 | 2950.52 | 5843.34 | 7189.08 |
| | Loan & Advance | 767.81 | 556.56 | 1324.37 | 1953.87 |
| **VI** | **Total Expenditure** | **11773.39** | **22876.16** | **32747.46** | **37573.61** |
| VII | Revenue Expenditure | 8802.44 | 19355.75 | 25567.69 | 28419.38 |
| VIII | Capital Expenditure | 2198.10 | 2951.51 | 5844.13 | 7189.89 |
| IX | Loan & Advance | 772.85 | 568.90 | 1335.64 | 1964.34 |
| **X** | **Revenue Deficit** | **2650.80** | **3363.79** | **2140.61** | **2959.26** |
| **XI** | **Fiscal Deficit** | **36.77** | **409.75** | **(-)3786.08** | **(-)4623.27** |
| **XII** | **Primary Deficit** | **1062.30** | **1608.12** | **(-)2531.74** | **(-)3280.73** |

Source :Basic Data, C.G. Govt., Finance Secretary's Memorandum of respective years.

During the last five years (2006-2011), the total expenditure of the State has expanded by nearly 200% from Rs. 11,773 crore to Rs. 22,878 crore and by the current year more than 300%.

The State's fiscal position in terms of GSDP (current prices) during the last five years has been as under:

**Table-4.4 : Fiscal Indicators-II**

| **S.** | **Description** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **Average of 6 years (with RE)** |
|---|---|---|---|---|---|---|---|---|
| **No** | | **(A/C)** | **(A/C)** | **(A/C)** | **(A/C)** | **(A/C)** | **(RE)** | |
| **I** | **Revenue Receipts (a+b)** | **17.13** | **17.29** | **16.15** | **18.29** | **19.32** | **20.44** | **18.10** |
| (a) | State's Receipts | 9.72 | 9.52 | 9.07 | 10.24 | 10.92 | 11.09 | 10.09 |
| 1. | Tax Revenue | 7.55 | 7 | 6.80 | 7.18 | 7.66 | 7.74 | 7.32 |
| 2. | Non-tax Revenue | 2.17 | 2.52 | 2.27 | 3.07 | 3.26 | 3.35 | 2.77 |
| (b) | Central Receipts | 7.41 | 7.78 | 7.08 | 8.05 | 8.4 | 9.35 | 8.01 |
| **II** | **Capital Receipts** | **0.29** | **0.63** | **1.97** | **2.57** | **(-)0.65** | **3.31** | **1.35** |
| **III** | **Total Receipts** | **17.17** | **17.93** | **18.12** | **20.86** | **18.67** | **23.75** | **19.46** |
| **IV** | **Total Expenditure** | **17.61** | **18.03** | **17.76** | **21.07** | **19.46** | **24.16** | **19.68** |
| **V** | **Revenue Expenditure** | **13.16** | **13.51** | **14.22** | **17.39** | **16.46** | **18.86** | **15.60** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| VI | Loans and Advance | 1.16 | 0.63 | 0.51 | 0.91 | 0.48 | 0.99 | 0.78 |
| VII | **Revenue (Surplus)** | **3.96** | **3.79** | **1.93** | **0.89** | **2.86** | **1.58** | **2.50** |
| | | | | | | | | |
| VIII | **Fiscal Deficit** | **0.05** | **(-)0.16** | **(-)1.06** | **(-)1.77** | **0.35** | **(-)2.80** | **(-)0.89** |
| IX | **Primary Surplus/Deficit** | **1.59** | **1.26** | **0.05** | **(-)0.67** | **1.37** | **(-)1.87** | **0.29** |

**4.7** The 13th Finance Commission had recommended, as part of the road map for fiscal consolidation, that States with zero revenue deficit or revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12. Secondly, that such States should achieve a fiscal deficit of 3% of GSDP by 2011-12 and maintain it thereafter. The Commission had urged States to limit their borrowings. It had asked the States to amend the Fiscal Responsibilities and Budget Management (FRBM) Act to bring it in line with the above recommendations. The State Govt. has accordingly amended the FRBM Act in 2011. As per this amendment the State Govt. shall maintain the revenue deficit at 3% of GSDP during the same period. The amendment also provided, in compliance the 13th FC stipulation, that a limit on the total outstanding debts of the State as a percentage of GSDP to be within 22% in 2010-11 to 23.90% in 2014-15.

**4.8** The State has adhered to these targets. The State has maintained a revenue surplus during the last five years (2006-11) and also during the year 2011-12(RE) and 2012-13(BE) which cover three years of the 13th FC award period. The fiscal deficit has also been maintained at a low level and has not exceeded the target of 3% since 2006-07. In fact, the State had a fiscal surplus in 2009-10 and 2010-11. The State's total debts as on 31.03.2011 of Rs. 13,447.74 crore which is 11.45% of the GSDP, much below the limit prescribed in the FRBM Act. Thus, the State has not only complied with the fiscal targets prescribed by the 13th FC but has maintained an overall robust fiscal position. We would, however, like the State Govt. to consider how far it is prudent, from economic development point of view, to have fiscal surplus. A new State needs large investment in infrastructure and the surplus funds could perhaps be mobilized for creative productive assets. There are also some incipient concerns in the management of finances, about which our observation and suggestions have been given later in the report.

**<u>State's Revenue Receipts:</u>**

**4.9** The revenue receipts of the State, including State's own revenue, comprising tax and non-tax revenues, the Central tax transfers and grant-in-aid increased at a rate of 18.7%

during the last five years (2006-11). The CAGR of revenue receipts of the State during the period 2001-10 was 19.46% as against 15.20% for all General Category States in the country. The above growth rate has, however, come down to 13.3% in 2012-13 (BE). While nearly 57% of the revenue receipts in the year 2010-11 came from the State's own resources, the Central transfers and grant-in aid together contributed 43%. The trend in revenue receipts relative to GSDP and the revenue buoyancy with respect to GSDP, are given in the table below:

**Table-4.5 : Trends in Revenue Receipts relative to GSDP**

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | CAGR | 2011-12(RE) | 2012-13(BE) |
|---|---|---|---|---|---|---|---|---|
| Revenue Receipts (RR) (Rs. In crore) | 11453 | 13879 | 15663 | 18154 | 22720 | 18.7 | 27708 | 31379 |
| Rate of growth of RR (*percent*) | 29.6 | 21.2 | 12.86 | 15.9 | 25.15 | - | 21.9 | 13.3 |
| RR/GSDP (*percent*) | 17.7 | 17.48 | 16.2 | 18.3 | 19.3 | - | 20.4 | 19.11 |
| Revenue Buoyancy with respect to GSDP | 1.17 | 1.06 | 0.62 | 6.74 | 1.36 | - | 1.43 | 0.63 |

The revenue receipts increased from Rs. 11,453 crore in 2006-07 to Rs. 27,708 crore in 2011-12 (RE). The buoyancy of revenue has been more than 1 during the last three years but is likely to be lower at a 0.63 in the current year.

**State's own Revenue Receipts (SOTR):**

**4.10** The States performance in mobilizing internal resources has been quite good. The tax administration costs in C.G have been relatively lower than the national average, showing greater effectiveness in tax collection. The trend of collection of tax and non-tax revenue in the State, during the last five years (2006-11), has been as under:

**Table-4.6 : State's Own Revenue**

(Figures in Crores)

| HEADS | YEARS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | CAGR | 2011-2012 (RE) | 2012-13(BE) |
| Tax Revenue (SOTR) | 5046 | 5618 | 6594 | 7123 | 9005 | | 10,494.76 | 12175.60 |
| Rate of Growth (%) | 24.53 | 11.34 | 17.37 | 8.03 | 26.42 | 15.6 | 16.54 | 16.02 |
| Non-Tax Revenue | 1451 | 2021 | 2202 | 3043 | 3835 | | 4537.18 | 5345.60 |
| Rate of Growth (%) | 18.06 | 39.28 | 8.96 | 38.19 | 26.03 | 27.5 | 18.30 | 17.82 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| State's Own Revenue Receipt(Tax+ Non-Tax) | 6497.06 | 7638.52 | 8795.9 | 10166.3 | 12840.5 | | 15031.94 | 17521.15 |
| As percentage of total Receipts | 55.8 | 53.09 | 50.06 | 49.1 | 58.5 | | 46.69 | 47.13 |

While the State's own revenues have grown substantially in terms of percentage of total receipts, the percentage is less in the years 2011-12 (RE) and in 2012-13 (BE) mainly because of higher Central Tax transfers following the 13th Finance Commission award.

The actual receipts under the tax and non-tax revenues have, however, been more than the assessment made by the 13th Finance Commission, as under:

**Table-4.7 : 13th Finance Commission Forecast of Revenues**

| Year | 13th Finance Commission Forecast | | Actual | |
|---|---|---|---|---|
| | Tax Revenue | Non-Tax Revenue | Tax Revenue | Non-Tax Revenue |
| 2010-11 | 8946.59 | 2389.38 | 9005.14 | 3835.36 |
| 2011-12(RE) | 10062.56 | 2516.25 | 10494.76 | 4537.18 |
| 2012-13(BE) | 11320.38 | 2652.46 | 12175.59 | 5345.56 |

**Tax Revenue:**

**4.11** The tax revenue of the State (SOTR) has had a CAGR of 15.6% during the last five years (2006-11). The CAGR of OTR during 2001-02 to 2009-10 was 17.26% as against 14.53% of the General Category States. However, the growth rate has not been consistent and ranged between 8% and 26% and is about 16% in 2011-12 (RE) and in the budget estimates of the current year.

**4.12** The main tax revenues of the State are taxes on sales, trade, etc (VAT), State excise, taxes on vehicles and stamps and registration fees. The sector-wise components of tax-revenue for the period 2006-11, as also for the year 2011-12 (RE) and 2012-13 (BE), were as under:

**Table-4.8 : Sector-wise components of Tax Revenue**

(Rs. in crore)

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12(RE) | 2012-13(BE) |
|---|---|---|---|---|---|---|---|
| Taxes on Sales, Trade, etc. | 2,843 | 3,024 | 3,611 | 3,712 | 4,841 | 6,000 | 7,200 |
| State Excise | 707 | 843 | 964 | 1,188 | 1,506 | 1,550 | 1,650 |
| Taxes on Vehicles | 253 | 277 | 314 | 352 | 428 | 475 | 550 |
| Stamps and Registration Fees | 390 | 463 | 496 | 583 | 786 | 875 | 1,000 |
| Land Revenue | 61 | 88 | 359 | 160 | 247 | 250 | 275 |
| Taxes on Goods and Passengers | 302 | 511 | 421 | 696 | 675 | 700 | 805 |
| Other Taxes | 490 | 412 | 429 | 432 | 522 | 645 | 696 |
| **Total** | **5,046** | **5,618** | **6,594** | **7,123** | **9,005** | **10,495** | **12,176** |
| **Growth Rate (*in %*)** | **24.53** | **11.34** | **17.37** | **8.03** | **26.42** | **17** | **16** |

Source : Finance Secretary's Memorandum of respective years.

**4.13** VAT constitutes nearly 60% of the total tax revenues of the State, although VAT is likely to be replaced by Goods and Services Tax (GST) with effect from 01.04.2013, and that may impact on the revenues from this source, there are doubts about the GST being introduced so soon and, in any case, GST will be revenue-neutral for five years in so far as the States are concerned. We have not, therefore, taken into account GST impact on the State's own-tax revenue.

**4.14** Generally, as the GSDP grows the State's tax revenue should also grow. This has not been the case in the State. The buoyancy of SOTR with reference to GSDP has not been consistent and as may be seen in the table below:

**Table-4.9 : Buoyancy of OTR with respect to GSDP**

| | 2006-07 | 2007-08 | 2008:-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|
| Growth of GSDP | 25.28% | 20.01% | 20.83 | 2.36% | 18.44% | 15.28% |
| SOTR Buoyancy | 0.97 | 0.57 | 0.83 | 0.34 | 1.43 | 1.08 |

Generally tax revenue has grown at a rate lower than that of GSDP.

The tax-GSDP ratio during the last five year (2006-11) has been as under:

**Table-4.10**

(Figures in Crores)

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 (RE) |
|---|---|---|---|---|---|---|
| State's Own Tax Revenue | 5045.72 | 5618.07 | 6593.72 | 7123.27 | 9005.14 | 10494.76 |
| GSDP | 66874.89 | 80255.11 | 96972.18 | 99261.96 | 117566.74 | 135536.34 |
| Tax-GSDP Ratio(%) | 7.50% | 7.00% | 6.80% | 7.20% | 7.70% | 7.70% |

The State's tax revenue in relation to GSDP (ratio) has been around 7 to 8% and the average of the last five years (upto 2010-11) comes to about 7.25%. The 13th Finance Commission, on the basis of their calculations, adopted a tax-GSDP ratio of 8.77 for the State for the period 2010-15. As we have shown the SOTR has been higher than the projection by the 13th FC during the last two year (2010-12). We propose to adopt GSDP ratio of 8 for projection of own tax revenue of the State for the period 2012-17, on the basis of the GSDP as projected by us.

**4.15** The projected SOTR of the State for the period 2012-17 on the above basis which is closer to 12th Plan estimates are as under :

**Table-4.11 : Projection of State's Own Tax Revenue**

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Estimates of State Govt. for 12th V Yr. Plan | 12719.48 | 14338.28 | 16446.01 | 18863.57 | 21636.51 |
| 13th Finance Commission projections | 11320.38 | 12735.43 | 14327.36 | - | - |
| 2nd CGSFC projections | 12175.60 | 14118.50 | 16165.80 | 18509.70 | 21193.60 |
| Tax GSDP ratio | 8 | 8 | 8 | 8 | 8 |

The tax revenues are lower than what has been projected by the State Govt. for the 12th V Yr. Plan, but higher than the estimation of the 13th FC. Our projections as above are marginally different from those made by the State Govt. from the 12th Five Year Plan. The Plan projections are based on the growth rate of 14.7%, but as may be seen the projections for the year 2012-13 is already off the mark, the budgeted figures being Rs. 12,175.59 core. The Commission feels that the projections on the basis of GSDP will be more accurate. As per our projection the SOTR shall be a total of Rs. 82163 core over the 2012-17 five year period.

<u>**Non-Tax Revenue**</u>

**4.16** The non-tax revenue of the State constitutes more than 20% of its own revenues. The compounded annual growth rate of non-tax revenues of the State during the 2001-02 to 2009-10 was 19.69% as against 13.87% of all General Category States. The CAGR of the last five years (2006-2011) has been 27.5%. The growth rate during these years, however, was not consistent and ranged between 8.96% in 2008-09 to 39.28% in 2007-08. The increase in non–tax revenue in the last two years has been mainly on account of increase in mining receipts (mineral, concession fees, royalties and other receipts), which is one of the major sources of non-tax revenue receipts of the State. This alone constituted 64% of the non-tax revenue receipts during the year 2010-11 as compared to 55% on 2009-10. This increase was mainly because royalty on coal has been revised. The initial growth in mining revenue, however, would taper off. Hence the growth rate of non-tax revenue in 2011-12 (RE) the last year is 18.3%, while it is estimated to be only 17.8% in the BE for 2012-13. Increase in mining revenue is likely with new mining activity, in the State, particularly of coal. But the higher receipts expected under two heads on account of major and minor irrigation in the years 2011-12 (RE) of Rs.277cr and Rs. 717cr respectively, and further increase in 2012-13 (BE) are unlikely to be achieved. We may therefore assume for our purpose an increase of 18% in non-tax revenue in the years 2011-12 over 2010-11 and an annual compounded growth rate of 16% during 2012-17.

**4.17** The non-tax revenue of the State projected on the above basis (CAGR of 16%) is given below; alongside are the projections made by the 13th FC. We have, however, projected non-tax revenue on the basis 3% of GSDP, that being on an average the ratio of this revenue in relation to GSDP.

**Table-4.12 : Non-tax Revenue Projections**

| Projections | 2011-12 Base year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|
| At 16% CAGR | 4425.7 | 5249.81 | 6089.78 | 7064.15 | 8194.41 | 9505.52 |
| 13th FC Projections | 2516.25 | 2652.46 | 2811.44 | 2982.90 | - | - |
| State Govt. Projections | 4348.76 | 5145.29 | 5653.47 | 6211.27 | 6823.45 | 7495.19 |
| At 3% of GSDP | 4038.40 | 4624.00 | 5294.40 | 6062 | 6941.00 | 7948 |
| Actual | 4537.00(RE) | 5345.56(BE) | - | - | - | - |

The revenues in 2011-12 (RE) and 2012-13 (BE) far exceeded the 13th FC projections, by as much as more than100%. The 13th FC projections are also far below the projections on the basis of CAGR (which is the highest) and also 3% of GSDP. We have projected SOTR on the basis of tax-GSDP ratio and hence propose to follow the same in case of non-tax revenue. At 3% of GSDP the non-tax revenue projections appear the most realistic. In the projections of non-tax revenue, again we have not gone back the State Govt. projections for the 12th Five Year Plan. The difference between the two is, in any case very small.

**4.18** As per our projections, own revenues of the State, both tax and non-tax, during the award period of the Commission are likely to be as under:

**Table-4.13 : Projected Own Revenue of State**

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|---|---|---|---|---|---|---|
| 1. OTR | 12175.6 | 14118.5 | 16165.8 | 18509.7 | 21193.6 | 82163.2 |
| 2. SONTR | 4,624.00 | 5,294.40 | 6,062.60 | 6941.00 | 7948.00 | 30869.40 |
| 3. Total own revenue | 16799.60 | 19412.90 | 22227.80 | 25450.7 | 29141.60 | 113032.60 |

## Expenditure

**4.19** We have made an analysis mainly of the revenue expenditure of the State over the last five years to arrive at projected committed non-plan revenue expenditure over the coming five years. The objective is to assess to what extent the State's own revenue meets these liabilities. Devolution of funds to local bodies to an extent has been leveraged on the surplus.

**4.20** The total expenditure of the State Govt. and its composition during the five years 2005-11 is given in the table below:

**Table-4.14 : Total Expenditure and its Composition**

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 (RE) |
|---|---|---|---|---|---|---|
| Total Expenditure | 11,773 | 14,473 | 17,226 | 20,910 | 22,876 | 32,748 |
| Rate of Growth | 26.71 | 22.93 | 19.02 | 21.39 | 9.4 | 43.15 |
| Revenue Expenditure | 8,802 (75) | 10840 (75) | 13,794 (80) | 17265 (83) | 19,356 (85) | 25,568 (78 ) |
| Of which, Non-Plan Revenue Expenditure | 6,194 | 7,264 | 8,373 | 10,448 | 11,287 | 13,763 |
| Capital Expenditure | 2,198 (19) | 3,131 (22) | 2,940 (17) | 2,745 (13) | 2,952 (13) | 5,844 (17.8) |
| Loans and Advances | 773 (07) | 502 (04) | 492 (03) | 900 (04) | 569 (02) | 1,336 (04) |

Figures within bracket are percentage of total expenditure.

The compounded annual growth rate of total expenditure of the State during 2001-02 to 2009-10 was 18.16% as against 13.53% of the General Category State. However, the growth rate ranged from 9% (2010-11), which is not a typical year to 26% (2006-07) and 43.15% in 2011-12 (RE).

**4.21** Revenue expenditure is incurred primarily to maintain the current level of services, for maintenance of assets and for interest payments. The revenue expenditure during the last 3 years has been more than 80% of the total expenditure. The non-plan component of the revenue expenditure (NPRE) has been about 60%. Although the share of total NPRE in revenue expenditure declined from 70% in 2006-07 to 58% in 2010-11, the volume has gone up by 100% in these five years. The NPRE for the last two years (2010-12) has far exceeded the normative projection of the 13th FC and same is the position for the current year (2012-13), as under:

**Table-4.15 : NPRE 13th FC Forecast and Actual**

| Year | Forecast by 13th FC | Actual | Difference in percentage |
|---|---|---|---|
| 2010-11 | 8901.89 | 11286.39 | 27% |
| 2011-12 | 9670.30 | 13762.68 (RE) | 42.3% |
| 2012-13 | 12959.42 | 15631.14 (BE) | 20.6% |

The main components of NPRE which are committed expenditure of the Govt. are salaries and wages, expenditure on pensions, interest payments and subsidies have increased consistently over the years.

1. **Expenditure on salaries and wages**: The CAGR of salaries and wages of the State during 2001-02 to 2009-10 was 15.15% as against 11.45% of General Category States. The expenditure on non-plan salaries and wages in 2010-11 was more by 22% than the assessment made by the 13th FC. Similar has been the trend in 2011-12 and 2012-13. In fact, salaries and wages (both plan and non-plan) constituted almost 30% of the Revenue receipts of the State during 2006-11.
2. **Expenditure on pension** has also been increasing substantially. It was 9% of revenue expenditure and 16% of NPRE and accounted for nearly 8% of the revenue receipt of the State during 2001-10. The expenditure on pension payment far exceeded the projections made by the 13th FC by 84% in 2010-11 and is likely to increase by 90% in 2011-12 (RE) and almost 100% in 2012-13 (BE).
3. **Interest Payment** of (Rs. 1198 crore), however, was within the projection made by 13th FC (Rs 1578 crore) for the year 2010-11. Interest payment, similarly is expected to be much lower at Rs 1254 crore and Rs.1343 crore in 2011-12 and 2012-13 as against 13th FCs projection of Rs. 1836 crore and 2126 crore respectively, for the years and 2012-13 respectively. This reflects borrowings on a lower scale by the Govt.
4. **Subsidies:** The expenditure by way of various subsides including social security and welfare has increased from Rs. 361 crore in 2006-07 to Rs 1764 crore in 2010-11, an increase of nearly 500%. In 2010-11 subsidies constituted 9% of revenue

expenditure. The major recipients of subsides were agriculture and allied activities including food storage (Rs. 622.54 crore), electricity (Rs.202 crore) and social welfare and nutrition (Rs. 887 crore). The rising subside bill of the State should be a matter of concern for the State.

4.22 The growth of **non-plan revenue expenditure (NPRE)** during the last five years has been as under:

**Table-4.16 : Non-Plan Revenue Expenditure**

| Year | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 (RE) |
|---|---|---|---|---|---|---|
| Non-Plan Revenue Expenditure | 6194 | 7264 | 8373 | 10448 | 11287 | 13763 |
| Rate of Growth | 13.68 | 17.27 | 15.27 | 24.78 | 8.03 | 21.94 |
| % of GSDP | 9.3 | 9.1 | 8.6 | 10.5 | 9.6 | 10.2 |

The CAGR of NPRE has been 16% during the years 2006-11. It was high at 21.94% in 2011-12, but has come down to about 14% in 2012-13 (BE). During the five year period 2006-11 NPR has been on an average 9.5% of GSDP. It increase to 10.02% in 2011-12 (RE) but again has come down to 9.5% in the BE of 2012-13. On the basis of 9.5% of GSDP for the first three years i.e. 2012-15 and 10% of the remaining of the remaining two years 2015-17 NPR is projected to be as follows during the period 2012-13 to 2016-17.

**Table-4.17**

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Projected GSDP | 154132 | 176481 | 202072 | 231371 | 264920 |
| Projected NPRE at 9.5/10% | 14642.5 *(9.5%)* | 16765.7 *(9.5%)* | 19196.8 *(9.5%)* | 23137.1 *(10%)* | 26492 *(10%)* |

The projected NPRE is more than the State's projected own tax revenue for these years, but is less than the State's own revenues, tax and non-tax as may be seen in the table below.

**Table-4.18 : Projected Own Revenue of State & NPRE**

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|---|---|---|---|---|---|---|
| Total own revenue | 16799.6 | 19412.9 | 22227.8 | 25450.7 | 29141.6 | 113032.6 |
| NPRE | 14642.5 | 16765.7 | 19196.8 | 23137.1 | 26492 | 100234.1 |
| Difference Surplus/Deficit | 2157.1 | 2647.2 | 3031 | 2313.6 | 2649.6 | 12798.5 |

The total own revenue of the State is likely to be more than NPRE during the next five years. We have taken this position into account while recommending devolution of funds to local bodies.

## PART-II

# CHAPTER 5

# Panchayat Raj in Chhattisgarh

### 5.1 Advent of Statutory Panchayats

(1) Panchayats have been in existence in the undivided State of MP for several decades. MP State had inherited the legislations and experiences of Panchayat system in its constituents. Each of these regions had their Acts governing their respective Panchayats. The unified MP Panchayat Act was enacted in 1962, but the then existing Panchayats continued to function in the erstwhile constituent units including Chhattisgarh area, till 1965. In 1981, a more simplified *MP Panchayat Adhiniyam*, was enacted. It was replaced by the *MP Panchayat Adhiniyam, 1990.*

(2) The undivided State of Madhya Pradesh, of which Chhattisgarh was a part, had earned the unique distinction of being the first State in the country to enact the necessary legislation conforming to the provisions of the 73rd Amendment to the Indian Constitution. The new Act, namely, the MP Panchayat Raj Adhiniyam, was enacted in 1993. Although this new Act incorporated the 11th Schedule of the Constitution as Schedule IV of the Act, there was no material change in the powers and responsibilities entrusted to the Panchayats *vis-à-vis* the provisions of the earlier Act of 1990. Even after the 73rd Amendment came into force, the functions and duties of Gram Panchayats remained identical to the Acts of 1981 and 1990. As regards the Janpad and Zila Panchayats, their functions and duties also continued to be similar. However, the MP Government took some important measures during this period such as merger of the development Blocks with the Janpad Panchayats (1995); merger of DRDA with the Zila Panchayat (1997); and preparation of annual plan for economic development and social justice of Panchayat area (1996);, etc which strengthened the Panchayat system.

(3) As a new State, Chhattisgarh adopted the pattern, systems, procedures, and executive rules of MP relating to the Panchayati Raj, as a transitory arrangement. Although the State government had introduced some modifications in the statutory provisions of the MP

Panchayat Raj Act, 1993 and adopted it as Chhattisgarh Panchayat Raj Adhiniyam (Panchayat Act), the existing scenario governing the functional and fiscal domain of the Panchayats in the State, by and large, is a replica of the MP model as it existed at the time of formation of the new State.

(4) As discussed above, Chhattisgarh had Panchayats at the village, block and district levels. At present, the entire rural sector of Chhattisgarh consisting of 20,126 revenue villages, and 54,816 habitations is covered by the Panchayats. There are 9734 Gram Panchayats at the village level, 146 Janpad Panchayats at the Block level, and 18 Zila Panchayats at the district level in the State.

(5) From Annexure 5.1 it may be seen that (a) the average number of Gram Panchayats in a district varies between 69 (Narayanpur) and 702 (Raigarh); (b) the average population of Gram Panchayats among the districts varies between 1437 (Bijapur) and 2423 (Janjgir-Champa), while the average population of a Gram Panchayat for the entire State is 2014. (c) The total number of GPs in Scheduled area in the State is 4506 accounting for 46.29% of their total. The average population covered by a Janpad Panchayat in the State is 1,34,272 though inter-district variations in population size are wide. As for the distribution of the Janpad Panchayats, their number per district ranges from 2 (Narayanpur) to 9 (Janjgir-Champa,Raigarh and Rajanandgaon). The tribal blocks in Schedule V areas (85 Nos.) constitute 58.22% of the total number of 146 blocks in the rural sector.

(6) As for the distribution of Panchayats in the State according the population size-groups, in terms of 2001 Census data, 80 per cent of the Gram Panchayats in the State cover a population of not more than 2000, and the remaining 5% of 3,000 or more. On the basis of 2011 Census data, the average population of a Gram Panchayat in the State is a little over 2,000. The primary reason for the predominance of small-sized gram Panchayats is that the dispersal of population into small habitations (majra tola) in tribal areas.

## 5.2 Gram Sabha

(1) The *Chhattisgarh Panchayat Raj Adhiniyam 1993*, defines a 'Gram Sabha' with respect to both revenue and forest 'villages'. All persons registered in the electoral rolls of the 'village' within the area of a Gram Panchayat are members of the Gram sabha. The role and powers of the Gram sabha have been redefined in the Panchayat Act to take the spirit of Panchayati Raj *beyond* the Gram Panchayats. Unlike in other States, they are clothed with far-reaching powers to ensure accountability of the Gram Panchayats to them, including the

power to 'recall' the Sarpach / Panch of the Gram Panchayat through passing of a motion of 'no confidence' motion, against the elected functionary of the Gram Panchayat, subject to certain conditions.

(2) Gram Sabhas in the State are empowered to undertake the functions of planning, selection of beneficiaries, management of natural resources, exercise control over institutions and functionaries, approval of works proposed to be undertaken by the gram Panchayat, and undertake audit and monitoring of the activities of the Gram Panchayat. In addition, all government and non-government agencies will have to inform the Gram Sabha about their work and expenditure in the village.

(3) The special provisions relating to the *Scheduled Areas* were incorporated as Chapter XIV-A in the Panchayat Act itself in 1997. These provisions provide for the constitution of Gram sabhas in village, group of habitations, a hamlet or group of hamlets comprising a community and managing its affairs with traditions and customs of the communities.

### 5.3 Reservation of Seats and Offices of Chairpersons in Panchayats

(1) The Panchayat Act provides for reservation of offices of chairpersons and seats to the SCs, STs, OBCs and women as per the provisions of the 73rd Amendment Act. In Chhattisgarh, 25% of these offices and seats are statutorily reserved for OBCs where ST/ST population is less than 50% of the total population. In order to ensure equity and natural justice to the marginalised sections of rural society, the statute provided for election of the vice-chairperson from one of the reserved categories of SCs/STs or OBCs, in cases where the chairperson does not belong to any of these reserved categories.

(2) In 2008, *two far-reaching amendments* to the existing statutory provisions relating to Panchayat elections were affected by the *Chhattisgarh Panchayat Raj (Amendment) Act, 2008* according to which: (a) definition of the term 'rotation' is 'consecutive two general elections to Panchayat' for the offices of chairpersons and members of Panchayats at different levels belonging to SCs/STs and OBCs; and (b) the percentage of seats and offices of Panchayats at all the three levels to be reserved for women was increased from a minimum of 'one-third' to 'half' for the SCs/STs and OBCs. These two significant amendments were effected to the existing Panchayat Act with a view to further empowering the mariginalised sections of the rural society in the State, particularly the women.

### 5.4 Elections to Panchayats

(1) (i) The *Panchayat Act,* provides for direct election to the Gram Panchayats and indirect elections to the posts of chairpersons of Janpad and Zila Panchayats by the members directly-elected from territorial constituencies;

(ii) Political space was provided to the members of SCs/STs in the seats and offices of chairpersons at all the three levels of Panchayats. However, in the Scheduled Areas, the reservation of seats for SCs and STs in every Panchayat is in proportion to their respective population in that Panchayat subject to the condition that reservation of seats for STs is not less than 50% of the total number of seats. Moreover, there is provision for reservation for all offices of chairpersons of Panchayats at all levels for STs. Provision for nomination at Janpad and Zila Panchayat level has been made in case STs are not represented at these levels;

(iii) The Panchayat Act was amended in 2008 providing for reservation of a minimum of 50% of seats and offices of chairpersons;

(iv) Elected MPs, both Lok Sabha and Rajya Sabha, and MLAs are members of the Zila Panchayat, while MLAs are also the members of the Janpad Panchayats;

(v) One-fifth of the chairpersons of Gram Panchayats are the members of the Janpad Panchayat by rotation every year;

(vii) As stated earlier, in 2008 the Panchayat Act was amended providing for a period of '*two terms*' for 'rotation' of seats and offices of chairpersons of Panchayats at all levels in respect of SCs/STs and OBCs.

(2) Elections to the Panchayats in the new State were conducted in 2005 and 2010 under the superintendence of the State Election Commissioner. In the 2010 elections, a total of 1,58,628 non-official functionaries were elected to the Panchayats at various levels of which 17290 (11%) were Scheduled Castes, 66147(42%) belonged to Scheduled Tribes. Among the elected functionaries, women constituted 79,314 or 50 per cent of the total.

### 5.5 Devolution of Responsibilities, Powers and Transfer of Functionaries

(1) The *Panchayat Act* provides for specific and clear functional domain and authority of the Panchayats. The principle of 'subsidiarity' has been kept in view while allocating specific responsibilities to each level of Panchayats.

(2) The Gram Panchayats had been endowed with a plethora of civic, regulatory, welfare, and maintenance functions even before the 73rd amendment to the Constitution. The

Panchayat Act provides that "it shall be the duty of GP, in so far as (its) funds allow, to *perform" the functions listed in the Act. These statutory duties may be termed as* 'autonomous functions' of Panchayats. However, performance of these mandatory functions is made contingent upon the availability of funds with the GPs. The resources statutorily assigned to the GPs for mobilization from local sources would not be able to meet the financial requirements of these autonomous functions. There lies the signification of fiscal devolution from the State's resources.

(3) The functions statutorily assigned to the GPs may be categorized as civic, regulatory, maintenance, development, planning and agency functions. The **civic functions** include sanitation, conservancy, water supply, provision of street lightening, construction and maintenance of village roads and of other village infrastructure. The **regulatory functions** include regulating shops and other vendors, eating houses, markets and *melas*, regulation of construction of houses and residential colonies in the Panchayat area, etc. The **welfare functions** are rendering assistance to disabled and destitute, promotion of youth welfare, family welfare, promotion of sports, removal of social evils like dowry and untouchability and amelioration of conditions of ST, SC and OBC, etc. The **maintenance functions** include the maintenance of the assets of the GPs, including land of the GP and also protection of historical monuments. The **other functions** include preservation of Panchayat forests, maintenance of water bodies for minor irrigation, and establishment of fair price shops, etc. The GPs are required to prepare plans for economic development and social justice. The GPs are also required to perform functions as may be assigned to them by the Govt. These are the **agency function** and include execution of Central and State schemes for rural development and poverty aviations.

(4) The Panchayat Act clothes the JPs with a large number of functions. The JP is required to prepare the annual plan in respect of the schemes of economic development and social justice entrusted to it by the Act and assigned to it by the State Govt. and Zila Panchayat. It is to consolidate the annual plans of GP and JP and submit it to ZP. The other obligatory function is to make reasonable provision in the Block for integrated rural development, agriculture, social forest, annual husbandry and fisheries, health and sanitation, welfare of women, youth and children, provision for emergency relief, management of public markets, melas, and exhibitions, etc. The JPs are also required to carry out functions as may be assigned to them by the State and Central Govt. as agent of the State Govt. But with all

these functions assigned to JPs, there is no clarity about their exact role. They have largely remained supervisory intermediate bodies.

(5) The statutory functions of the ZPs comprise preparation, coordination, supervision, evaluation, and consolidation of plans for economic development and social justice and ensuring their implementation and reallocation of funds received from the State Govt. They are also required to perform agency functions. The DRDA has been statutory merged with the ZP and all functions of the Agency have been transferred to the latter. The CEO of ZP is the Ex-Officio Project Director of the Agency. All Central and State schemes which were earlier implemented through DRDA now stand transferred to the ZP.

(6) Although the functional domains of the three tier Panchayats have been defined in the Act, the direct responsibilities of JPs and that of ZPs is not very clear. It is not clear where the supervision of JP ends and ZP begins. *The Govt. may like to make an objective and detailed review of the functional domains of all Panchayats and re-define their role more specifically, in order to ensure greater transparency, accountability, participation and efficiency in planning and implementation of developmental schemes assigned to them. The experiences of Panchayat Unions of Tamil Nadu, GPs of Kerala and district Panchayats of Maharashtra, Karnataka and Gujarat may provide some example of better reorganization of their functional domain.*

(7) *In 1998,* the MP Government had prepared an 'activity-mapping' for Panchayats identifying activities and schemes of economic development and social justice in respect of 27 'matters' against 29 'matters' listed in the Schedule-XI of the Indian Constitution. Thirteen line Departments had issued notifications transferring some of their functions, powers, and functionaries to the control of Panchayats. The functional devolution to Panchayats has been discussed in chapter 6.

## 5.6 Application of PESA

(1) The provisions of the **Panchayats (Extension to Scheduled Areas) Act, 1996** are being implemented by the State. Several State statutes have been amended in the process to make the Panchayat Act conform to the Central Act. To cite a few instances, minor forest produce would now be the property of the communities in the Scheduled Areas, and to that extent the revenues by way of royalty on MFP would not accrue to the State Government. Similarly, Gram sabhas in Scheduled Areas have been empowered to decide on the question

of sale and production of liquor in keeping with their traditions and cultural practices. There are 4,506 Panchayats in Schedule V areas, out of the total of 9,734 in the State.

### 5.7 District Planning Committees

**(1)** In pursuance of Art.243 ZD of the Indian Constitution, the Chhattisgarh government has constituted the District Planning Committees at the district level under the *Chhattisgarh Zilla Yojana Samiti Adhiniyam, 1995*. The members of the DPC comprise elected members of the Panchayats and municipalities, Minister of the State of the government, President Zila Panchayat and Collector of the district. The State government has also framed rules for the election of the members of the DPC, in respect of the composition, functions, terms of members, and conduct of business of the DCPs. The DPCs in the State have been endowed with the powers of planning, raising resources for financing their plans, and monitoring and evaluating the programmes and schemes that are implemented under decentralised planning, including the money to be allocated by the MP/MLA Fund.

### 5.8 Training and Capacity-Building

**(1)** As in other States, a State Institute of Rural Development (SIRD) namely, Thakur Pyarelal Insitute of Panchayts and Rurual Development (TPIPRD) was established in, Raipur in 2005 and has autonomous status since January 2011. The Institute has five regional training centres (RTCs) at Sarguja, Bilaspur, Jagdalpur, Kurud, and Raigarh. Its primary object is to impart appropriate training for capacity-building of the official and elected functionaries of Panchayats. RTCs cater to the training needs of the Gram Panchayat sachivs and functionaries of Janpad Panchayats. Union Ministry of Rural Development and the State Panchayat and RD Department provide funds to the SIRDs and RTCs for their mandated tasks. Besides, in 110 Blocks of the State, Panchayat Resource Centres (PRCs) have been established.

# CHAPTER 6

# Panchayat : Functional Devolution

## Devolution of Functions

**6.1** The 73[rd] Amendment Act made creation of three levels of Panchayats mandatory for big States. The crucial issue of the nature and degree of functional devolution on Panchayats at different levels was left to the discretion of the State legislatures with an enabling provision (Article-243 G). While most States have devolved powers and responsibilities on GPs through their statutes as per the provisions of Article 243 G and the XI Schedule of the Constitution, the relative importance given to the apex and middle levels of Panchayats in the allocation of functional responsibilities is however not uniform across the States in their statutes governing Panchayats. Some States like Tamil Nadu and MP entrusted to the middle tier some of responsibilities in the development arena such as agriculture, animal husbandry, public health, social welfare, women and child development, school education, etc., and made the district-level Panchayats merely advisory, co-ordinating and monitoring institutions, without any powers and responsibilities of execution of schemes. On the other hand, some States like Maharashtra, Gujarat, and Karnataka had opted for a strong Panchayat at the district level, and made the intermediate-level Panchayat implementing agencies of the schemes of district-level Panchayat.

**6.2** Some of the important measures initiated by the undivided M.P. Government after the 73[rd] Amendment were: statutory merger of the DRDA with the Zila Panchayat and transfer of all the functions of the former to the latter in 1997; enlarging the functional domain of GPs to include preparation of annual plans for economic development and social justice, and their submission to the JP's for being integrated with JPs plan, through an amendment to the principal Act in 1996; and preparation and implementation of an 'Activity-Mapping' in respect of matters relating to several line departments in 1994 and 1998. The Panchayat Act of 1993 merely reproduced *ad verbatim* the Eleventh Schedule as its Schedule-IV. Section 53 of the Act however provides that "subject to such conditions as may be specified by the State government, Panchayats at the appropriate level shall have the powers and authorities may be necessary to enable them as institutions of self-government in relation to 'matters' listed in

Schedule-IV, including preparation of plans, implementation of schemes of economic development and social justice".

**6.3** The Government of Chhattisgarh adopted the devolution package that has been introduced in undivided MP. However, during the period 2004 to 2008, the Government substantially enlarged the powers and functions of the Panchayats in keeping with the State-specific needs. The Panchayat Act was amended to give effect to the changes. For example, two important functions, namely, provision of free food grains to the needy persons out of the grant made available for basic services; and establishment, maintenance and supervision of fair price shops under the public distribution system, were added to the obligatory functions of GPs. In 2006 and 2007, as many as 15 line departments issued activity mapping and devolution of functions to Panchayats. These are the Departments of School Education; SC & ST Development; Labour; Women and Child Development; Mineral Resources; Village Industries (Silk/Handicrafts/KVI); Agriculture; Animal Husbandry; Fisheries; Public Health Engineering; Food, Civil Supplies and Consumer Protection; Sports & Youth Welfare, Water Resources; Energy; and Panchayat & RD Department. Some of these Departments, however, did not specify provision of support staff, some did not envisage transfer of funds to Panchayats because of the nature of the departmental activities transferred, e.g. PHE Food, Civil Supplies, Energy and Consumer Protection. Copies of the notifications of various Departments which indicate their 'activity-mapping' may be seen in **Annexure-6.1.**

**6.4** We have reviewed the functions devolved on the Panchayats by some key Departments. Generally functionaries have been placed under the control of either ZP or JP, depending on their level but practically none with GP. This is primarily because the concerned Departments had no village level functionaries. Wherever there were village level functionaries such as, school teachers, anganwadi workers or 'mitanin', their work is supervised by the GPs. The maintenance of village level infrastructure of line Departments such as school buildings, anganwadis etc has been entrusted to GPs. They are also entrusted with supervision of village level implementation of schemes of Deptt. such as Serva Siksha Abhiyan, Mid-day Meals schemes. The Women and Child Development Department has transferred to GPs many welfare schemes for implementation. Similarly, all social security schemes such as old age pension, disabled pension etc, are to be of GPs. GPs in Chhattisgarh have also been entrusted with the responsibility of managing, and supervising where they themselves do not manage. The public distribution system and food security programme, the identification and selection of beneficiaries of many welfare and social security schemes have also been entrusted to GPs. But there is very little devolution of funds by the line Department on GPs.

**6.5** The devolution of funds, functions and functionaries is more at the first two tiers of Panchayats due to the merger of DRDA at district level and Development Blocks and extension services at JP level. The line Departments have delegated district level planning, direction, inspection and supervisory functions to ZPs. They also have been given full control over the staff of the line Departments, including appointment. The School Education and SC and ST Development Deptts. have transferred to ZPs the authority to appoint school teachers (Shikshakarmis Grade I, II & III). So far as JPs are concerned, as the middle tier Panchayats, they have been given supervisory function in respect of the functioning of institutions and implementation of schemes of some Departments at JP level. Flow of funds from line Departments, to GPs from the ZPs is through JPs.

**6.6** Activity-mapping is a comprehensive and complex exercise. Such an exercise should clearly indicate a detailed account of the following in respect of each transferred function/activity, area of work, activities involved; schemes, the Panchayat level to which it is proposed to be transferred; nature of the function/activity/(planning /implementation /monitoring /supervision /control /approval/ maintenance, etc.); departmental functionary proposed to be transferred; powers and responsibilities of Panchayats as well as of the government functionary; source of financial support; and the nature and degree of authority bestowed on the Panchayats in respect of the government functionary.

**6.7** Viewed in the above height the 2006-2007 model of devolution involving 'activity-mapping' of 15 line departments suffer from some limitations as under:

(i) In many cases, the items specified in the 'activity-mapping' have not been followed up by detailed guidelines from the line Departments.

(ii) In some cases the role of each tier of Panchayat has not been clearly delineated.

(iii) The administrative, organizational, and financial linkages required for devolution of functions, have not been specified; and

(iv) Implementation of schemes of economic development and social justice appears to have been relegated to a secondary place.

**6.8** There appears to be a general reluctance on the part of Govt. Departments to devolution of functions on Panchayats on the ground that they do not have the necessary knowledge, expertise and staff support. At the same time not enough effort is being made to strengthen the Panchayats and enhance their capabilities to take on such responsibilities. Secondly, presently the Gram Panchayats, are not administratively and financially viable units of local self-governance. The success of Kerala and West Bengal, and to some extent Karnataka, in the area of democratic decentralization could be attributed to the viable size of their GPs. It is also not logical to treat all GPs equally, regardless of their size in terms of population / number of households, while prescribing their functional domain, in view of the wide diversity in resource endowments, levels of service delivery, staff support available and their capabilities and local needs across different localities. A well-conceived system of devolution should take all these factors into account. Field level feedback shows that most GPs do not have any clear idea about their role in transferred functions of line Departments. They also find it very difficult to satisfactorily and efficiently perform their devolved functions due to poor knowledge and capability levels, coupled with shortage of staff.

**Financial Support for Devolved Functions**

**6.9** Activity-mapping has to be accompanied by necessary financial provision. The budget supplement for Panchayats indicates the quantum of funds proposed to be provided for the Panchayats in respect of activities/functions transferred to them, under Demand Nos. 80, 82 TSP, 41,15SCP, 84 and 19. Keeping in view the various notifications issued by the 13 line Departments in 2006 specifying the specific responsibilities/activities, functionaries, and funds proposed to be devolved on the Panchayats at different levels, as part of their department's activity-mapping, the process of actual devolution is still tardy and its pace slow. **Annexure 6.2** indicates the various line departments which have made budgetary provision for the transfer of funds for the 'transferred matters', for the period 2008-09 to 2012-13. The transfer of funds proposed for this period; lead us to the following conclusions:

**(1)** Among the 13 line departments that claim to have devolved funds on Panchayats, grants to the Panchayats comprise normal departmental grants, SFC devolution grants, assigned revenues, Central Finance Commission grants, salaries of *Panchayat Sachivs*, and State-sponsored schematic grants. Grants of the P&RD Department consist of grants for Central schemes which are expected to be transferred to them as per the programme guidelines of the Union Ministry concerned. These are usually in the nature of agency functions of Panchayats. Funds shown against the Department of Minerals relate to transfer of royalty on minor minerals which, should be treated as 'assigned revenues' of Panchayats. In view of these considerations, we have excluded these Departmental grants from the purview of funds devolved for transferred schemes/activities Nevertheless, for arriving at a comprehensive view of the total quantum of grants to Panchayats we have shown them separately under the appropriate category of 'transfers'.

(2) A major chunk of the grants released by the Department of School Education are meant to defray the expenditure on salaries and allowances of the *Siksha Karmis* (School teachers) and for the scheme of *Sarva Siksha Abhiyan.* For instance, of a total of Rs.423 crore shown as the proposed budgetary allocation for Panchayats in 2011-12, Rs.339 crore (80%) represent the salary component of the Siksha Karmis, while Rs. 33 crore (8%) was proposed for implementation of Mid-Day Meals Programme in schools. In respect of several other line Department transfers, a major part of the funds is earmarked to establishment/salary component of the Department's official functionaries.

(3) Though most of the development Departments like School Education, Public Health & Family Welfare, Public Health Engineering, Women and Child Welfare, Social Welfare, Agriculture, Animal Husbandry, Fisheries, Village Industries, and Tribal Welfare exhibited some enthusiasm in devolution of their schemes, functionaries, and fund over a period, some of these departments have stopped providing funds to the Panchayats and seem to have withdrawn their transferred staff and schemes/activities from the Panchayat sector. For instance, in terms of the recent budget supplements relating to proposed transfer of funds, Agriculture Department had stopped providing for any funds to Panchayats since 2009-10 onwards, while the Departments of Animal Husbandry, Women and Child Development, Fisheries, and Village Industries did not make any provision for the Panchayats during 2011-12 and 2012-13. Besides, PHED has reduced its budgetary allocation from Rs.26.57 crore in 2011-12 to Rs.15.65 crore in 2012-13.

(4) Withdrawal of staff and schemes from Panchayats amounts to a reversal of the process of devolution and a retrograde step. Although in absolute terms, the combined flow of funds from the relevant line Departments has shown an upward trend during the period 2006-07 to 2010-11, rising in volume from Rs. 70 crore in 2006-07 to Rs. 249 crore in 2010-11, the increase can be attributed mostly to the higher budgetary allocations made only by the aDepartments of School Education, Social Welfare, Fisheries, and Tribal Welfare. Even here, the increased staff salary component seem to be responsible for the increased allocation of funds, and not from transfer of new schemes, or functionaries to the Panchayats. *As we have stated earlier, the quantitative data that we presented in Annexure 6.2 based on budgetary allocations. We could get the quantum of funds actually transferred to the Panchayats. But it*

*is worth mentioning that the amount surrendered at the end of the year under grant number 80 in 2010-11 was a total of Rs. 116.90 crore while the saving was to the tune of Rs. 64.15 crore (total of Rs. 181.05 crore) out of a total provision of Rs. 1270.71 crore. Thus 15% of this grant was unutilized.*

6.10 **In the light of Para 6.8, the Commission recommends constitution of an Expert Committee to review the present state of functional devolution on Panchayats and prepare a devolution package which takes into account their diversities.** The Committee should interact not only with the Government, Deptts concerned, but also with experts on decentralization and local government, Panchayat functionaries and other stakeholders for their inputs before its recommendation are finalized. The Committee may also consider the contents of the letter of the Secretary, Union Ministry of Panchayati Raj dated April 27, 2009, as well as the *Report of the Task Force on Devolution of Powers & Functions upon Panchayati Raj Institutions (August, 2001)* appointed by the Union Ministry of Rural Development, Government of India, both available on website:*http//panchayat.nic.in.*

# CHAPTER 7

# Panchayat Finances : Internal Resource Mobilization

**7.1** In India, several States had reserved a few tax and non-tax sources for their local government units even before the 73rd and 74th Amendments to the Constitution. Though Art.243-H and X empower the State legislatures to authorise, by law, the Panchayats and municipalities to levy, collect and appropriate specified taxes, duties, tolls, and fees, they do not seem to alter the basic structure of the Indian Constitution which envisaged a two-layer governmental structure at the national and State levels. Though theoretically the local government is the third tier of Govt. by virtue of their Constitutional status, the absence of a separate 'local list' in the Constitution and the various discretionary powers with the States on several vital matters, the local government units still remain the subordinate units of the State governments.

**7.2** As is the practice in most of the States, the revenues statutorily assigned to the Panchayats under the Chhattisgarh Panchayati Raj Adhiniyam, 1993 (the Panchayat Act) in Chhattisgarh are divided into obligatory and optional levies comprising tax and non-tax sources. The rationale behind making the levy of certain taxes and non-taxes mandatory or compulsory is to assure at least a minimum core of autonomous revenues for the Panchayats to enable them to meet at least their recurring expenditure.

**7.3** In Chhattisgarh the obligatory levies of GPs are listed in Schedule-I of the *Panchayat Act*, optional levies in Schedule-II (Sec. 77 of Act). **Table-7.1** shows the various taxes and non-taxes that are statutorily assigned to different levels of Panchayats in the State. However, the statute stipulates that the optional levies of both Gram and JPs can be imposed only with the previous approval of the JP and the Zila Panchayat concerned respectively. Moreover, the Act also provides (Sec. 83) that the State government may abolish any tax or suspend or reduce the rate of any tax, and also reserves the right to exempt any person or class of persons or any property from the payment of any tax in whole or in part [(Sec.83(2)].

**Table-7.1 : Statutory Assignment of Tax and Non-tax Sources of Revenue to Panchayats**

| Level of Panchayat | Obligatory Levies | | Optional Levies | |
|---|---|---|---|---|
| | Tax | Non-tax | Tax | Non-tax |
| 1. GPs (Section 77 and Schedules-I & II) | a) Property tax on lands or buildings or both<br>b) Tax on Private Latrines<br>c) Light tax<br>d) Tax on persons exercising a profession or carrying on any trade or calling | a) Market fees on persons exporting goods for sale in the Panchayat area<br>b) Fees on Registration of Cattle sold within the Panchayat area | a) Tax on building not covered by the property tax<br>b) Tax on Animals<br>c) Tax on non-motorized vehicles<br>d) Water Rate<br>e) Tax on persons carrying on the profession of purchaser, agent, commission agent, weighman or a measure in the Panchayat area<br>f) Temporary tax for special works of public utility<br>g) Tax for the construction or mainte-nance of public latrines<br>h) General scavenging tax for removal and disposed of refuse | a) Fees for the use of sarais, dharmasalas, rest houses, slaughter houses and encamping grounds.<br>b) Drainage fees where system of drainage is introduced by the panchayats<br>c) Fees on entry of vehicles into the Panchayat area<br>d) Fees for bullock-cart stand and tonga stand<br>e) Fees for temporary structure or any projection over public place or temporary occupation thereof<br>f) Fees for grazing cattle over Panchayat grazing grounds. |
| 2. JPs (Section 77 and Schedule-I) | a) Tax on Theatres or theatrical performances and other public entertain-ments<br>b) Development tax on agricultural land | Nil | Nil | a) Fees for licenses or permissions granted<br>b) Fees for use occupation of lands or other properties vested in or mentioned by the JP |
| 3. Zilla Panchayat (Section 74 [2]) | Nil | Nil | Increase in the Cess on land from Re.0.50 per rupee upto Rs.10. | Nil |

*Gram Panchayats :*

**Property Tax on Lands and Buildings**

**7.4** **(1)** Among the obligatory taxes assigned to the GPs in the State, the most important is the property tax on lands or buildings or both. This is a direct tax which by far is the most fiscally productive source of revenue to the local governments, particularly to urban local government units, all over the world. In India, this tax is a normal feature of local tax powers of GPs, though its basis of assessment and the rates may vary across the States. Some State statutes also empower the GPs to levy the tax also on vacant non-agricultural lands. Various systems of assessment like annul value, annual letting value, capital value, plinth area, unit-linked, etc., are in vogue in the country.

(2) The State government has framed guidelines in the form of statutory rules [The Chhattisgarh GP Obligatory Taxes and Fees (Conditions and Exceptions) Rules, 1996] governing levy, assessment and collection of property tax on lands or buildings or both. Accordingly, taxable buildings are expected to be assessed on capital value basis. The maximum and minimum tax rates are specified by the government for all taxable buildings in an uniform manner. The statutory rules provide for exemption of buildings and lands owned and vested in the Union or State government, and Panchayats at all levels; and buildings and lands or portions thereof used exclusively for religious or educational purposes, including boarding houses from the tax.

**Table-7.2 : Prescribed Minimum and Maximum Rates of Tax on Lands and Buildings**

| Sl. No. | Capital Value of the Building | Minimum Rate | Maximum Rate |
|---|---|---|---|
| (a) | Between Rs.6,000/- and Rs.12,000/- including the value of land | Re.0.20 per Rs.100/- of capital value | Re.0.30 per Rs.100/- of capital value |
| (b) | More than Rs.12,000/- | Re.1.00 per Rs.500/- of capital value | Re.1.50 per Rs.500/- of capital value |

(3) The statutory provisions and the rules would show that the guidelines appear inadequate and in the light of lacking in clarity. *First*, Rule 5 of the Rules of 1996 makes it mandatory for the GPs to impose a "tax on lands or buildings or both", but does not define the term 'land'. *Second*, the Rules do not provide any guidance as regards the manner in which 'capital value' of a building is to be assessed. It is not clear whether the capital value of a building includes the value of the land on which the taxable building is erected. *Third*, valuation of taxable lands is not provided for in the Rules. *Fourth*, the Rules do not provide for frequency and mode of revaluation and the authority responsible for valuation/revaluation of taxable properties. Finally, there is a blanket exemption of all buildings used exclusively

for religious and educational purposes, regardless their size, value, manner of utilization of their income.

(4) The First SFC had made a detailed review of the status of this tax, and made important recommendations for rationalizing it. The State government in its Action Taken Report had indicated their acceptance of these recommendation for switching over from capital value to classified plinth area basis for the property tax. However, for operationalising the change over, a Committee under the chairmanship of the Director of Panchayats and Social Welfare was constituted in December 2011 which has yet to submit its report.

(5) *The Commission had sought information on the revenue yield of property tax from all the GPs in the State. However, most of the responding GPs did not provide us the disaggregated statistical information on their IRM. A significant number of Panchayats chose to report only the consolidated figure of their revenue from the obligatory levies. Only 1945 GPs had however specified the revenue that accrued to them* through *property tax.* Reasons for non-compliance are obviously failure to levy and / or collect the tax, absence of a proper accounting system, non-maintenance of the relevant records and registers at the GP level, etc.

(6) The following are the conclusions from the data we have collected:

*(i) The annual average revenue from property tax on houses is a mereRs.1712 per GP. Though it constitutes 21.42 per cent of its total tax revenue, its share in the IRM of a GP is only 7.11 per cent (Annexure7.4). The revenue from this important source accounted for as low as 0.16 per cent of the total receipts of a GP in the State during the five-year period of 2006-07 to 2010-11.*

*(ii) Inter-district differences in fiscal importance of property tax are also very wide. In absolute terms, during our reference period, its revenue per GP varied between Rs. 6 in Kondagaon and Rs. 7,279 in Bilaspur (Annexure7.1).*

*(iii) In terms of its fiscal importance in the total receipts of GPs, as our sample data amply demonstrates, the percentage share of property tax revenue across the districts present a pathetic picture. While the share exceeded 0.50 percent in Balarampur (1.18), Bilaspur (0.67) and Bastar (0.54), in 20 other districts the corresponding figure is less than 0.50. In four districts, namely Bijapur, Dantewada, Narayanpur, and Sukma (sample - 94 GPs), none of the GPs had either levied and/or collected property tax during any year of our 5 year reference period (Annexure7.1).*

(7) With a view to making the property tax on lands and buildings contribute significantly to the revenues of the GPs, *we recommend the following measures:*

*(i) The Commission is in agreement with the recommendations of the FSFC as regards the need to switchover from capital value to 'classified plinth area' basis of assessment. However, the Committee constituted to look into the whole matter has not taken any initiative in this regard even though one year elapsed since its constitution. We urge the State government to ensure that the Committee submits its report within a specified time frame and to bring out the relevant statutory amendments, as may be necessary, as early as possible.*

**(ii)** *Property tax should have two components, namely, a tax on buildings, and a tax on non-agricultural vacant lands. As plinth area basis is recommended for the buildings, capital value can still continue to be the basis of assessment for the non-agricultural lands.*

*(iii) The changeover from capital value to classified plinth area basis of assessment will require revaluation of all taxable buildings and lands by an agency which is independent of the GP concerned. The First SFC had recommended appointment of 80 Valuation Officers for this task. We do not think that would be necessary. We now have the services of 146 Senior Internal Audit & Taxation Officers and 373 Internal Audit & Taxation (IA&T) Officers at our disposal. We propose that the Government entrust this task of revaluation of property and determination of tax liability in respect of each such property in GPs by the 244 Internal Audit & Taxation Officers presently available. Each such officer is required to look after 25 GPs. They can take-up the task of revaluation in the same 25 or more GPs in their charge under the supervision of the Senior IA&T officers and under the overall supervision of CEO of the concerned JP. The task can be completed within a period of one year. They can do this work in addition to their present responsibilities. The Panchayat Department may prepare a programme of action accordingly. Their tasks should include not only valuation of each property but also preparation of Demand Register of Property Tax.*

**(iv)** *One of the duties of the IA&T Officers at the Janpad level should be to report to the CEO of the Zila Panchayat, through the CEO of the JP concerned, the names of the GPs which default in levying and / or collecting any or all of the* *obligatory taxes. The State government should initiate action in terms of the provisions of the Panchayat Act against all recalcitrant GPs.*

(v) *All properties, lands and buildings, which are privately-owned and used for educational purposes and which charge a fee from the students must be brought under the ambit of the property tax without any exception. Such lands and buildings should include play grounds, boarding houses, hostels, etc., as well.*

(vi) *Property tax being the most important source of revenue for GPs, an incentive scheme to induce better recovery of this tax should be introduced by the State Government. Under the scheme a GP which recovers atleast 75% of its property tax demand of the year, may be given a matching grant by the Government as incentive. Similarly, a GP which recovers atleast 75% of its arrears, in a year should also be given a matching grant incentive. However, the incentive scheme should operate under certain guidelines which may include verification of the records of demand and recovery to confirm the veracity of the claim for incentive. The verification should include Demand Register being properly maintained and all moneys collected being duly accounted for in the Cash Book.*

**Tax on Private Latrines**

**7.5** (1) A tax for arranging cleaning of private latrines is another obligatory tax statutorily assigned to the GPs. The State government has not prescribed any rate or guidelines for this tax administration. In fact, the proceeds of this tax are meant to defray the expenses involved in arranging cleaning the latrines. This tax is in the nature of a 'fee' or 'user charge'.

**(2)** *The Commission, after reviewing the relevant data concerning the revenue from this tax for the years 2006-07 to 2010-11, strongly feels that this tax is neither found favour with GPs in general nor its revenue contribution is worth costs of its administration. A large number of GPs did not levy this tax during our reference period. For instance,. this tax was not levied or collected by 911 sample GPs spread over as many as 15 districts. The annual average revenue realized from this tax is a paltry Rs.185 which constituted an insignificant 0.02 per cent of the total receipts of a GP in the State (Annexure-7.1). The Commission is of the view that this tax, should be abolished, simultaneously making efforts to motivate the rural households to opt for sanitary latrines for which funding from many sources are available.*

## Lighting Tax

**7.6** (1) Another obligatory tax is the lighting tax, to be imposed by a GP on all buildings on capital value basis, except on buildings used exclusively for religious or educational purposes including boarding houses, and yielding no rent to the owner or trustee thereof. The State government has not framed any rules governing this tax also. However, it has laid down that it is mandatory for a GP which made lighting arrangements for public streets and other public places, to levy this tax.

*(2) The Commission reviewed the revenue realized from this tax. It is observed that 588 sample GPs spread over nine districts did not receive any revenue from this tax during the entire 5-year reference period. Besides, the annual average revenue per sample GP from this source was Rs.605 which accounted for 0.06 per cent of its annual average total receipts during the said period. Across the districts, its percentage share in the total receipts of a sample GP however ranged from 0.01 to 0.52 (Annexure 7.1).*

*(3) Grant of exemption from property tax to buildings used exclusively for religious or educational purposes, including boarding houses,only on the ground that they do not yield rent to the owner or trustee concerned, is not justifiable. The important yardstick for granting exemptions should be the 'income' being derived from these and nature of its use by the owner or trustee(s). Exemption to buildings used by private educational institutions where no rent is paid to the owner but yield substantial regular income to the owner(s)/managers through fees collected from the students do not deserve to be exempt from property tax as well as service taxes like sanitation, water supply and lighting. Exemptions are justified only for those buildings used for charitable, religious or educational purposes only when the income derived from the use of such properties is entirely and exclusively used for the specified purposes. Even here, such exemption should apply to property tax but not to service taxes. Since even the buildings and lands owned by the Union government are subject to such service taxes, there appears to be no reason why the above should be exempted.*

(4*) Since in our State serious efforts have been made to electrify the villages and significant coverage achieved, it is necessary that the rural people who enjoy the facility should be made to pay at least a part of the O&M costs involved in the delivery of this service. We have found that many GPs are not in a position to pay their electricity bills because they do not recover this tax.*

**Tax on Professions, Trades, Arts and Callings**

7.7 (1) GPs are required to levy a tax on persons exercising any profession or carrying on any trade or calling within the limits of the Panchayat area. The State government has prescribed the minimum and maximum limits of this tax within which GPs are free to decide their own rates. While the statute exempts all persons whose annual income is less than Rs.11,000, the maximum rate prescribed for incomes exceeding Rs.50,000 is fixed at Rs.1400. The State Govt. has, however, abolished professional tax which we consider a lucrative and elastic tax is an expanding economy. This tax is levied by GPs mainly on trades and calling.

(2) The Commission in its review of the obligatory taxes of GPs observe that (i) the annual average yield per sample GP during our reference period worked out to Rs.314, which accounted for a mere 0.03 per cent of its total receipts; (ii)147 sample GPs belonging to five districts have neither levied nor collected their profession tax during our 5-year reference period ; and (iii) across the other districts, the contribution of this tax to the total kitty of a sample GP varied between 0.01 per cent in Korba and 0.20 per cent in Koria district.

**Market Fees**

7.8 (1) Apart from listing four taxes, the statute also makes levy of two non-taxes also mandatory for the GPs. First, market fees on persons exposing goods for sale in any market or at any place or any building or structure therein belonging to or under the control of the GP concerned. Rules have been framed by the State government providing for minimum and maximum rates of levy.

*(2) The rate structure of market fee shows that the rates are either space and unit-centric in nature. Besides the rates are very low having been fixed more than a decade ago and no attempt has been made to classify the goods sold into different categories of for purposes of fixing different fees for each category depending upon their relative importance.*

(3) *This is a source that should be leased out, instead of a GP deploying separate staff for its collection, which in any case it does not have.* In practice, several GPs are understood to have opted for this course of action.

(4) *Among the tax and non-tax sources of GPs, the maximum revenue is derived from the fees realized by them from local daily and weekly markets. Our data indicate that the*

*volume of market fees accrued to the sample GPs constituted 43 per cent of their total non-tax revenue, and 28 per cent of their total internal resources mobilized. However, in terms of the aggregate receipts of a sample GP, revenue from even this major local source is still low at 0.64 per cent (Annexure 7.4). As this source of non-tax revenue seems to have good revenue potential in the rural areas of the State, it is necessary to step up efforts to mobilize its potential to the fullest extent. There is a need to increase the prescribed rates of the fee to a realistic level. The Commission recommends that goods being sold in the Panchayat markets be classified into a few broad categories and different rates of fee for these categories be fixed. The rates of fee must be commensurate with the present price levels of the goods being sold.*

**Fees for Registration of Cattle Sold in Markets**

**7.9** (1) Another non-tax obligatory levy is the fee on registration of cattle, sold in any market or in any place belonging to or under the control of the GP. The State government had prescribed minimum and maximum rates of levy for different categories of animals sold in the market.

(2) This is also an important source of revenue for GPs. *The revenue yield from this source accounted for 4 per cent of their IRM (Annexure 7.4).*

*(3) We consider that it is still possible to increase the volume of revenue from this source by raising the existing minimum and maximum rates which were fixed more than 15 years ago.*

*Janpand Panchayats*

**Theatre Tax**

**7.10** (1) The Panchayat Act provides for the levy of an obligatory tax on theatres or theatrical performances and other performances of public amusement by the JPs in the State. The Government had framed rules for its administration and prescribed the minimum and maximum rates of its levy by the JPs.

(2) This tax is a show/exhibition tax as it is levied at a flat rate per show or exhibition. The rates fixed by the State government for the tax range from Rs. 3 to Rs. 10 and maximum from Rs. 5 to Rs. 20 for different types of performance.

(3) JPs do not seem to be very enthusiastic to exploit this tax. *Our analysis of the IRM of 66 sample JPs spread over 22 districts of the State reveals that only in 6 districts, some JPs*

*had taken the initiative to levy and collect this tax. However, the revenue yield from this tax is negligible. Of a meager annual average IRM of Rs.2.25 lakh per sample JP, the revenue from this tax was a mere Rs.5,000 accounting for 2.22 per cent of its annual average* IRM (Annexure 7.7). In fact, this tax is not a dependable and elastic source of revenue as its chance yield depends primarily on the cinematographic shows held in the JP jurisdiction.

(4) The FSFC had recommended that this tax on cinematographic exhibitions be entrusted to JPs and tax on all non-cinematographic exhibitions be assigned to the GPs. The State government had accepted the recommendation and the follow-up measures like amending the statutory provisions and the rules are yet to be taken by them. *The Commission urges the State government to expedite the process of amending the relevant sections in the Act and the concerned Rules to give effect to this.*

*Zila Panchayats*

**7.11** Like their counterparts in most of the States in India, Zila Panchayats in Chhattisgarh are not empowered to levy any *obligatory* tax.

**Optional Levies of Panchayats**

*Gram Panchayats*

**7.12** The Panchayat Act provides a list of revenue items whose levy is optional. The GP is required to obtain permission of the JP to levy any optional tax/non-tax. The list of optional taxes which can be imposed by a GP as specified in Schedule-II of the Act may be seen from Table- 7.1. The State government had prescribed the maximum rates for each of these optional levies which consist of both tax and non-tax items. Of the optional taxes only the water rates and the vehicle tax are of any consequence. The others like drainage tax and seavaging tax are imposed by very few Panchayats. The statute empowers a GP to lease out collection of fees levied by it, except in the case of vehicle tax and advertisements tax.

**7.13** Among the *optional taxes* of the GPs, statistical information to a limited extent has been made available to the Commission only in respect of water rate, drainage rate, vehicle tax and scavenging tax. Revenue accruing to the GPs from all other tax and non-tax optional revenue sources is clubbed together and are exhibited under the broad head "others". Similarly, in respect of the two obligatory non-tax sources, namely, market fees, and registration fee from cattle sold in markets, GPs had however provided the quantum of revenue accrued to them.

**7.14 Water Rate**: *Most Panchayats do not either impose or if imposed, do not recover this tax which is in the nature of a user charge. Charges are not recovered even from those who have been provided private tap connection. As a result they are unable to pay even the electricity charges for pumping water, not to speak of the maintenance charges. As per the data provided to the Commission, water rate yielded an annual average revenue of Rs.1611 for a sample GP which accounted for a mere 0.15 per cent of its total receipts, occupying second place next to property tax revenue in terms of the revenue yield of its individual taxes. Our data had also shown that this rate is not levied by 162 GPs (8 per cent of their total) in five districts. Among the other districts where the sample GPs levied this rate, its revenue yield accounted for 0.01 per cent in Kondagaon and Korba districts and 0.45 per cent of their total receipts in Balod district during the period under review* (Annexure 7.1).

**7.15 Drainage Rate**: *The optional levy of drainage rate was not levied by as many as 907 sample GPs spread over 15 districts during our 5-year reference period. In the other 12 districts, its contribution to the annual average total receipts of the sample GPs ranged from 0.01 per cent to 0.13 per cent. For the entire State, the all-district annual average share of this rate in the total annual average receipts of GPs worked out to 0.01 per cent* (Annexure 7.1).

**7.16** So far as the **vehicle tax** and **scavenging tax** are concerned, *the annual average yield for a sample GP from these two taxes was Rs.13 and Rs.23 respectively. While the vehicle tax was not tapped in as many as 20 districts, the scavenging tax was not levied by the sample GPs in 13 districts in the State during the reference period (*Annexure 7.1).

**7.17** During 2011, the State Govt. had taken initiative to fix fees in respect of a few non-tax items of GPs which are described below:

1) The State Govt. had prescribed the fee to be paid by the people who want to avail some specified services of the GPs. The prescribed fee varies between Rs. 10 for caste/income/domicile certificate to Rs. 500/- for regularization of constructions or licence fee for hotel/dhaba.

2) Similarly, the State Govt. has fixed the daily penal fee payable by the owners in respect of their cattle seized and kept in kanji house/cattle depending upon the type of animal concerned.

3) In regard to installation and control of mobile towers, cable lines and relay stations, in March, 2012 the State Govt. informed the District Collectors and the CEOs of Zila Panchayats that in terms of Sec. 77 of the Panchayat Act and the Indian Postal Act, a

GP is competent to accord permission for them. The fee prescribed for obtaining such permission is either one-time payment of Rs. 25,000 or Rs. 10,000 per year.

*Janpad Panchayats*

**Development Tax on Agricultural Lands**

**7.18** (1) The Panchayat Act gives the JPs with the discretionary power to levy a 'development tax on agricultural lands' which is payable in the same manner as land revenue. The State government has issued necessary rules for the administration of this tax. The proceeds of the tax realized by the Tahsildar is credited to the District Panchayat Raj Fund initially. The District Collector who is the administrator of the Fund is required to transfer 50 per cent of the net revenue from the tax to the GPs in the Block concerned in proportion to their respective population, and the balance of 50 per cent to the JPs which levied the tax.

(2) *Instead of the tax in its present form, the feasibility of a simple and transparent land development tax leviable at different specific rates on each category of agricultural land may be explored. For this purpose, all agricultural lands could be divided into irrigated, semi-irrigated, and dry lands, and a simple flat rate of levy per acre for each category of these lands could be specified as the minimum rate by the government.*

*Zila Panchayats*

**Increase in the Statutory Minimum Rate of Land Cess**

**7.19** The only discretionary/optional tax that can be levied by a Zila Panchayat in the State relates to effecting an increase in the rate of cess on land from the stipulated statutory minimum rate of Re.0.50 up to a maximum rate of Rs.10.00 per rupee of land revenue. However, our data show that no Zila Panchayat has exercised this option.

**A Review of Internal Revenue Mobilization Efforts of Panchayats**

**Gram Panchayats:**

**7.20** *The data the Commission has collected, as also the detailed field studies conducted by 'Pradan' and 'Samarthan' reveal that the GPs generally do not take much interest in mobilization of internal financial resources. In the responses we have received to our questionnaire, from 5492 GPs, the number of GPs who impose any tax at all is 2153 which is about 40%. They are generally shy of imposing any tax including property tax, on the local people for obvious reasons. The elected representatives do not want to impose any tax on political grounds. But the other contributing factors are also the incapacity of the Panchayats* *in terms of manpower and training to impose and collect tax revenues, and in PESA areas in particular the incapacity of the people to pay tax and the very limited resource base. Bulk of the revenues of the Panchayat come from non obligatory non tax revenues and other sources, such as lease money of tanks, auction of market etc. The rates have not been revised since years and hence the yield is not even commensurate with the efforts, put in by the GPs.*

**7.21** *The IRM of GPs in absolute terms across the 27 districts of the State reveals that while a sample GPs in the districts of Janjgir-Champa, Balod, and Raipur districts mobilized an annual average internal revenue of more than Rs.40,000, it was less than Rs.20,000 in 18 other districts, including two districts (Dantewada and Sukma) which reported 'nil' revenue from IRM. On the whole, for the entire State, the annual average IRM of a sample GP worked out to Rs.11.96 during the 5-year reference period reviewed by the Commission.*

**7.22** *Regarding the relative shares of tax and non-tax revenues in the total receipts of sample GPs among the districts, it may be seen from Annexure 7.6 that tax revenue accounted for a maximum 3.85 % in Raipur district, and for a minimum 0.02 % in Kondagaon district. The corresponding minimum and maximum shares of non-tax revenue however ranged from 0.06 % in Sarguja district to 7.29 % in Raipur district. The combined share of tax and non-tax revenue, i.e., IRM, in the total receipts of sample GPs varied between 0.09 % in Narayanapur district and 11.14 % in Raipur district. One noteworthy feature that emerged from the analysis of the available data is that the contribution of non-tax revenue is more than that of the tax revenue to the total IRM of GPs in the State in most of the cases.*

**7.23** *As stated earlier, due to the lack of reliable data on the finances of Panchayat, both at the district and State levels, and in view of the highly volatile nature of Panchayat receipts, the Commission had to adopt the '5-year annual average method' for the data it could access from about 20 per cent of the total number of GPs in each district of the State. Accordingly, a total of 1945 GPs were chosen at random for the collection of data relating to their IRM. The data thus obtained for the period 2006-07 to 2010-11 were suitably classified and tabulated district-wise, and the aggregate annul average IRM figures per sample GPs for each district of the State arrived at. The results of the sample data were then extrapolated to all the 9734 GPs in the State which may be seen from Annexure 7.8. This indirect method of estimating the approximate IRM of the GPs in the State had given the results which may be seen from Table-7.3.*

**Table- 7.3 : Tax and Non-tax Revenue of GPs**

| *Component of IRM* | | *Annual Average IRM for* | |
|---|---|---|---|
| | | *A Sample GP (Rs.)* | *9734 GPs in CG. (Rs.Lac.)* |
| *(a)* | *Tax Revenue* | *7993 (0.75)* | *778.04 (0.75)* |
| *(b)* | *Non-tax Revenue* | *16,092 (1.50)* | *1,566.39 (1.50)* |
| | *Total* | *24,085 (2.25)* | *2,344.43 (2.25)* |

*Note: Figures within parentheses indicate percentage share in total receipts.*

**7.24** *Among the districts in the State, GPs in Raipur district had recorded the highest per capita IRM of Rs.57.52, followed by their counterparts in the districts of Balod (Rs.40.39), and Janjgir-Champa (Rs.18.15). On the other hand, with the exception of Dantewada and Sukma whose sample GPs reported 'nil' figures, the per capita IRM of the GPs varied between Re.0.15 (Bijapur) and Rs.16.81 (Rajanandgaon). In as many as in 19 districts, per capita IRM of the GPs did not exceed Rs.10. Nevertheless, the analysis of available data by the Commission indicates that in terms of the provisional rural population figures of the 2011 Census, the per capita tax revenue and non-tax revenue of GPs in the State worked out to Rs.3.97 and Rs.7.99 respectively during the reference period of their review. Thus the per capita IRM of the GPs in the State can tentatively be put at Rs. 11.96* only.

**7.25** The analysis above is based on the sample size of 1945 which is about 20% of GPs in the State. We have also analysed the total responses of 5492, more than 50% of the GPs in the State we have received. Of this sample size (5492) only 15% have imposed and or recovered property tax; less than 1% tax on private latrines; 6.5% lighting tax and 6.2% trade tax. The market fees have been recovered by 15.3% of GPs and registration fees on animal sold, by about 12.1%. **If only these obligatory taxes and non-taxes are imposed by GPs in the State, even at its present level of levy and recovery, the earning per GP will be Rs.58,863 per year as may be seen from Table 7.15. If this is projected to the total number of GPs in the State, the total income which can be generated in GPs is more than Rs.58 crore.** We have covered only the obligatory levies, both tax and non tax, which GPs are required under law to impose. From this it can be concluded that if the GPs recovered even only the obligatory levies, the per GP income per annum can be, in many cases, more than Rs.1 lakh, enough to meet their financial requirements for maintenance. In addition are the optional taxes and non-taxes which yield good revenue to GPs, more than tax revenue.

**7.26** While the universally-adopted division of IRM is usually 'tax' and 'non-tax' revenue of a public authority, in several States in the country, revenue sources assigned to the Panchayats are divided into 'obligatory/mandatory' and 'optional/discretionary' categories. In this State, the Panchayat Act makes such a division, and each of these two categories consist both tax and non-tax items. In view of this, the taxes and non-taxes of the GPs and JPs have been presented as obligatory and optional levies in Table-7.4 below:

**Table-7.4 : Tax and Non-tax Revenues of GPs & JPs**

| Category (Rs.Lac.) | AAR of a SGP (Rs.) | AAR of a SJP (Rs.Lac.) | Projected AAR 9734GPs. | 146JPs |
|---|---|---|---|---|
| I. *Obligatory Levies* | | | | |
| (a) Tax Revenue | 2816 | 0.05 | 274.11 | 7.30 |
| (b)Non-tax Revenue | 7837 | - | | 762.85 |
| **Total Obligatory Levies** | **10,653** | **0.05** | **1036.96** | **7. 30** |
| | | | **: 1044 .26 (31** | |
| 2. *Optional Levies* | | | | |
| (a) Tax Revenue | 5177 | - | 503.93 | - |
| (b) Non-tax Revenue | 8255 | 2.20 | 803.54 | 321.20 |
| **Total Optional Levies** | **13,432** | **2.20** | **1307.47** | **321.20** |
| | | | | **: 1628 .67 (69 %)** |
| 3. *Total IRM* *328.50* | *24085* | *2.25* | *2344.* | *43* |
| | | | | **: 2672 .93 (100 %)** |

Note : AAR : Annual Average Revenue for the period 2006-07 to 2010-11.

From Table-7.4 it may be observed that *the total revenue from optional levies of GP put together, both tax and non-tax, is much larger than that of their obligatory levies. It may also be seen that the ratio of their obligatory and optional levies in the total IRM was 31:69.*

**Janpad Panchayats**

**7.27** From Annexure 7.7, it may be observed that some of the JPs in the State had mobilized some non-tax revenue from a few sources like licence fees, ferry rents, market fees, fairs, and other administrative receipts. However, in the aggregate volume of their resources, their tax and non-tax revenue still play a very insignificant role. The data presented in the said Table indicate that *the volume of their annual average non-tax revenue during our 5-year reference period per sample JP stood at Rs.2.20 lakh. The corresponding size its tax revenue was a mere Rs.0.05 lakh. The total IRM of a sample JP has thus recorded the figure of Rs.2.25 lakh.*

**Case Studies by PRADAN and SAMARTHAN**

**7.28** The Commission had sponsored two case studies on the status of GP finances and other related matters, and entrusted them to two reputed NGOs, namely, Professional Assistance for Development Action (PRADAN), and SAMARTHAN respectively. Each of these had conducted a study in 32 GPs spread equally over 16 Blocks of 4 districts which belong to different geographical zones in the State. The study of PRADAN was conducted in the districts of Bilaspur, Dhamtari, Kanker and Raigarh, while the SAMARTHAN's study is confined to the districts of Rajanandgaon, Mahasamund, Sarguja and Bastar. Greater emphasis was laid by these studies on the internal resource mobilization efforts of the select GPs. Among their findings, observations and suggestions, the following are considered important.

**Study by PRADAN**

**7.29** This study relied mostly on the budgeted figures of three fiscal years, 2009-10 to 2011-12, of the select/sample GPs (SGPs), though in a few cases, for want of statistical information of the preceding years, it had to adopt the figures of the latest fiscal year, i.e., 2011-12 only. Accounts of these GPs have not been so far audited by the statutory auditor though in the case of 20 Panchayats they have undergone 'general audit ' conducted by the Panchayat Internal Audit and Taxation Officer concerned who is not their statutory auditor.

**(1)** As for the IRM of the SGPs, the following are their *study findings.*

**(a)** The annual average IRM of a SGP is Rs.1.22 lakh, though the district-wise figure of a SGP varies widely between Rs.13,533 in Bilaspur to Rs.2.55 lakh in Raigarh;

**(b)** Revenue from obligatory levies, on an average, accounted for 54 per cent of their total IRM;

**(c)** Among the obligatory levies of the SGPs, a lion's share of 90.20 per cent has been claimed by one non-tax source, namely, the market fees which was collected only from 34 per cent of their SGPs; while the share of four obligatory taxes was a mere 6.8 per cent;

(d) While none of the 32 SGPs levied the tax on private latrines, the percentage shares of select GPs which did not levy the tax on buildings and lands, lighting tax, and profession tax in the total SGPs were 84, 91, and 78 respectively;

(e) 81 per cent of the SGPs did not raise any optional revenue. Of the total number of 32 SGPs, only 5 levied water rate, and one levied a vehicle tax;

(f) Revenue generated from water rate by the 5 SGPs in Dhamtari and Kanker districts was as much as a little over Rs.4.00 lakh, while the only SGP that levied the vehicle tax in Raigarh could mobilize as much as Rs.1.76 lakh from this impost;

(g) Apart from the revenue from the obligatory and optional levies, SGPs in all the four study districts raised a little over Rs.38,000 each from 'other non-tax sources' like rental/lease income from Panchayat properties/assets like Panchayat bhavans, talab, sand royalty, kanji house, etc. of the SGPs..However, the revenue realized from these sources by individual SGPs varied between Rs.6620 in Bilaspur district to Rs.57,778 in Kanker district during 2011-12;

(h) The percentage shares of revenue from obligatory levies, optional levies, and other non-tax revenue of the 32 SGPs stood at 54,15, and 3 respectively;

(i) The average per capita revenue receipts of a SGP was Rs.1382, while the corresponding figure for per capita revenue expenditure was Rs.1098. For IRM, the figure was Rs.63;

(j) The IRM of SGPs accounted for as low as 0.7 per cent in Bilaspur, and as high as 30.5 per cent in Raigarh, as a proportion of their revenue expenditure;

m) Among the various components of revenue expenditure of the SGPs, expenditure on physical infrastructure claimed a lion's share of 54 per cent, followed by expenditure on livelihood (14%), education (12%), and public health (5%); and

(2) On the basis of their qualitative and quantitative information gathered from the 32 SGPs, as well on the basis of interactions with various official and elected functionaries of the panchayats, PRADAN has made several *observations* among which the following are relevant for our purpose.

(a) Current method of valuation of buildings for the tax on buildings is not based on any technical parameter. In fact, the assessed capital value of a taxable building is based on the mutual and tacit consent of the tax payer and the member of the GP of the locality concerned;

(b) GPs do not maintain any inventory of the taxable buildings or registers showing their nature, size, location, and capital value; and

(c) No Demand, Collection, and Balance (DCB) Register for Panchayat tax and nontax dues is being maintained by any GP.

3. The study report makes the following *recommendations* for augmenting the internal revenue of the GPs.

(a) Each GP should prepare and maintain a separate register for building tax assessment which should contain all the relevant details about the taxable buildings;

(b) Profession tax should also be levied on small industrial and commercial enterprises like rice mills, lac mills, etc.;

(c) For improved tax compliance, civic services need to be provided to the tax payers by the GPs;

(d) GPs can augment their income also by levies on muroom and getti by taking the requisite permission (chalan) from the Mining department of the State government;

(e) DCB Register should be maintained by the GPs and the details of it should be discussed in Gram Sabha Meetings; and

(f) An incentive matching grant for improved revenue collections may be introduced.

**Study by SAMARTHAN**

**7.30** The study conducted by SAMARTHAN has also shared several findings of PRADAN. However, its recommendations which we consider relevant for our purpose are listed below.

1) As some of the terms found in the Panchayat Raj Act of 1993 in regard to the obligatory taxes like the *vritti kar* (profession tax) are not explicitly defined, it is necessary for the government to provide to the GPs appropriate guidelines in the form of a booklet in simple vernacular language;

2) GPs need to be educated through PIATOs and advised that they do not need the approval of Gram Sabha for levying their mandatory levies in order to avoid delays in the imposition of such levies;

3) GPs whose roads which are exposed to heavy or regular vehicular traffic need to be compensated by the government by offering a share in the proceeds of motor vehicle tax;

4) As the task of recovery of Panchayat levies is hampered by shortage of staff at GP level , revenue collection of GPs can be entrusted to a dedicated individual or SHG of the village;

5) The revenue being earned by the *Krishi Upaj Mandi* may be shared with the GPs;

6) The Revenue Department of the State government may permit the GPs to put the government land vested in the latter to remunerative purposes;

7) Management of minor irrigation projects, stop dams, etc., should be devolved on GPs in order to enable them to use them for income-generating purposes;

8) GPs may be empowered to lease out all the unused land in their villages for agricultural purposes for a period of 3 years so as to arrest the trend towards their unauthorized encroachment;

9) GPs in PESA areas may be granted a share of 25 per cent in the revenue from minor forest produce;

10) A land revenue surcharge on lands used for commercial crops on the owners of such lands exceeding 10 acres may be levied; and

11) An important observation made in the study relates to the converse relationship between tax compliance and provision of civic amenities to the rural people.

**Other Recommendations of the Commission**

**7.31** *It is essential that the Panchayats raise their own revenues. They are better placed to raise their financial resources locally, spend these resources with a greater sense of responsibility and in a cost effective manner. The cost of collection of any tax at GP level is minimal. To be true local government units and have some measure of financial autonomy, the GPs must raise their own revenues. This will inculcate a sense of responsibility and ensure greater degree of accountability. With a view to help them in doing so the State*

*Government must remove the fetters on taxation power imposed at present Our other recommendations on IRM are as under:*

*(1) Tax rates were fixed decades back. Reportedly rates of property tax fees for registration of cattle and market fees were fixed way back in 1962, though this could not be confirmed. The colonizer registration fees continue to be Rs.5000/- and renewal fees Rs.2000/-. It is high time these are revised. The minimum and maximum rates in the relevant rules must be changed upward.*

*(2) GPs should not be required to obtain the approval of JPs for raising optional levies. This provision in the law which discourages GPs levying new taxes must be removed.*

*(3) Some GPs have their own land. This is a big resource which can be leased out and can yield substantial revenues to the GPs. The State Govt. should also consider transfer of non-nistari fallow land in villages to GPs which may be leased out by them to earn revenue. The Panchayat Deptt. should frame suitable rules for leasing out Panchayat land.*

*(4) The Department of P&RD, as part of their suggestions to the Commission, has proposed upward revision of the initial lease amount of fishing ponds and a provision for increase of lease amount by 10% every year on the basis of average productivity of the ponds. In our regional consultations the Panchayats strongly urged that they should be allowed to auction ponds for fishing every year. Presently they are allowed, as a matter of policy, to lease out such ponds only to fishermen's co-operative societies. They also allege that in many cases it is the contractors who take the ponds in the name of societies. In this state, ponds can be a good source of revenue to Panchayat if auction is permitted. However, if in the interest of fishermen this is not desirable, at least the lease amount should be raised and revised every year as proposed by the Department of P&RD.*

*(5) It should be examined if the number of taxes both obligatory and optional should be reduced and rationalized as has been done in the case of the municipalities. The taxes on street lights, on general water supply, on conservancy (optional taxes on public latrines and scavenging) should the combined to form one levy preferably as a percentage of property tax, with a view to ease both the raising of demand and of recovery. In view of the fact that some GPs have water supply and other do not have and similarly, some have street lights and other do not have, and property tax is also not paid by all, this proposal needs to be examined*

*in some detail. We suggest that the charter of the Committee appointed by the State Government to examine operationalisation of the recommendations of the First Financial Commission, under the Chairmanship of Director Panchayat, should be expanded to include rationalization of tax structure at GP level and in that context examination of the above suggestion.*

(6) *The Government should issue detailed instructions regarding raising of demand for various taxes, preparation of demand registers, modes of recovery and accounting of tax receipts etc. The Commission noticed that Panchayats follow their own procedure in these matters which adversely affects internal resource mobilization. The State Government should issue detailed instructions in simple language and also provide printed forms for demand registers and various returns.*

(7) *The services of IA&T Assistants incharge of 5 GPs and IA&T Officers incharge of 25 GPs, are even now not utilized to the full extent. One of their duties should be to help the GPs in preparing the Demand Register annually and assist them in the recovery of taxes and non-tax levies.*

(8) *Wherever possible recovery of taxes may be made through women's self help groups (SHGs) on payment of a percentage of the total recovery as incentive. We would recommend that this should be started on pilot basis in districts where SHGs are strong e.g. Rajnandgaon.*

(9) *Government should incentivize collection of their revenues by GPs. In our interim report for the year 2012-13 we have recommended that any GP which recovers atleast 10% more than last year, of its own taxes, should be given a matching grant by the State Government equivalent to the incremental own revenue collected over last year. This may continue during the five years of the award period. We also recommend that the Panchayat Sachiv or Patel of the village or any other functioning responsible for the recovery of additional revenue be given a reward. We have in this report recommended a special incentive for recovery of property tax in view of its importance. This incentive will be in addition to that.*

(10) *All GPs should be required to maintain an inventory of their assets like land, building, water bodies etc. and update these atleast once in three years. The IA&T Officers concerned should be required to submit a certificate to the CEO, JP that such register is being maintained and also state their present status and use. Every year the GP budget must provide for maintenance of these assets.*

# CHAPTER 8

# Revenue Transfers to Panchayats

8.1 Chhattisgarh is one of the few States in India where Panchayats are fiscally empowered with substantial revenue assistance from the State and Union governments under different fiscal mechanisms. The State government has incorporated Art.243.H of the India Constitution with certain modifications, in its own enactment on Panchayats. The Panchayat Act of the State provides that (i) the "State Government may assign to a Panchayat such taxes, tolls and fees levied and collected by the State government and may make grant-in-aid from the Consolidated Fund of the State for such purposes and subject to such conditions and limits as the State government may deem fit"., and (ii) "The State government shall make grants-in-aid to Panchayats *as may be decided on the basis of recommendations of the State Finance Commission*".

In pursuance of these provisions the State government has been providing financial assistance to the Panchayats in the State, as discussed in this chapter.

**State Government Support**

8.2 *Assigned Revenues*

(1) **Land Revenue**: In compliance with Section 76(2) of the Panchayat Act, the State government has been transferring, through the District Panchayat Raj Fund, the net proceeds of land revenue to the GP.

(2) **Cess on Land Revenue**: The Panchayat Act, also provides for the compulsory levy of a cess at the rate of fifty paise (Re.0.50) on every rupee on land revenue or rent assessed on land held by a tenure holder and government lessee. The proceeds of this cess are collected by the State government along with land revenue and the net revenue thereof is transferred to the Gram Panchayats.

(3) **Duty on Transfers of Property:** The Act provides for compulsory levy of an additional duty of one per cent on instruments relating to sale, gift or mortgage of immovable

property situated within a Block. The revenue realized there from is transferred to the Janpad Panchayats.

(4) **Surcharge on Sales Tax**: This has since been to discontinued consequent on the introduction of VAT.

(5) **Royalty on Minor Minerals:** Since 2002-03, the State government has been assigning proceeds of the royalty on minor minerals in the State to the Gram Panchayats, Janpad Panchayats and municipal bodies depending on the location of the source of the minor minerals. The formula for sharing of royalty between Gram Panchayats and Janpad Panchayats which was not logical and equitable earlier, has since been reviewed and amended in October 2012. Table-8.1 shows the new formula:

**Table-8.1 : Shares of Gram and Janpad Panchayats in Royalty on Minor Minerals**

| Size of Royalty | | Percentage Share | |
|---|---|---|---|
| | | **GP** | **JP** |
| a) | Upto Rs.5.00 lakh | 100 | Nil |
| b) | More than Rs.5.00 lakh upto Rs.7.50 lakh | 90 | 10 |
| c) | More than Rs.7.50 lakh upto Rs.10.00 lakh | 80 | 20 |
| | More than Rs.10.00 lakh upto Rs.15.00 lakh | 70 | 30 |
| d) | More than Rs.15.00 lakh upto Rs.20.00 Lakh | 60 | 40 |
| e) | More than Rs.20.00 lakh | 50 | 50 |

It may be noted that since 2010-11, 33 per cent of the total quantum of royalty (earlier it was 25 per cent) is being transferred by the Department of Mineral Development to the P&RD Department which is apparently used for defraying the expenditure on salary of Panchayat Sachivs.

(6) **Surcharge on Excise Duty:** In 2011, the State Government amended the Chhattisgarh Excise Act, providing for the levy of 10% surcharge on excise duty for being "transferred to rural and urban local bodies on the basis of their population". However, appropriate rules are still to be framed for the distribution of the Panchayats' share among different levels of the Panchayats. Nevertheless, this surcharge is being levied with effect from 2012-13 only.

(7) **Entertainment Tax:** The State government had, in terms of recommendation of the first SFC, agreed to transfer the net proceeds of the entertainment tax to the Janpad Panchayats and municipalities in the ratio of 1:2 respectively. Transfer of the net proceeds took effect from 2010-11 onwards.

**8.3** **Table 8.2** shows the quantum of funds transferred to the Panchayats at all levels in the form of assigned revenues in the State. Since the information that could be culled out from the primary data provided by the Panchayats is inadequate, this information has been obtained directly from the concerned Departments. However, this secondary data did not specifically mention the transfers made to each level of Panchayats. Therefore, in several cases, consolidated figures on revenues assigned to all the three levels of Panchayats had to be used by the Commission. They nevertheless indicate the magnitude of funds transferred to all levels of Panchayats during the reference period.

**Table-8.2 : Transfers to Panchayat Raj Institutions from Assigned Revenues : 2008-09 to 2010-11***

(Rs. In lakh)

| Year | Land Revenue + Land Cess** | Additional Stamp Duty | Royalt on Minor Minerals | Total | Entertainment Tax |
|---|---|---|---|---|---|
| 2008-09 | 100.00 | 2150 | 3927 | 6177.00 | - |
| 2009-10 | 159.69 | 2400 | 4055 | 6614.69 | - |
| 2010-11 | 247.37 | 2112 | 4785 | 7679.37 | 535.00 |
| *Sub Total* | *507.06* | *6662* | *12767* | *19936.06* | *20471.06* |
| Annual Average | 169.02 | 2220.67 | 4255.66 | 6645.35 | 7180.35 |

* Surcharge on Sales Tax continued up to 2006-07, and surcharge on Excise duty took effect from 2012-13 only. Entertainments tax revenue is being transferred from 2010-11only.
* Gross proceeds.

**8.4** It may be seen from the above that on an average, the total revenues assigned to GPs in a year have been of the order of Rs. 67 crore which comes to around Rs. 68,500 per GP. If we include ET transfer it comes about Rs. 72 crore annually and around Rs. 73,000 per GP. There has been a quantum jump in royalty on minor minerals from Rs. 47.85 crore in 2010-11 to Rs. 94.82 crore in the year 2011-12. This has pushed up the per GP assigned revenues on an average to Rs. 1,43,000. But occurrence of minor minerals not being uniform across GPs, revenue from royalty is not uniform and vary from nil to Rs. 5 lakh. Assigned revenues thus constitute an important part of the revenues of the GP.

**(1)** However, we have the following observations with regard to assigned revenues: Although there has been substantial increase in royalty on minor minerals recently, we feel that the potential of this source of revenue is yet to be fully realised. With massive construction activities going on in the State and the consequent ever increasing demand for construction material, the royalty on minor minerals should be much more than at present. The Commission has found that lack of coordination between the field functionaries of the

Mineral Resources Development Department and GPs is partly responsible for this. There is very little monitoring and check on legal and illegal extraction of minor minerals. Although MRD has endowed the Panchayats with the powers of checking of mining records, search and seizure of minerals illegally extracted and even imposition of fines under the Minor Mineral Rules, GP which is directly concerned has no capacity for exercising these powers. The Department has issued no instructions to indicate how these powers may be exercised. There are complaints that the Mining Inspectors do not heed the reports of the GPs regarding illegal mining. *We would suggest that the Government seriously consider placing the services of the Mining Inspectors atleast in districts which have no major minerals, with the ZPs, so as to ensure effective control over extraction of minor minerals and recovery of royalty. In any case, recommend that the MRD issue necessary instructions to their field staff for better co-ordination with GPs. If there are reports of over extraction in leased mines or illegal extraction, from a Panchayat these must be enquired into in co-ordination with the concerned Panchayat.*

(2) The State Govt. has abolished royalty on sand and the management of sand mining has been handed over to GPs. The GPs neither have the manpower nor the competence to manage sand mining. Big contractors from cities have entered into sand mining and GPs do not and cannot have any control over them. Several such instances have come to the notice of Commission. *We recommend that the royalty on sand should be revived and the net proceeds transferred to GPs. Unbriddled sand mining is wrecking havock to our rivers and river fronts. After the recent directions of the Supreme Court regarding regulation of sand mining this should be possible.*

*(3) A percentage of Mandi Tax collected by the Krishi Upaj Mandis should be shared with the Panchayats in the area. The Mandi Act may be amended, if necessary, to give effect to this suggestion.*

*(4) In scheduled areas a small percentage of the income from minor forest produce should be shared with Panchayats which are subject to PESA. Such a dispensation exists in some states (e.g. Rajasthan). Apart from some revenue for the Panchayats such a provision may also fosters a sense of ownership of minor forest produce in Panchayats.*

*Grants-in-Aid*

### 8.5 Grants from Panchayat Department

The Panchayati Raj institutions in the State are being provided recurring grants for a variety of purposes by the Department of Panchayats. All grants for Janpad and Gram Panchayats are however passed on to them through the Zila Panchayats. The following grants are being paid to the Panchayats on a regular basis by the State Government:

#### (1) General Purpose Grant to Zila Panchayats

The State Government provides a general purpose grant to its Zila Panchayats on a regular basis. A total grant of Rs.40.00 lakh to each Zila Panchayat was being paid since 2001-02, which was subsequently increased to Rs.50.00 lakh and again to Rs.200.00 lakh from 2012-13 onwards.

#### (2) Honorarium and other Allowances to Elected Panchayat Non-officials

The State government has been providing a grant to the Panchayats for meeting the costs involved in payment of honorarium, travel allowance and sitting fee to the elected functionaries of the Panchayats at different levels. This grant is paid to the Janpad and Gram Panchayats through the Zila Panchayats. The State Government has recently revised the monthly honorarium of the elected functionaries upwards in April, 2012 which is Rs. 4000 for Zila Panchayats and Rs. 1500 Janpad Panchayats. Besides, a Sarpanch of a Gram Panchayat, is eligible to receive Rs.500/- for every meeting convened and chaired by him, subject to a monthly ceiling of Rs.2000. Similarly, a member of a Gram Panchayat is now entitled to a sitting fee of Rs.100 for every Panchayat meeting that he attends, subject to a maximum of Rs.200/- per month.

#### (3) Capacity Building Training for Elected Leaders

The State government has been providing financial assistance to the SIRD and PRTCs for training the elected functionaries of Panchayats at various levels.

#### (4) Awards to Best Panchayats

Monetary incentives are being offered by the State government to the Panchayats for good governance initiatives. Cash prizes are instituted for best performing gram, Janpad, and Zila Panchayats at the rate of Rs.25, 000/-, Rs.1.00 lakh and Rs.5.00 lakh respectively each year.

#### (5) Salaries and Allowances of Panchayat *Sachivs*

The State government has been providing recurring grants to the Panchayats towards salaries and allowances of the Gram Panchayat *Sachivs* (earlier called Panchayat *Karmis*) who now enjoy a time scale of pay. This is no longer a separate grant since it is borne out of the proceeds of minor mineral royalty.

**(6) Other Miscellaneous Grants to Panchayats**

Besides the above, the State government has been meeting the costs of Zila Panch Sammelan, Panchayat Gazette, etc., through separate specific grants.

**Table-8.3** shows the volume of grants that have been provided to the Panchayats through the Panchayat Department for various purposes during 2008-09 to 2010-11. It may be seen from the table that the quantum of Panchayat Department's normal recurring grants have gone up by 180 per cent during the 3-year period covered by us. This can be attributed to introduction of time-scales of pay for the Panchayat Karmis, redesignated as Panchayat Sachivs and increase in both the number of these Sachivs as well as their salaries during the period.

**Table-8.3 : Grants Released to Panchayats by the Panchayat & RD Department**

(Rs in lakh)

| Sl. No. | Purpose | 2008-09 | 2009-10 | 2010-11 | Total | Annual Average |
|---|---|---|---|---|---|---|
| 1 | General Purpose Grant to ZPs | 51 | 52 | 58 | 161 | 53.67 |
| 2 | Honorarium, etc. to Elected Panchayat Functionaries | 595 | 633 | 649 | 4279 | 1426.33 |
| 3 | Capacity-Building Training to Elected Panchayat Functionaries | 52 | 54 | 65 | 171 | 57.00 |
| 3 | Capacity-Building Training to Elected Panchayat Functionaries | 52 | 54 | 65 | 171 | 57.00 |
| 4 | Awards to Best Panchayats | 44 | 45 | 45 | 134 | 44.67 |
| 5 | Salary & Allowances of Panchayat Sachivs | 2262 | 2493 | 4303 | 9058 | 3019.33 |
| 6 | Zila Panch Sammelan | 60 | 60 | 70 | 190 | 63.33 |
| 7 | Panchayat Gazette | 2 | 11 | 7 | 20 | 6.67 |
| | **Total** | **3066** | **3348** | **5197** | **14013** | **4671.00** |

*Source*: Panchayat & RD Department, Govt. of Chhattisgarh.

## 8.6 State-sponsored Special Schemes

**(1)** The State Government had launched five State-sponsored infrastructural development-cum-employment generation schemes in the rural sector in 2006-07 which are being implemented by the Panchayats in the State. These are: the *Mukhyamantri Gram Utkarsh Yojana* (MGUY) in the 3 non-BGRF districts(2006) with the object of creating and strengthening physical infrastructure and increase employment generation; *Gram Vikas Yojana* (2007) to develop rural areas as commercial hotspots with focus on infrastructural development and livelihood promotion; *CG Gramin Nirman Yojana* in 15 BRGF districts with the object of filling the critical gaps in the physical infrastructure in the villages, and of promoting IRM efforts of Gram Panchayats; *Gram Gaurav Yojana* (2007)with the noble aim of developing the birth places of dignitaries and patriots who have made significant contribution in the social, economic, political fields and in development of the region or nation; and *Hamara Chhattisgarh Yojana* (2007) with a view to protecting and conserving the numerous scattered ancient monuments, structures, idols, etc. Subsequently, the *Gram Gaurav Yojana* and *Hamara Chhattisgarh Yojana* were integrated into a single unified scheme.

(2) In addition, the State government, with a view to empowering the Janpad Panchayats to perform their duties recently launched a new Scheme, *viz., Mukhyamantri Janpad Swashaktikaran Yojana*(MJSY) with effect from 2012-13. The declared objectives of this scheme comprise: empowering the Janpad Panchayats to sanction and execute development schemes in the backward areas within their respective jurisdictions on the basis of the felt needs of the people; and providing necessary funds to the Janpad Panchayats to perform their legitimate functions. An important feature of the MJSY is annual allocation of untied fund of one crore of rupees to each Janpad Panchayat for which the latter has to prepare an annual action plan. **Table-8.4** shows the quantum of funds allocated to the four State-sponsored Schemes for the period 2008-09 to 2010-11.

**Table-8.4 : Allotment and Expenditure on State-sponsored Schemes**

(Rs. Lakh)

| Year | CM's Gram Utkarsh Yojana | | Gram Vikas Yojana | | Gramin Nirman Yojana | | CG Gaurav & Hamara CG Yojana | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Allot-ment | Expendi-ture | Allot-ment | Expendi-ture | Allot-ment | Expendi-ture | Allot-ment | Expendi-ture | Allot-ment | Expendi-ture |
| 2008-09 | 3000 | 3000 | 1850 | 1825 | 3800 | 3800 | 2000 | 2000 | 10650 | 10625 |
| 2009-10 | 1663 | 1663 | 1850 | 1850 | 3800 | 3800 | 2000 | 1988 | 9313 | 9301 |
| 2010-11 | 7500 | 7500 | 1500 | 1500 | 1500 | 1498 | 1500 | 1500 | 12000 | 11998 |
| Total | 12163 | 12163 | 5200 | 5175 | 9100 | 9098 | 5500 | 5488 | 31963 | 31924 |
| **Annual Average** | **4054.33** | **4054.33** | **1733.33** | **1725** | **3033.33** | **3032.67** | **1833.33** | **1829.33** | **10654.33** | **10641.33** |

Source: a) Department of Finance, Govt. of Chhattisgarh
b) Department of RD & Panchayats, Govt. of Chhattisgarh (for 'Expenditure')

**8.7** *It is observed that the four State sponsored schemes and the Janpad Scheme are over-lapping in their scope. It would be necessary to avoid such overlap as these lead to misuse of funds. There are instances of the same work being funded through money from two schemes. Moreover, none of these schemes are of assistance to GPs in providing basic services in the villages such as drinking water, street lights, drainage, etc. We therefore recommend that the four schemes be merged into one or at best two, one for rural infrastructure and the other for provision of basic services in the villages.*

### 8.8 Funds under First SFC Devolution

The First Finance Commission of the composite State of Madhya Pradesh (1994) had recommended (1996) devolution of 2.91% of the State's gross tax and nontax revenue. After the formation of Chhattisgarh, the State Government continued to implement this devolution package. Accordingly 2.91 per cent of the State's own gross tax and non-tax revenue was being devolved on the Gram Panchayats as basic services grant. The grant was being distributed among the Gram, Janpad and Zila Panchayats in the ratio of 70:25:5 respectively. The State Government had issued guidelines in 2004 to the Gram Panchayats indicating the purposes for which this grant can be applied. These instructions are operative till now.

*The Commission feels that the Government should identify the basic/core services which in our view comprise those civic services to be delivered by Gram Panchayats for improving the overall quality of life of the people. They comprise drinking water sanitation and drainage, lighting of public places, internal roads, and solid waste disposal etc. The basic services grant should not be allowed to be used to meet office expenses, staff salaries, etc. The Commission therefore suggests that the guidelines governing the basic services grant which are stated to be still in force be reviewed, and the purposes for which these public funds can be utilized be prioritized. At best, the Government may earmark a small per cent of this grant untied in nature to enable the Panchayats to meet a part of their revenue expenditure on miscellaneous items.*

**8.9** The first Finance Commission of the State submitted its report to the Governor of the State in May 2007. The fiscal and non-fiscal recommendations of the FSFC and the action taken by the State Govt. on them have been discussed in Chapter III of this report. In regard to the transfer of funds to Panchayats under the FSFC dispensation, it is pertinent to make the following observations: In the first place, the quantum of SFC devolution for Panchayats, in absolute terms, rose by 89 per cent during the award period of 2007-08 to 2011-12. In real terms the Panchayat entitlement was reduced through earmarking of 37 per cent of these funds over the award period, to the State sponsored schemes. These schemes have been in operation much before the FSFC and were independent of the SFC devolution. In effect, by taking away about Rs.600 crore over the five-year period of the FSFC award from the Panchayats has reduced the funds available for basic services of the Panchayats. Secondly, a total quantum of Rs.344.29 crore is still pending payment to the Panchayats under FSFC award. Although the Panchayat Department has been sanctioning grants to the Panchayats for a variety of purposes which aggregate Rs.434.84 crore, this can not be set off against the short release of Rs.344.29 crore. In this connection, it may be pointed out that ever since the formation of the State, the government has been continuing the tradition of MP by making the normal recurring Departmental grants independent of the agreed size of SFC devolution. The State Government still owes a total sum of Rs.344.29 crore to the Panchayats (Table 8.5).

**Table-8.5 : SFC Devolution of Funds on Panchayats 2007-08 to 2011-12**

| Sl. No. | Item | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 (RE) | Total |
|---|---|---|---|---|---|---|---|
| 1 | State's Own Net Tax Revenue | 4903.91 | 5599.21 | 6106.29 | 7874.62 | 9269.29 | 33753.32 |
| 2 | 4.79 per cent to Panchayats from Item 1 above | 235.39 | 268.76 | 293.10 | 377.98 | 444.93 | 1620.16 |
| 3 | Funds earmarked from Item 2 above to | | | | | | |
| a) | Gram Utkarsh Yojana | 16.00 | 30.00 | 16.63 | 75.00 | 105.00 | 242.63 |
| b) | Gramin Nirman Yojana | 72.00 | 38.00 | 38.00 | 15.00 | 25.00 | 188.00 |
| c) | Gram Gaurav Yojana | 10.26 | 20.00 | 20.00 | 15.00 | 25.00 | 90.26 |
| d) | Gram Vikas Yojana | 1.96 | 18.50 | 18.50 | 15.00 | 25.00 | 78.96 |
| | **Sub Total of 3** | **100.22** | **106.50** | **93.13** | **120.00** | **180.00** | **599.85** |
| | Item 3 as % of Item 2 above | 42.58 | 39.63 | 31.77 | 31.75 | 40.46 | 37.02 |
| 4 | Basic Services Grant to Panchayats | 116.02 | 130.00 | 130.00 | 150.00 | 150.00 | 676.02 |
| | **Sub Total of 3 + 4** | **216.24** | **236.50** | **223.13** | **270.00** | **330.00** | **1275.87** |
| 5 | *Difference between Item No.2 and 4 above* | *19.15* | *32.26* | *69.97* | *107.98* | *114.93* | *344.29* |

*Source*: Department of Finance, Govt. of CG

*8.10 The Commission therefore recommends that the State Government should seriously consider delinking the provisions made for the State- sponsored schemes from the SFC devolution, and that the funds earmarked to these schemes should not continue to be a charge on the SFC devolution.*

**8.11** The Department of Panchayats and RD of the State in their memorandum to the Commission suggested that the SFC grants be released to the Panchayats in two installments, the first in the month of April, and the second in October. *The Commission agrees with their suggestion and recommends that the grants under the SFC dispensation be released to the Panchayats in two equal installments preferebly in April and October of each year.*

### 8.12 Line Department Grants for Devolved/transferred Functions

Since 1998, various line departments have been providing funds in respect of their schemes and salary and allowances of their staff transferred to the Panchayats which exercise administrative control over them. The purposes and funds allocated to the Panchayats are being exhibited in a budget supplement. The issue of functional devolution has been dealt in a separate chapter in greater detail. Suffice it here to mention that the budgetary allocation that was made for the activities/schemes and staff salaries of the line departments to the Panchayats during the three-year period of 2008-11 amounted to Rs. Rs.525.33 crore or to an annual average of Rs.175.11 crore.

## Grants from Union Government:

### 8.13 Central Finance Commission Grants

The XII Finance Commission had allocated a total grant of Rs.615 crore to the Panchayats in the State for the five year period 2005-06 to 2009-10. The XIII Finance Commission had provided to the Panchayats a share of 2.65 per cent in the total divisible pool of General Basic and General Performance grants, and a share of 13.21 per cent in the divisible pool of the Special Areas Grant. Panchayats have received a total grant of Rs. 478.97 crore under XIII CFC dispensation for the years 2010-11 and 2011-12. Details of CFC grants have been discussed in Chapter-3.

### 8.14 Rajiv Gandhi Panchayat Sashktikaran Abhiyan (RGPSA)

(1) In August 2012, the GOI had informed the States/UTs about launching of a new scheme by his Ministry titled 'Rajiv Gandhi Panchayat Sashktikaran Abhiyan' (RGPSA). The Scheme allows the States/UTs to undertake a range of activities relevant to strengthening of Panchayats like provision of administrative and technical support and infrastructure for gram Panchayats, e-enablement, capacity-building and strengthening of institutional infrastructure, training of the functionaries of Panchayats, measures to improve Panchayat processes, special initiatives to make Panchayats in Schedule-V areas active in terms of PESA, etc. To access the Central funds, States/UTs have to prepare perspective plans for 5 years, i.e., the Twelfth Plan period and annual plans for strengthening Panchayats, detailing activities and deliverables, from among the permitted components in the Scheme. The Ministry wanted plans for 2012-13 and 2013-14 together. The Scheme provides performance-linked funds from 2014-15 onwards. However, 25 pr cent of the schematic funds will be tied to State performance on identified deliverables in the State Plan. States/UTs

are required to fulfill some essential conditions for accessing RGPSA funds, which include regular elections to Panchayats, one-third reservation for women, constitution of SFC for every fiver years and constitution of DPC etc.

(2) The funding pattern under the Scheme would be on a 80:20 per cent basis between the Centre and the State/UT. Besides, 10 per cent of the Central share of the Scheme is earmarked to States with Schedule-V areas to strengthen implementation of PESA. In addition, the Scheme earmarked Rs.50 crore per annum towards incentivization of best-performing Panchayats.

(3) *The Commission has been given to understand that the perspective plan is under preparation. The Scheme addresses all the institutional incapacities of the Panchayats. We strongly urge the State government to take advantage of the scheme for the Panchayats. Fortunately the State fulfills almost all the prerequisites stipulated for accessing funds.*

**Centrally-sponsored Schemes**

**8.15** Since early-1980s' , the Government of India have been launching a large array of rural development programmes and schemes which are being managed by different Ministries at the Union level, and by different departments or agencies at the State level. These programmes do not pertain only to Ministry of RD/Panchayat but to a number of other Ministries and are similarly implemented in the State through a number of Department. There are schemes/progrmmes for guaranteed rural employment, water conservation and irrigation, sanitation, housing, road connectivity, rural health, education, poverty alleviation, nutrition, women and child welfare, institution-building, capacity-enhancement, rural infrastructure, electrification, water supply, tribal welfare, etc. The Commission had endeavored to elicit information from the State line departments as well as the Panchayat Raj institutions. In the absence of data on all CSS for the coming from the implementing agencies, the Commission had to access the statistical data relating to a few important rural development programmes like MGNREGS, PMGSY, IAY, SGSY, and BRGF/RSVY, etc. The total volume of funds that are flowing to the Panchayats in the State under different schemes/programmes of the Union Government is larger than the fund flow that we have shown under a few important rural development programmes in **Table-8.6.**

**Table-8.6 : Composition of Assigned Revenues and Grants-in-Aid of PRIs : 2008-09 to 2010-11**

(Rs. Lakh)

| Sl.No. | Item of Receipt | 2008-09 | 2009-10 | 2010-11 | Total | Annual Average |
|---|---|---|---|---|---|---|
| I. | **Assigned Revenues** | | | | | |
| 1. | Land Revenue & Land Cess | 100 | 160 | 247 | 507 | 169 |
| 2. | Additional Stamp Duty | 2150 | 2400 | 2112 | 6662 | 2221 |
| 3. | Royalty on Minor Minerals | 3927 | 4055 | 4785 | 12767 | 4256 |
| 4. | Entertainment Tax | - | - | 535 | 535 | 178 |
| 5. | Surcharge on Sales Tax | - | - | - | - | - |
| | *Sub-Total: I* | *6177* (1.68) | *6615* (2.54) | *7679* (1.98) | *20471* (2.01) | *6824* (2.02) |
| II. | **Grants-in-Aid** | | | | | |
| A. | **State Government** | | | | | |
| 1. | Normal Grants of Panchayat Deptt. | 3066 | 3348 | 5197 | 11611 | 3870 |
| 2. | State-sponsored schemes | 10650 | 9313 | 12000 | 31963 | 10654 |
| 3. | 1st SFC Devolution | 13000 | 13000 | 15000 | 41000 | 13667 |
| 4. | Line Department Grants | 11851 | 16445 | 24237 | 52533 | 17511 |
| 5. | State's share for CSS* | 22529 | 19183 | 24469 | 66181 | 22060 |
| | *Sub-Total: II-A* | *61096* (16.60) | *61289* (23.52) | *80903* (20.88) | *203288* (20.00) | *67762* (20.00) |
| B. | **Government of India** | | | | | |
| 1. | 12th / 13th Finance Commission Grants | 12300 | 12300 | 17055 | 41655 | 13885 |
| 2. | Grants under CSS/ACA: | | | | | |
| | a) MGNREGS | 163217 | 81489 | 168505 | 413211 | 137737 |
| | b) PMGSY | 93112 | 51012 | 67858 | 211982 | 70661 |
| | c) IAY | 7640 | 20806 | 13200 | 41646 | 13882 |
| | d) SGSY | 5304 | 6314 | 6012 | 17630 | 5877 |
| | e) RSVY / BGRF | 19245 | 20760 | 26336 | 66341 | 22114 |
| | *Sub-Total: II.B* | *300818* (81.72) | *192681* (73.94) | *298966* (77.14) | *792465* (77.98) | *264155* (77.98) |
| | **Grand Total** | **368091** (100.00) | **260585** (100.00) | **387548** (100.00) | **1016224** (100.00) | **338741** (100.00) |

## 8.16 Suggestions of the Department of Panchayats & RD

The Department of Panchayats and Rural Development has, submitted their suggestions. They are listed below together with the Commission's views thereon.

(1) Panchayats may be given a share in road tax, stamp duty, and surcharge on excise duty. The Commission is of the view that the State government had recently taken the initiative to impose a 10 per cent surcharge on excise duty exclusively for local bodies the impact of which is yet to be seen: Besides, the Government is parting with a portion of its tax revenue, including excise duty, with the Panchayats under the FSFC recommendations. Next, in terms of Panchayat Act, an additional stamp duty at one per cent is being levied and its proceeds are being transferred to the Janpad Panchayats. As regards the road tax, the motor vehicle tax revenue is partially transferred to the Panchayats under the SFC devolution. In addition, Gram Panchayats are statutorily empowered to levy an entry tax or tolls on all non-motorized vehicles that enter their geographic jurisdiction. Therefore, we see no specific merit in the suggestion of the Department relating to revenue-sharing.

(2) Funds provided to the Panchayats by the Public Health Engineering Department for operating Nal Jal Yojana be revised annually and be provided on a quarterly basis to the Panchayats. *The Commission, in principle, agrees with the suggestion and recommends that the grants being provided by the PHE Department for the said Yojana be revised upwards once in every two years keeping in view the inflationary price rise in the costs of manpower and material. These grants may be provided twice in a year, in the months of April and October, to the Panchayats.*

(3) *Funds for the construction of shopping complexes to gram Panchayats having a population of over 2,000 may be provided for augmenting the non-tax revenue of gram Panchayats. The Commission are of the view that unlike in several other States, Gram Panchayats in the State already have a number of schemes and funds which with their existing limited staff they find it difficult to cope with. As the scope of several State-sponsored schemes and of CFC and SFC grants is very wide, funds available under these sources could effectively be utilized for building shopping complexes in select gram Panchayats.*

(4) *Separate funds earmarked to organize events like Jan Samasya Nivaran Shivir, Gram Sampark Abhiyan, Krishi Rath Yatra, Lokarpan, etc., may be provided to the gram Panchayats.* During our interactions with both with the officials and elected representatives GPs. It has been repeatedly brought to the notice of the Commission that generally the GPs have to fund not only such functions held locally but have to share the expenditure of Panchayats Sammelan and other such functions at Janpad/district level. Perhaps the above suggestions of the Deptt. has been made in that context. *We agree that the GPs should not*

*be made to spend their meagre finances on such functions/ceremonies. At best the GPs may spend their funds on purely local functions held under their aegis. We recommend that the Govt. should consider separate allocation of funds to GPs through districts for Govt. sponsored campaigns/programmes such as Jan Samasya Niwaran Shivir, Gram Sampark Abhiyan (Gram Suraj), etc.*

**(5)** Funds for maintenance of assets like roads, buildings, hand pumps, etc., created in the rural areas may be provided to the Panchayats. The Commission considers the issue of maintenance of durable assets created under different Central and State schemes during the last two decades in particular, and of the other assets of the GPs as a very crucial issue demanding urgent attention. In order to make them continuously functional during their normal life-span, it is necessary to provide some funds for their periodic maintenance. Unfortunately, as in several other States, in this State also there are very few Gram Panchayats which maintain an inventory of community assets created under different schemes, their present physical status, and the annual maintenance plan for them. The Commission has considered this issue in the devolution package.

**(6)** A portion of the revenue realized by the State government from industries located in rural areas may be given to the Panchayats. *The Commission however feels that in view of their devolution package being global-tax sharing –based, there is no point in seeking shares from revenues of individual taxes being levied and collected by the State government separately. The Commission feels that the devolution package being based on the tax revenues of the State Govt. Transfer of share of more individual taxes may not be necessary. However, the State Govt. is understood to have formulated a policy for utilization of the funds set apart for industries for Corporate Social Responsibilities (CSR). The CSR funds of small industries such as, sponge iron plants, should be earmarked for the GPs area only, while a percentage of CSR funds of large industries should go to nearby GPs. It should be incumbent on industries to consult the GPs concerned for preparation of their CSR plan. The State Govt. should incorporate these suggestions in their CSR policy. There are a number of highly polluting industries in rural areas such as sponge iron plants in Raigarh districts, which not only pollute the air and water of the nearby areas but also dispose of their industrial waste nearby adversely affecting the crop and the health of the people. Apart from the action which the Govt. take under the relevant laws to check the pollution, the concerned GPs should be enabled by law to levy penalties on them and use the funds to undo, at least partly,* *the damage done by the industries. Secondly, where industries damage rural roads because of heavy transportation of materials, the maintenance of roads should be, by the order of the Govt., their responsibilities. Alternatively, they must provide funds to the GPs every year for maintenance of the roads.*

**8.17** One of the demands of the elected representatives in our *district-level meetings of Panchayat functionaries* relate to a share for the Panchayats in the royalty one major minerals. *The Government's income from royalties on major mineral has gone up substantially recently and constituted nearly 64% of their non-tax revenue receipts during 2010-11. This is a buyont source of revenue. The Govt. should consider sharing a small percentage of royalty receipts with GPs. It will be much better if such sharing can with such GPs as affected by the mines.*

**Review of the Finances of PRIs**

**8.18** In chapter-7, we have endeavored to estimate the IRM of Panchayats within all the limitations imposed by inadequate and imperfect data, the **annual average IRM of all the 9734 Gram Panchayats and 146 Janpad Panchayats could be estimated at Rs. 23.44 crore and Rs. 3.28 crores respectively (Table 7.14 of Chapter-7)**. Now, to arrive at the total quantum of receipts of the Panchayats at all levels in the State, the available micro-level data relating to assigned revenues and grants-in-aid, from the both the State and Union governments, were also found to be inadequate. In such a situation, we had to rely upon whatever State-level secondary data are available in assessing the approximate volume of State assistance provided to the Panchayati Raj institutions in the State. The macro-level data are, also, not readily available tier-wise or district-wise.

**8.19** Reverting to the main issue of revenue transfers to Panchayats at all levels in the State during 2008-09 and 2010-11, we have classified State assistance into 'Assigned Revenues' from State government, and 'Grants-in-aid' from both State and Union governments'. State Government grants are further sub-divided into five broad categories, namely, Panchayat Department's normal recurring grants; grants under the dispensation of SFC recommendations; grants for State-sponsored Schemes, grants from the State line Departments that devolved some of their responsibilities and staff on Panchayats; and grants provided to Panchayats as part of their stipulated share for availing the funds of Centrally-sponsored schemes. Grants that emanate from the Union government consist broadly of grants received by Panchayats under the award of the Central Finance Commission, and funds provided by the Union Government Ministries for Centrally-sponsored/supported schemes. However, data on the receipts and expenditure of all Centrally-sponsored schemes being implemented by different Departments at State level are not heavily available with the result that the Commission had to limit its analysis to MGNREGA, SGSY, IAY,PMGSY, and BGF/RSVY only. There are other Central schemes like NSAP, NRSP, RGSY, etc., which are being implemented by the line departments, other than the RD Department. Besides, funds in respect of a some of the programmes or schemes of the Union RD Department directly flow to the DRDAs/ZPs, and there is no disaggregated data available on them. Therefore, our estimate of the quantum of funds being injected into the Panchayat sector under all the relevant Centrally-conceived and locally-executed schemes would obviously be larger than the figures we provided in **Annexure 8.1**. The data relating to the State line department grants and the Centrally-sponsored schemes need therefore to be viewed more as illustrative than as exhaustive.

**8.20** The available State-level data relating to revenue transfers from both State and Union governments may be seen from Table 8.6. Annexure 8.1 shows the funds released to Panchayats by both the Union and State Governments towards their respective shares for implementation of the specified five Central Schemes. Of these five, about 58 per cent of the funds on an annual average, have been claimed by MNREGA, followed by PMGSY with a share of 28 per cent during 2008-09 to 2010-11. Against the total funds for these five CSS available during this period, 85 per cent was stated to be their combined utilization rate. *In this connection, the Commission recommends that the existing agency functions commission be increased upwards to a reasonable level since the Central sponsored schemes are claming a major part of the energy and time of the limited number of functionaries at Gram Panchayat level, thus leaving very little time to them to take care of their other Panchayat functions. The first SFC had recommend at least 3% agency Commission. We reiterate this recommendation. This should be appropriately taken up with GoI.*

*It may be observed from the table that during the 3-year reference period, on an annual average basis, the shares of assigned revenues, and State Govt. grants, work out to Rs. 59.92 crore, and Rs. 596.85 crore, respectively.*

**8.21** In **Table-8.7**, the year-wise data for the years 2008-2011 relating to the quantum of financial assistance to the Panchayats at all the three levels are given. The funds received from GOI under various Central Sector schemes are not in the nature of assistance as such.

The assigned revenues and State Govt. grants work out to Rs. 68.24 crore and Rs. 67.62 crore respectively on an average basis. Taking the allocation in the Central schemes also into account which amounted to Rs. 2641.55 crore on an annual average basis, the total fund flow of Panchayats at all levels during years 2008-09 to 2010-11 works out to Rs. 3387.41 crore per year.

**Table-8.7 : A TENTATIVE ESTIMATE OF THE AGGREGATE RECEIPTS OF PRIs IN CHHATTISGARH**

(Rs. in lakhs)

| Sl. No. | Item of Receipt | 3-Year Annual Average* |
|---|---|---|
| I. | *Internal Resource Mobilisation* | **26.73 (0.73)** |
| (a) | Tax Revenue | 7.85 (0.23) |
| (b) | Non-tax Revenue | 18.88 (0.55) |
| II. | *Assigned Revenues* | **68.24 (2.00)** |
| III. | *Grants-in-Aid* | **3,319.17 (97.22)** |
| (a) | State Government | 677.62 (19.85) |
| (b) | Union Government | 2,641.55 (77.37) |
| | **Grand Total** | **3,414.14 (100.00)** |

*** From 2008-09 to 2010-11**

**8.22** *We have made an attempt at making a tentative estimate of the aggregate annual receipts of all levels of all Panchayats put together in the State. These can be the benchmark figures for 2011-12. Here we assume that in view of the highly volatile nature of Panchayats' own revenue mobilization and its erratic trend, we may have to consider the annual average own revenue of Gram and Janpad Panchayats for the 5-year reference period as well as for the 3-year period. Accordingly, as may be seen from Table-8.7, in the combined annual receipts of PRIs in the State, annual average own income (IRM) constituted a mere 0.86 per cent during 2006-07 to 2010-11, and 0.73 per cent during 2008-09 to 2010-11. This share of IRM in the total revenue of Panchayats is likely to be further eroded by increased State aid from 2011-12 onwards with two new State-sponsored schemes viz Mukhyamantri Gram Sadak Vikas Yojana and Mukhyamantri Janpad Sashaktikaran Yojana, and of RGPSY launched by the Union Ministry of Panchayati Raj. Infusion of State-aid on an ever-increasing scale over the years has greatly depressed the percentage share of their own revenues in the aggregate resources of the Panchayats. Besides, it has fostered an increasing trend towards laxity in local resource mobilization, and a dependency syndrome in Panchayats.* It is

**therefore very necessary that the tax and non-tax structure of the Panchayats in the State is thoroughly reviewed and redesigned with a view to assuring the Panchayats of more elastic and productive sources of income, and that appropriate incentive for improved revenue performance is provided.**

**8.23** In connection with transfer of funds through various schemes, and their utilization, we have observed that presently the GPs receive funds from various sources and in many cases for similar works. Except for four districts Panchayats in others receive funds under BRGF, some under Integrated Action Plan in ten Naxal- affected areas, money from MP LAD and MLA LAD Funds and funds from the three Vikas Pradhikarans in the State, apart from the fund flows from the award of the 13th Finance Commission and the State Finance Commission. There seems to be no mechanism in place to ensure convergence in the utilization of the money coming from various sources into the rural areas. Instances have come to the notice of the Commission where funds have been drawn from two sources for the same work. *We feel that convergence is best achieved at the level of the district and strongly recommend that the Government institute is a mechanism for ensuring that the funds coming from so many sources, many with overlapping objectives and coverage, are utilized properly convergence.*

# CHAPTER 9

## Panchayat Finances : Expenditure

**9.1** In Chapter 5 of this report we have described in brief the functions of the three-tier Panchayats as mandated under the Panchayat Act. Most of these statutory functions have financial implications. The Panchayats- mainly the GPs- funds such functions through their own revenues, the revenues assigned by the State Govt. and devolution by the State Govt. on the recommendations of the SFC. Apart from these, the Panchayats have to perform a whole lot of other functions pertaining to the subjects contained in Schedule XI of the Constitution, as per the functional devolution made by the State Govt. These functions should not have financial implication because the concerned departments of the Govt. should transfer along with the functions, the funds and the functionaries. The expenditure incurred on these functions by the Panchayats is out of the funds transferred by the Deptt. Thirdly, the Panchayats also perform 'agency functions' and are required to implement various Central Govt. and State Govt. schemes for rural development, rural employment and poverty aviation. The expenditure by Panchayats on all these three functions is distinct and the accounting of such expenditure is also distinct.

**9.2** For a view of the expenditure incurred by the Panchayats on these functions, the Commission had sought detailed data on the basis of questionnaires from the Panchayats directly. As we have already mentioned in the report, the information and data received were far from adequate and reliable. Some statistical support in the form of disaggregate data on Panchayat expenditure for the period 2006-07 to 2010-11 was provided to the Commission by 5,427 GPs, out of which we selected 1945 sample GPs, (SGPs) for analysis. Unfortunately, the primary data submitted by the JPs and ZPs, were inadequate, unreliable and unsatisfactory. Therefore we had to fall back upon secondary data. Here again the Department could only provide figures of 'releases' of their grants but could not provide corresponding expenditure figures. We have therefore treated release as deemed expenditure on the item or head concerned. We have made some analysis of the expenditure of Panchayats within the service limitations described above.

**9.3** The composition of the annual average of the total expenditure of the SGP, district-wise during 2006-07 to 2010-11 is given in Annexure 9.1. The average annual expenditure of the SGP for the same period has been given in Annexure 9.2 and total expenditure in

Annexure 9.3. The aggregate expenditure of all PRIs for 2008-09 to 2010-11 is given in Annexure 9.4.

*Composition of Gram Panchayat Expenditure*

**9.4** From **Annexure 9.1,** the following features stand out:

**(i)** Among the different components of GP expenditure, the lion's share is claimed by expenditure on civic services (29.07%) on an annual average basis, during our reference period. Among the districts in the State, this share however varied between 2.35% in Korba and 85.59% in Dhamtari.

**(ii)** Expenditure on Centrally-sponsored Schemes claimed the second place in terms of its share in the annual average total expenditure of the SGPs (18.60%).

**(iii)** Expenditure on Social Welfare schemes like old age pensions, etc., constituted 13.52%. Inter-district distribution of this figure however varied between 0.90% in Sukma and 54.30% in Kanker.

**(iv)** 10.76% was devoted to State-sponsored schemes, and its corresponding district-wise figures ranged from 0.36% in Korba to 45.37% in Kondagaon.

**(v)** Asset Maintenance expenditure accounted for 6.83% of the SGPs, with district figures rising from 0.52% in Dhamtari to 40% in Sarguja;

**(vi)** Expenditure on Establishment and administration of GPs claimed a share of 4.65%. However, across the districts in the State, it ranged from 0.66% in Dhamtari to 21.07% in Balrampur.

**(vii)** Altogether the annual average total expenditure of a sample GP worked out to Rs.6.88 lakh in the State during the reference period of 2006-07 to 2010-11, although the expenditure varied across districts between Rs. 0.85 lakh in Sukma and Rs. 28.86 lakh in Dhamtari.

*Expenditure on Civic Services*

**9.5** The annual average expenditure incurred by our SGPs on five civic services, viz., drinking water supply; street lighting, including lighting of public places; sanitation and drainage; solid waste disposal; and village roads in each of the 27 districts may be observed from **Annexure 9.2.** From the said Table, the following features can be observed:

(i) On an annual average basis, *a sample GP spent Rs.2.00 lakh on capital and O&M of the five chosen civic services.* Of this, the percentage share of capital expenditure accounted for a little over 76 percent.

(ii) Of the five civic services covered in the review, the annual average expenditure of Rs.0.91 lakh incurred by a GP on *drinking water supply* claimed the first place in terms of its share in the total civic expenditure. For instance, 57% of the total civic expenditure was incurred on provision of drinking water supply alone.

(iii) *Village roads* claimed a total annual average expenditure of Rs.0.35 lakh and it constituted 17.5% of the total expenditure of a GP. Interestingly, the entire amount was spent on formation of new roads and no funds were spent on maintenance of village roads.

(iv) An annual average expenditure of Rs.0.30 lakh was spent by a GP on *sanitation and drainage* which accounted for 15% of the annual average total expenditure of the SGPs.

(v) In absolute and percentage terms, a sample GP had incurred relatively smaller amounts on *street lighting* (Rs.0.15 lakh), and *solid waste disposal* (Rs.0.06 lakh). Their combined share in the total expenditure in total civic expenditure of a GP is thus Rs.0.21 lakh per annum.

**9.6** Though the 2011 Census data had provided some useful information on the degree of coverage of households by water supply, housing, latrines etc., each State Govt. has to work out the physical and financial requirements of identified basic civic services required in the rural areas on some rational normative basis. *The Commission recommends appointment of an Committee Group to determine the norms/standards of service levels expected of GP in respect of each civic service rendered, work out their unit costs, the time-frame for cent percent coverage of all areas, the number of physical units required, and their provision in a phased manner during a given time period, their estimated O&M and capital requirements, etc., to enable the future SFCs to consider their financial implications.*

*Revenue, Capital and Welfare Expenditure & Per Capital Expenditure of SGPs*

**9.7** From **Annexure 9.3**, the composition of GP expenditure in the State, in terms of its Revenue, Capital and Welfare expenditure may be observed. The Table reveals the following features:

(i) Of the total annual average expenditure of Rs.7.78 lakh of a sample GP, the respective percentage shares of revenue, capital and welfare expenditures were 56, 32, and 12.

(ii) The Table also shows that the annual average per capita expenditure of a SGP in the State during the reference period of 2006-07 to 2010-11 was Rs.386. The highest per capita expenditure of a SGP was recorded in Dhamtari (Rs. 1788), and the lowest in Sarguja (Rs.42). **However, the per capita expenditure of SGPs in 18 of the 27 districts is less than the all-district average of Rs.386 in the State.**

**Aggregate Expenditure of PRIs in Chhattisgarh**

**9.8** As already mentioned, the Commission had made every attempt to elicit the quantitative time-series data relating to different facets of expenditure of each level of Panchayats in the State directly from the Panchayats but failed. Nonetheless, the Commission had made an attempt to arrive at an approximation of the 'aggregate expenditure of all Panchayats in the State' from the secondary data. **Annexure 9.4** shows the elements of aggregate expenditure of the Panchayats at all levels in the State. The Table shows that during 2008-09 to 2010-11, the position was the following:

(i) The aggregate numerical size of expenditure met from resources, both tax and non-tax, mobilized primarily by GPs and JPs in the State, was a mere Rs.26.73 crore which constituted less than one percent of the annual average aggregate expenditure of all the PRIs in the State. If this figure is compared to the situation prevailing in 2003-04, the IRM efforts of PRIs seem to have been slackened during the last ten years.

**(ii) Panchayats at all levels in the State are dependent on State assistance in different forms to the extent of 99 per cent of their aggregate expenditure needs.**

(iii) The annual average per capita expenditure of Panchayats at all levels in the State works out to around Rs.1960 during 2009-2010-11.

**A Balance Sheet of Panchayat Receipts and Expenditure**

**9.9** **Annexure 9.5** shows the aggregate receipts of PRIs as against their aggregate expenditure for the recent years of 2008-09 to 2010-11. The Annexure shows that on an average basis, the aggregate expenditure of the PRIs in the State which stood at Rs. 3843.56 crore per annum exceeded their aggregate receipts by Rs. 177.38 crore per annum during the reference period. The deficit might have been met from the accumulated unspent balances of the previous years. The Commission would, however, like it to be noted that the data available to us was neither complete nor totally reliable. Hence the analysis as above can only be termed indicative.

# CHAPTER 10

## Accounts, Audit and Governance Issues

**10.1** In this chapter we have dealt with some important issues relating to accounts and financial accountability, organizational and administrative issues, which impact on effective decentralized rural governance.

**Maintenance of Accounts by Panchayats:**

**10.2** The Panchayat Act provides (Sec. 73) for preparation of annual accounts and report of administration by Panchayats. The State Govt. has framed rules in (1998 and 1999), governing maintenance of accounts by each level of Panchayats in the State. The rules laid down maintenance of register and records by them and the procedure to be observed in regard to maintenance of accounts. At GP level, the cash book, general ledger, grants register, DCRB register, register of dead stock, register of immovable properties, register of fines and penalties and preparation of monthly statement of receipts and payment and annual receipts and payment accounts, etc are required to be maintained. Proper maintenance of registers, records and accounts can be expected at the JP and ZP level as they have separate account staff. At GP level, however, maintenance of registers, records and accounts is a major problem area.

**10.3** Successive Finance Commissions, since the XI FC, have emphasized on proper maintenance of accounts and financial accountability at GP level. The GPs presently handle large expenditure, not only their own but also of Central and State schemes being implemented by them. In order to ensure minimum financial transparency and accountability, proper maintenance of accounts and timely audit are a necessity. Presently, not many Panchayats maintain accounts properly. The State Govt. has introduced 'PRIA Soft', a simple format for maintenance of accounts through computers. For maintenance of the assets of the GPs also new software called 'Asset Soft' has been introduced. But proper maintenance of accounts at GP level continues to be a far cry. Not all GPs have computers. Although the gap in the coverage of computers is sought to be bridged through funds available under BRGF and agency commission of MNRGEA, the Panchayat Sachivs are not computer literate and need training to handle them. Presently, some arrangement has been made for maintenance of accounts of GPs through PRIA Soft computer software at Janpad

Panchayat level. That unfortunately does not serve much purpose. It will take time for all the Panchayats Sachivs to become computer- literate and maintain accounts themselves. *We have therefore recommended that there should be atleast one computer operator-cum-accountant in every Panchayat. Accounts must be maintained at GP level only and the Gram Sabhas must have access to it. There should be periodic review of the position of income and expenditure of the GP and the position should be put up before the Gram Sabha with a view to ensure financial accountability. This is possible only when accounts are maintained properly and regularly.*

**Audit**

**10.4** An important aspect of financial accountability is audit. Although the Govt. has declared the Local Fund Audit organization to be the statutory auditor of PRIs and ULBs since 2003-04, statutory audit of GPs has so far been negligible. Because of the organization's capacity constraints the audit of JPs and ZPs are also pending for years. The Panchayat Act (Sec. 129) provides for a separate and independent organization under the control of the State Govt. to perform audit of accounts of Panchayat. The State Govt. has framed detailed rules regarding the procedure of audit and the powers and duties of the auditors. There is provision for annual and special audit. Until March, 2003 the audit of accounts of GPs was been conducted by the Panchayat Auditors of the Panchayat Deptt., while those of JPs and ZPs were being audited by the Local Fund Audit (LFAD). With effect from 2003-04, audit of accounts of GPs has also been entrusted to LFAD as statutory auditor. (Table 10.1)

**Table 10.1**
**Status of audit of PRIs by LFAD**

(As on 31st August, 2012)

| Sl. No. | Item | Gram Panchayats | Janpad Panchayats | Zila Panchayats |
|---|---|---|---|---|
| 1 | Total No. of Panchayats | 9734 | 146 | 18 |
| 2 | No. of Pending Audit Years Pertaining to: | | | |
| a) | Upto March 2003 | No LF Audit | 19 | 8 |
| b) | Upto March 2004 | 6565 | 10 | 1 |
| c) | Upto March 2005 | 6691 | 14 | 1 |
| d) | Upto March 2006 | 7286 | 17 | 2 |
| e) | Upto March 2007 | 7518 | 23 | 2 |
| f) | Upto March 2008 | 7811 | 28 | 3 |
| g) | Upto March 2009 | 8427 | 54 | 7 |
| h) | Upto March 2010 | 8921 | 70 | 11 |
| i) | Upto March 2011 | 9330 | 96 | 15 |
| j) | Upto March 2012 | 9630 | 140 | 20 |
| 3 | **Total No. of Audit Years Pending** | 72134 | 471 | 70 |
| 4 | Audit Completed in 2011-12 | 477 | 45 | 2 |
| 5 | **No. of Pending Audit Years as on 31.8.2012** | **71657** | **426** | **68** |

Source: *Directorate of LF Audit, Govt. of Chhattisgarh*

It may be seen from the table that there are huge backlogs, Audit of almost 80% of GPs is pending and during the last two years there has been practically no audit of GPs. The reasons for such accumulation of audit are several and include limited audit staff available with the LFAD, improper and poor quality of maintenance of financial records of the GPs, lack of proper guidance to GP functionaries in financial management practices and procedures, etc.

**10.5** Not only are there backlogs in audit, the position of settlement of audit objections are worse.

*Table-10.2*

**Audit Objections Pending & the Amount Involved and Cases of Embezzlement**

**(As on 31st August, 2012)**

| Sl. No. | Item | Gram Panchayats | | Janpad Panchayats | | Zila Panchayats | | Total (Rs. in lakhs) | |
|---|---|---|---|---|---|---|---|---|---|
| | | NAOP/ NOCE | Amount Involved | NAOP/ NOCE | Amount Involved | NAOP/ NOCE | Amount Involved | NAOP/ NOCE | Amount Involved |
| 1 | Audit Objections Pending and Amount Involved | 85436 | 14289.27 | 31783 | 22408.41 | 20072 | 11824.77 | **137291** | **48522.55** |
| 2 | No. of Cases of Embezzlement and Amount Involved | 6 | 0.11 | 267 | 83.58 | 984 | 461.24 | **1257** | **544.93** |

*NAOP: Number of Audit Objections Pending*
**NOCE**: Number of cases of Embezzlement
*Source*: Directorate of LF Audit, Govt. of Chhattisgarh

From **Table-10.2** it may be seen that by August-end 2012, the total number of audit objections raised by the statutory auditors of Panchayats which still remain unsettled are 85,436 involving transactions to the tune of Rs.142.89 crore in the case of GPs; and 31,783 involving transactions of the value of Rs.224.08 crore in the case of JP in the State. In regard to ZPs, 20,072 audit objections involving a monetary value of Rs.118.25 are still to be settled. *In sum, the aggregate number of audit objections which need clearance from the statutory auditors are 1,37,291 involving transactions of the value of Rs.485.23 crore by the end of August 2012. From the same table it may be observed* that till August 2012, the number of cases of embezzlement of funds noticed by the LF Auditors were 6, 267, and 984 in the case of ZPs, JPs and GPs respectively. The corresponding amount involved is stated to be Rs.0.11 lakh, Rs.83.58 lakh and Rs.461.24 lakh respectively. Thus, *altogether a total of 1257 cases of embezzlement involving a total sum of Rs.544.93 lakh were noticed by the statutory auditors* in the course of conducting their annual post-audit of the accounts of Panchayats in the State.

**10.6** As per the recommendations of the XIII Finance Commission, the State Govt. notified in 2011 (FD notification no. 1244/242/2011/ESTT/IV dated 24.10.2011) that the LFAD shall function under the technical guidance and supervision (TG&S) of the C&AG. But the system of statutory audit of PRIs as envisaged by the 13th Finance Commission has not been in place so far. Under the scheme the AG is also not only to provide technical guidance to LFAD and supervise audit but also undertake sample audit of local bodies. We have been informed by the AG (Audit), Chhattisgarh that the process of sample audit of ULBs by AG has started but the process of technical guidance and supervision by the AG is yet to commence. The GPs continue to be audited by the auditors of the Panchayat Deptt. The Commission has been informed by LFAD that they were associated neither with the design of PRIA Soft nor in its use. The GPs refuse audit by LFAD on the ground that their account are audited by the Panchayat auditors. We have observed that there is lack of co-ordination between the Panchayat Deptt. and LFAD which is under the Finance Deptt.

**10.7** Accounts and audit continue to be the weakest link in Panchayat system which militates against their institutional development. We have not received information regarding compliance of audit report and hence have not reviewed the position. We understand that the position of compliance is worse. This should be an area of great concern for the State Govt., but seems to have received little attention. *We therefore strongly recommend that the statutory audit system be strengthened most urgently. We recommend the following in this regard:*

*1 We have separately recommended appointment of an accountant-cum-computer assistant in each GP for proper maintenance of accounts and related registers.*

*2. The LFAD with its present strength does not have the capacity to carry out audit of GPs and other local bodies. The LFAD set up requires immediate review and strengthening in a time bound manner. This exercise must be undertaken urgently by the Finance Deptt. if necessary in consultation with the AG, Panchayat and RD and UAD Deptts. We have commented on this in Chapter 17 also.*

*3. Special drive for specifically reducing the existing volume of audit arrears may be organized by deploying the existing machinery of Internal Audit & Taxation Officers* *for assisting the statutory audit machinery in the process of their audit. The services of retired LFAD officials may be taken to liquidate audit arrears.*

4. *In view of the sheer numerical strength of Gram Panchayats in the State, the State government may examine the feasibility and desirability of creating a separate Section in the Directorate of LF Audit staffed with adequate and qualified auditors exclusively for attending to the audit of Panchayat accounts.*

5. *The cadre of Panchayat Auditors should be merged with LFAD.*

6. *Appropriate penal action in terms of the existing statutory provisions may be initiated against those Panchayat functionaries who, despite being informed of the date of audit in advance, deliberately or willfully avoid audit on some pretext.* It is also understood that many records and registers of atleast the last five years are not preserved carefully and are said to be not available or traceable. Also, instances are not rare where change of incumbency in the office of Sarpanch took place, the official records and registers were not being handed over by the outgoing Sarpanch to his/her successor, and that no penal or legal action is stated to have taken in several such cases.

7. *Expeditious action may be taken by the government to recover the funds which are lawfully due to the Panchayats from Panchayat functionaries or other relevant officials under the control of Panchayats on account of embezzlement, or misappropriation of Panchayat funds or misuse of their financial powers. The competent authority under the Panchayat Act should be fully empowered for recovery of such dues.*

8. *The State Govt. should proactively pursue the C&AG for providing TG & S to LFAD and taking up test audit of local bodies.*

**Other Governance Issues:**

**10.8** Of the three tier Panchayats, the GP is closest to the people and is directly responsible for providing civic services, developing basic infrastructure in the villages and implementing schemes of economic and social justice. The State Panchayat Act has entrusted to them all the 29 functions listed in the XI Schedule to the Constitution. It is therefore at this level that the governance issues are crucial to their effective functioning. The JPs, on the other hand, being an intermediate level, have mostly supervisory functions and very few direct responsibilities. The ZPs are primarily responsible for supervision and monitoring but also have direct responsibility for implementation of Central and States scheme. They also have control over the staff of various line Departments. But as already mentioned, it is at the GP level that the governance issues are critical. The main problem is lack of capacity. The GPs have greater focus on implementation of schemes like MNREGA and Indira Awas Yojna etc and implementation of social security measures such as, old age pension etc and PDS, than providing necessary services in the villages and discharging their Constitutional responsibilities. The Commission during field visits felt that this has unfortunately led to a disconnect between the people and the Panchayats, which needs to be remedied.

**10.9** Capacity development, both institutional and functional is the key to effective rural governance. Taking the second first, the functional capacity of GPs is severely limited. There is a need for strengthening, along with their finances, the capacity of the GPs in terms of manpower and training. It is beyond the capacity of one Panchayat Sachiv to discharge all the responsibilities of GP and levy and recover taxes, maintain all the records, attend various meeting at JP and ZP level and do a multitude of other duties. Many GPs have been provided computers but they are not put to use because the Sachivs are not computer-literate. *The GPs urgently need the following staff: An Accountant-cum-Computer operator; one assistant, and one technical person in bigger Panchayats to look after maintenance of water supply, street light and construction works. Alternatively a qualified technical assistant may be appointed for a cluster of GPs and placed under the concern JP. The Govt. can take full advantage of RGPSA for this.*

## Training

**10.10** The capacity and competence of the Panchayat personnel, both elected and appointed, are directly proportional to the training they receive. The present training infrastructure of Panchayats comprise of a State Institute of Rural Development (SIRD), six ETCs (Regional Panchayat and RD Training Centre), 110 Panchayat Resource Centres at Block level and 700 Community Centres for a cluster of 10 GPs. The SIRD organizes a number of training programmes for both Panchayat officials and elected representatives and is reasonably equipped. Training programmes are also organized through the six ETS under SIRD. The Block (Janpad level) Resource Centres and the Community Resource Centres are only in name. They lack necessary manpower and equipment for training. Even the SIRD itself and the six ETCs suffer from lack of experienced manpower to impart training. The State Govt. propose to add 22 more district level Panchayat and RD training centres so that all districts have atleast one training centre. They also propose to add 36 Block level resource centres so that each block has a training centre. These additions are proposed under the RGPSA, the new Central scheme. While a four tier training infrastructure may be the most useful, in view of the resource constraint, we would suggest that focus should be on SIRD and the Block Level training centres, while the district level centres function only as Panchayat Resource centres rather than training centres. We have been informed that all elected representative have been give some training. The Panchayats Sachivs are also trained in various aspects of functioning of Panchayats. But they need more intensive and extensive training than at present. The Block level training centres are best suited for training of GP personnel, both elected and appointed. *We therefore recommend that instead of spreading the resources too thin by creating community centres, the State Govt. should focus on strengthening SIRD and Block level institutions for creation of adequate training infrastructure. The district centres should primarily be resource centres for technical support, preparation of training material etc for lower level training institutions. We also recommend that there should be special incentive for trainers to attract competent people.*

**Viability of GPs of JPs**

**10.11** At present all GPs are being treated in a uniform manner in terms of statutory and agency functions and revenue raising powers regardless of their geographical and demographic profile and resource base. In fact, the geographical area, the size of population to be served, level of resources available should dictate the staff support required and the nature and scale of services to be provided. A GP in a tribal area is treated on par with those in non-tribal areas. *It would be advisable to categorize GPs into two/three categories on the basis of their area, population, and revenue base for financial assistance and for staffing.*

**Basic/Core Services**

**10.12** The GPs do not seem to have a clear idea as to what constitute basic/core, civic amenities/services required to be provided by them. In fact presently, the 'basic services grant' being provided to GPs is being used for a variety of purposes, not related to basic services. In the rural areas of this State, the basic services comprise supply of safe drinking water, sanitation, street lights, internal roads and drainage, primary health care, primary education and maintenance of common properties. *We recommend that the Govt. should not only clearly define basic services at village level but also set the standards of service to be achieved and also the timeframe within which to be achieved. In some State, core* *services to be provided by GPs are identified in the Panchayat Act itself. The funds earmarked for basic services should be used for such services.*

**Release of Gram Panchayat Grants**

**10.13** As per the present practice in the State all grants to JPs and GPs are disbursed through the ZP. This results in avoidable delays in resource transfers as well as maintenance of separate records. With e.connectivity up to the JP level in the State, all grants meant to reach JPs and GPs can be released directly from the State headquarters to JPs under intimation to ZPs. This will avoid ZPs keeping account of such grants. *Hence, the Commission recommends that all grants which are specifically earmarked to GPs and JPs and where ZP does not enjoy any discretion with regard to their distribution among the lower levels of Panchayats, be directly transferred to the JPs, marking a copy of such releases to the ZPs concerned. The JPs can in turn distribute the grants meant for GPs in their respective jurisdictions without much delay.*

**Taxation in Schedule V area GPs**

**10.14** As observed earlier tribal and non-tribal GPs can be differently treated in the matter of grant of revenue-raising powers also. In the light of the narrow revenue base available for the GPs and JPs in all the 85 tribal blocks spread over in as many as 18 districts in the State, the government may examine the feasibility of making all obligatory tax and non-tax levies of GPs 'optional' levies for them. If necessary PESA may be amended to give effect to this suggestion.

**Panchayat Data Bank**

**10.15** At present, the records maintenance at the GP level is in a chaotic state. Account books are not properly and regularly maintained by most of them. Budget estimates, annual administration reports, and statements of annual account are not promptly prepared, presented and preserved. Lack of reliable, appropriate and adequate data on local government finances in the State is one of the constraints to relate financial assistance to the fiscal needs of these institutions. The XI Finance Commission had earmarked a portion of its grant to local bodies for maintenance of accounts in Gram and intermediate Panchayats, and for creation of a database. However, this earmarked grants have apparently not been used for the specified purpose. The need for a data bank on Panchayats and municipalities deserves no special emphasis. We feel that it would be more practical and useful and also feasible to create Panchayat data bank at district level. Thus *collection, classification, tabulation and monitoring of statistical and other specified information on Panchayats at all levels in the district'* should be assigned to the ZPs. *The Commission accordingly recommends establishment of a Data Bank on all Panchayats in the district be made an obligatory duty of the ZPs, through a statutory amendment, if necessary. The ZPs should be provided with necessary staff, equipment and funds, if necessary by earmarking a portion of the Central Finance Commission grant for this purpose. The funds proposed to be transferred to ZPs by this Commission should be used for this purpose.*

# CHAPTER 11

## Urbanization in Chhattisgarh

**11.1** As per Census 2011, the State has an urban population of about six million constituting 23.24 percent of the total population of the state as against the country's 31.16 percent, as can be seen from **table 11.1.** Chhattisgarh ranks 28 among the states/UTs in terms of urbanization in the country. It is a low urbanizing state and the state's urban growth over the last one century can be seen from table 11.1.

**Table 11.1: Urbanization Trends in India and Chhattisgarh**

| S. No. | Year | India | | | Chhattisgarh | | |
|---|---|---|---|---|---|---|---|
| | | Urban population | percent of Urban population | Decadal growth rate | Urban population | percent of Urban popula tion | Decadal growth rate |
| 1. | 1951 | 62,443,709 | 17.29 | 41.40 | 364,024 | 4.88 | 23.66 |
| 2. | 1961 | 78,936,603 | 17.97 | 26.41 | 762,714 | 8.33 | 109.52 |
| 3. | 1971 | 109,113,977 | 19.91 | 38.23 | 1,207,892 | 10.38 | 58.37 |
| 4. | 1981 | 159,462,547 | 23.34 | 46.14 | 2,058,172 | 14.69 | 70.39 |
| 5. | 1991 | 217,565,526 | 25.70 | 36.44 | 3,064,693 | 17.40 | 48.90 |
| 6. | 2001 | 286,119,689 | 27.81 | 31.51 | 4,185,747 | 20.09 | 36.58 |
| 7. | 2011 | 377,105,760 | 31.16 | 31.80 | 5,936,538 | 23.24 | 41.83 |

Source: Census of India, 2011.

**11.2** The state experienced a decadal growth rate of 41.83 percent during 2001-11 as against India's 31.80 percent, signifying state's urban growth potential. Despite the fact that the state almost always maintained a higher urban decadal growth rate compared to national growth rate, Chhattisgarh is a low urbanizing state as the base urban population was very low at the beginning of the century (1901 – less than 0.5 per cent of the total urban population of the country). The population decadal growth rates, rural and urban together, are higher in Chhattisgarh compared to Madhya Pradesh. The parent state of Chhattisgarh, and India, during 2001-11 as can be seen from **table 11.2.**

**Table 11.2: Decadal Growth of Urban Population**

| State | 2001-2011 | | |
|---|---|---|---|
| | Total | Urban | Rural |
| Chhattisgarh | 22.59 | 41.83 | 17.75 |
| Madhya Pradesh | 20.30 | 25.63 | 18.38 |
| India | 17.64 | 31.80 | 12.18 |

Source: Census of India, 2011

**Population Projections – Chhattisgarh**

**11.3** Population projections indicate that Chhattisgarh is likely to experience a higher urban population growth in the decades to come. Projections by Census of India indicate that by 2026 the state will have over eight million urban population constituting over 28 percent of the total population of the state. McKinsey's report, however, puts the urban population of the state by 2030 at 11.7 million, constituting 40 percent of the state's total population, as can be seen from **table 11.3.**

**Table 11.3: Urban Population Projections – Chhattisgarh**

| Year | Population (in lakhs) | percent of Population |
|---|---|---|
| Census | | |
| 2001 | 41.86 | 20.1 |
| 2011 | 56.00 | 23.1 |
| 2021 | 72.12 | 26.4 |
| 2026 | 80.45 | 28.1 |
| McKinsey Report | | |
| 2008 | 58.00 | 24.0 |
| 2030 | 117.00 | 40.0 |

Source: Census of India, 2001, Population Projection for India and States 2001-26 and McKinsey Global Institute (2010), *India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth.*

**11.4** Urbanization is not uniform across the 27 districts in the state. Four districts viz., Raipur, Durg, Bilaspur and Korba have an urban population of about 60 percent, while the remaining 23 districts have an urban population of about 40 percent. There are ten districts viz., Narayanpur, Bijapur, Balod, Balarampur, Bematara, Gariyaband, Kondagoan, Mungeli, Sukma and Surajpur which have less than one percent urbanization each. As per 2011 Census, 32 of the 146 tehsils in the state have no urban population and in another 17 tehsils it is less than five percent. The reasons for urban concentration in a few districts is mainly because industrialization is taking place at a faster pace in these district.(Annexure11.1)

### Classification of Towns

11.5 A majority of urban areas in the state are small and medium towns. Of the 182 census towns, only nine are Class I cities, six are Class II towns and the remaining 167 are small towns in the size class of III to VI as can be seen from **table 11.4.** The population of Class I

**Table 11.4: Distribution of Towns by Size-Class - 2011**

| Size Class | Population | Towns | Population | percent to Total |
|---|---|---|---|---|
| I | > 1,00,000 | 9 | 3137918 | 52.85 |
| II | 50,000 – 99,999 | 6 | 503765 | 8.48 |
| III | 20,000 – 49,999 | 31 | 982212 | 16.56 |
| IV | 10,000 – 19,999 | 51 | 720288 | 12.13 |
| V | 5,000-9999 | 72 | 533350 | 8.99 |
| VI | <5,000 | 13 | 59,005 | 0.99 |
| | Total | 182 | **5936538** | **100.00** |

Source: Census of India, 2011

cities have about 53 percent of the population while the remaining classes is less than fifty percent. This indicates that a majority of ULBs have very small populations.

### Municipalisation

11.6 One significant feature of urbanization in the state is that a majority of urban population are also municipal population. The state inherited very liberal criteria for constituting the ULBs from the integrated state of Madhya Pradesh. At present generally NPs are constituted for a population of 5,000 and above; M.Cs for a population of more than 20,000 and M.Corps for populations more than one lakh. There are 10 M.Corps, 32 M.Cs and 126 NPs in the state, as can be seen from **table 11.5.** There are 14 census towns in the state with a population of over two percent of total urban population

**Table 11.5: Population by ULB Type – 2011**

| ULB Type | Number | Population (in lakhs) | percent of Population |
|---|---|---|---|
| M.Corps | 10 | 32,23,540 | 54.30 |
| Municipal Councils | 32 | 12,89,535 | 21.70 |
| NPs | 127 | 12,85,665 | 21.70 |
| **Sub-total** | 169 | 57,98,739 | 97.70 |
| Census Towns | 14 | 1,37,798 | 2.30 |
| **Total** | **183** | **59,36,538** | **100.00** |

Source: Census of India, 2011

11.7 The population of nine Class I cities, all of whom are M.Corps, constitutes over 54 percent of the municipal population of the state. Raipur is the only metropolitan city in the state. There are six Class II towns and the remaining 153 ULBs are in the size-class III –VI, provision of infrastructure and service delivery, etc., *the Commission recommends for the formation of an integrated Durg-Bhilainagar Municipal Corporation.* **If the other constituents of this UA are also included it will become a metropolitan city and be eligible for funding under different schemes for million plus cities.**

# CHAPTER 12

# Urban Governance

**12.1** With increased pace of urbanization, urban areas are becoming engines of growth, contributing to state's economy and development. It is in this context, that urban governance is critical for effective functioning and efficient management of ULBs. Good urban governance is important for efficient service delivery, strengthening finances, responding to citizen needs and grievances, sustainable development and to contribute to urban growth momentum.

**Organizational Framework**

**12.2** In Chhattisgarh, there are two Municipal Legislations i.e., the Chhattisgarh Municipal Corporations Acts, 1956 and the Chhattisgarh Municipalities Act, 1961 governing the urban local bodies. The Urban Administration and Development Department (UADD) is the nodal department responsible for policy, legislation, coordination and monitoring and review of progress of development programmes in urban areas. The Director, Urban Administration and Development, the Head of the Department responsible for the implementation of policies, laws and programs. The State Urban Development Agency (SUDA), established to administer urban poverty programs, is also entrusted with general development functions. The UADD has four regional offices each headed by a Regional Joint Director for guidance and supervision of ULBs and to monitor implementation of development programs.

**12.3** There are other departments and parastatals with close relations with the ULBs and impacting their functioning substantially. They include:

(i) The Town and Country Planning Organisation (TCPO) is responsible for the implementation of TCPO Act 1973 in all ULBs and for preparing master plans and their implementation. But TCPO is part of the Department of Housing and Environment and not UADD.

(ii) The planning and execution of urban water supply projects are generally entrusted to the Public Health Engineering Department (PHED), which is a separate department of the government. The relations between PHED and ULBs is a matter of concern.

(iii) The LFAD under the Finance Department is responsible for audit of all ULBs in the state.

(iv) The RDA has jurisdiction over a few urban and rural local bodies and is responsible for implementation of master plan in its jurisdiction. It works closely with urban and rural local bodies.

**12.4** At the district level, the District Collector has supervisory role over the working of ULBs and monitors the implementation of development programs. As head of district administration, the District Collector facilitates coordination between ULBs and other Departments like Education, Health, Social Welfare, etc. The District Collector, as the chairperson of the DUDA, is responsible to supervise the implemention of urban poverty programmes.

**12.5** The ULBs in the state, as elsewhere in the country, have both deliberative and executive wings. The mayor/president heads the deliberative wing with elected councilors and nominated alderman. The Commissioner in case of M.Corp. and CMO in case of M.C and NP head the administrative wing. With acute shortage of staff, most ULBs in the state are unable to undertake the functions entrusted to them. There is a wide gap between staff requirement and sanctioned strength and those who are actually in position. The weak structure coupled with staff shortages is seriously affecting municipal governance and development. This is also eroding citizen's confidence in municipal capacity to provide services.

**Functional Domain**

**12.6** Traditionally, ULBs are responsible for civic functions relating to public health and safety, health and education, welfare and recreation, planning, regulation of trades, provision of basic services like water supply, sanitation, street lighting and roads, construction of market places, naming streets and numbering houses, registration of births and deaths, control of epidemics, etc. The Municipal Acts list out these functions either in mandatory or optional. The 74$^{th}$ CAA enjoins upon the state governments to devolve eighteen core functions, included in the 12$^{th}$ Schedule of the Constitution on the ULBs. They relate to urban planning, regulation of land use, water supply, sanitation, environment slum improvement and poverty elevation, provision of urban amenities, vital statistics, regulation of slaughterhouses, etc. The Municipal Acts in the state have been amended to incorporate these functions. Some of these functions like water supply, sanitation, solid waste management, registration of births and deaths, street lighting, etc. are mandatory functions and others like urban planning and regulation of land use, planning for social and economic development, roads and bridges, fire services, poverty alleviation, vital statistics, etc., are included in discretionary category in the Municipal Acts, as can be seen from **Annexure 12.1.**

**12.7** Devolution of functions on ULBs has not taken place in full and even where functions have been transferred they are not accompanied by decentralization of funds and functionaries. As a result, as the 1st SFC has noted, the capacity of ULBs to perform the functions is restricted and limited. An analysis of status of performance of these functions by the ULBs reveals a wide gap between expectations of the Constitution and the actual performance by the ULBs. Water supply excluding capital works, solid waste management, sanitation, slum improvement, registration of births and deaths, etc., are being taken up by the ULBs fully and the remaining functions are being taken up either partly or never, as can be seen from **Annexure 12.2.** The functions not transferred to the ULBs are being performed or undertaken by other departments, parastatals or others like TCPO, PHED and RDA. For example, the water supply projects are entrusted to PHED which transfers them to ULBs, on completion for O&M, and urban planning is being performed by the TCPO.

**12.8** A major problem with the ULBs is the absence of full complement of officials in the areas of engineering, town planning, etc., thereby making it difficult for them to take up these functions. In the absence of town planning functionaries, urban planning, regulation of land use, etc., are being taken up by TCPO and in the absence of engineering staff, execution of infrastructure works are being entrusted to PHED and maintenance of existing infrastructure is becoming very difficult.

**12.9** Non-transfer of 12th Schedule functions to the ULBs goes against the spirit of the Constitution. Recognising the significance of empowering the ULBs, the 13th FC has suggested that the reform of assigning or associating the elected ULBs with city planning functions should be implemented speedily. But neither the functions were transferred nor the ULBs associated with the planning function by the TCPO. *The Commission recommends that all the eighteen functions under the 12th Schedule should be transferred to the ULBs immediately. This is critical to make them institutions of local self government. The Commission further recommends to put in place appropriate staffing pattern for different tiers of ULBs and to deploy full complement of officials as per norms.*

## Staffing

**12.10** The Commissioners and the Chief Municipal Officers (CMOs) are the critical functionaries in M.Corps and M.Cs and NPs respectively. Every municipality should be staffed with engineer, health officer, town planner, accountant, public health engineer, etc. But unfortunately, in most ULBs these functionaries are not in place. Of the total 16,844 sanctioned posts only 11,752 have been filled constituting about 70 percent leaving a gap of over five thousand vacancies, as can be seen from **Table 12.1.**

**Table 12.1 : Staffing Position in ULBs and Establishment Expenditure**

| ULBs | Sanctioned Posts | No. of Employees | | | | | Estab. Expenditure | Percent of Estab. Expenditure |
|---|---|---|---|---|---|---|---|---|
| | | Regular | Daily wage | Total | Vacant Posts | Percent of vacant Posts* | | |
| M.Corps | 11,504 | 8,220 | 1,450 | 9,670 | 3,284 | 28.54 | 17,804 | 67.47 Percent |
| MCs | 2,823 | 2,170 | 880 | 3,050 | 653 | 23.13 | 3,519 | 53.49 Percent |
| NPs | 2,517 | 1,362 | 1,124 | 2,486 | 1,155 | 45.88 | 2,948 | 47.19 Percent |
| Total | 16,844 | 11,752 | 3,454 | 15,206 | 5,092 | 30.23 | 24,272 | 62.00 Percent |

Source: Director, Urban Administration
* Vacant posts exclude the persons working on a daily wage basis.

No doubt, some of these vacancies are being filled through daily wage or contract employees, who have neither training or orientation nor experience in local governance. In several ULBs, particularly NPs, posts of CMO are vacant for long periods and ad hoc arrangements are being made. For example, in Mungeli MC, a senior Revenue Inspector is holding charge for the last three years. In Saragoan NP, five CMOs were transferred in four years and the sixth is in position. The position in many other ULBs is not very different.

## Technical and Other Staff

**12.11** The ULBs suffer from staffing problems in technical, accounts and other areas as well. In several ULBs the posts of engineers are vacant and to meet the needs officials from the neighbouring ULBs or engineers from the Regional Joint Director's office are attached who visit occasionally to attend to urgent work. In some districts like Janjgir-Champa and Bilaspur, the services of engineers from other departments like Irrigation have been taken on deputation to tide over the problem. Similar shortages exist with accounts staff and those who look after accounts are untrained and ill equipped, in most cases. In the absence of an accountant, the existing clerical or other staff looks after accounts. As there is no staff for tax collection, other staff including sweepers are assigned the work. There is wide spread urban poverty in the state, but no officials to deal exclusive with poverty issues and implement programs. In the absence of regular staff, daily wagers or placement staff undertake most of the functions and the problem is critical in smaller ULBs like the NPs, particularly the large number of them recently which have been upgraded. The other major problems of governance faced by the ULBs in the state include absence of clear administrative organization; problem of continuity, motivation, accountability, etc., due to large number of out-sourced personnel; and poor or improper maintenance of records including accounts and tax. Sanctioned funds are not being utilized as per timelines due to absence of staff capacity or other reasons. The inadequate and mostly untrained staff is the single most constraint in the ULBs seriously affecting governance and delivery of services.

**12.12** One disguieting feature of ULBs in the state is the short tenure of the municipal Commissioners/CMOs. On an average it appears the tenure of Commissioners/CMOs is less than a year. In Korba Municipal Corporation there were 14 Commissioners in as many years. In Mungeli MC, there were five CMOs in 2007, two in 2008 and third is continuing as in-charge CMO for over three years. In Pithora NP, there were 11 CMOs in 2006 and 2007. In Saragoan NP there were six CMOs after its constitution in 2008. Short tenure impairs effective planning and execution of projects and undermines ownership and accountability. Another problem is the appointment of in-charge persons who continue for longer periods before the appointment of regular persons. *The Commission feels that short tenure and the resultant break in continuity seriously affects the performance of the ULBs. The Commission, therefore, recommends that a three-year tenure for Commissioners and CMOs should be strictly adhered to.*

## Municipal Cadres

**12.13** One of the major problems of municipal administration in the State is the weak staffing pattern and absence of well-equipped cadres of officials in different functional areas to manage the urban growth. At present, there are three cadres in the areas of administration, engineering and health. But, due to a variety of problems, there has been no recruitment of personnel to these cadres over many years leading to heavy shortage. There is no administrative cadre for NPs. A junior cadre of CMOs should be created for NPs. Present ad hocism in the appointment of administrative heads of NPs is causing them harm. The

Commission was informed that the government proposes to create cadres in the areas of accounts and revenue. Several committees and commissions at the national level have highlighted this problem and recommended constitution of municipal cadres to professionalise urban governance and to improve municipal efficiency. Ministry of UD, GoI has updated detailed guidelines, in November, 2012, for the constitution of Municipal cadres. Several States have constituted municipal cadres. For example, Maharashtra has six cadres viz., Engineering Service (Civil/Electrical/Computer); Water Supply, Sewerage, and Sanitation Engineering Service; Audit and Accounts Service; Taxation and Administrative Service; Fire Service and Town Planning and Development Service. In Andhra Pradesh municipal cadres exist in areas administration, ministerial, town planning, engineering, public health, accounts, and community development. Madhya Pradesh Government recently created four cadres viz. executive, health, engineering and finance, for all the municipal bodies. The Government of Odisha proposes to constitute six municipal cadres in the areas of administration, revenue and finance, community development, public health and habitat, e-governance and municipal subordinate service. The cadres facilitate recruitment of municipal functionaries through a unified selection process and good quality of personnel.

**12.14** *The Commission recommends rationalizing the existing cadres and constitution of new cadres in the areas of accounts, revenue and town planning to bring professionalism in urban management, with necessary statutory backing. It further recommends the constitution of a High Power Committee to examine and recommend within a specified period of time, appropriate measures to strengthen municipal organization and staffing norms for different tiers of ULBs keeping in view the population, finances, functional domain, etc.*

**12.15 For recruitment to all cadres of municipal employees the State Govt. should concider setting up under law a separate Municipal Recruitment Board.**

**12.16** At present recruitment to the ministerial services in the ULBs is made through district selection committees headed by Joint Director of Municipal Administration as Chairman, CMO of the local body concerned as member secretary and a seniormost. CMO in the district as a member. In the discussions during field visits, adoption of unfair practices, pressures and lack of transperancy were alleged. *To overcome these criticisms and to ensure a transperant and accountable process. Recruitment Rules should be formulated and effectively implemented.*

**Public Health Engineering Department (PHED)**

**12.17** As noted earlier, the execution of infrastructure projects relating to water supply are entrusted to the PHED across ULBs in the state, as noted earlier. It is the PHED that prepares the detailed project report along with estimates and after administrative and technical approvals initiate the tender process and later supervise execution. After completion of the projects, they are handed over to the concerned ULB for O&M. In the relations between the ULBs and PHED there appears to be several issues in project execution. They relate to lack of awareness on the part of ULBs about the details of project execution by PHED, delay in approvals, time and cost over runs, etc. As the funds for infrastructure projects are received by the ULBs in several cases as part loan, the ULBs find very difficult to mobilize the loan component with cost escalation. The PHED, on the other hand, squarely puts the blame for delays on the ULBs.

**12.18** The Commission found that in the absence of technical capacity in the ULBs they cannot do much to overcome some of these problems. In the office of DMA, there is a technical cell with Chief Engineer and other staff. But, they are only involved in processing approvals and work as link between ULBs and the State government rather than providing any technical support to ULBs. The Commission understands that at present projects worth about Rs.1,000 crore are sanctioned or being executed or are in the pipeline. To ensure the execution of projects efficiently and on time, there is a need for proper and effective supervision and monitoring. The UADD also in their memorandum suggested the need for a project planning board for planning and execution of projects. *The Commission recommends the upgradation of the technical cell in the office of DUAD to a full-fledged Municipal Public Works Division with adequate staff to support large infrastructure projects and to extend technical support to the ULBs in project planning preparation, and implementation.*

**Town and Country Planning Organisation (TCPO)**

**12.19** The TCPO plays a very significant role in urban planning and development. This important organization is part of Housing and Environment Department and not UADD. This is causing several problems of coordination between the ULBs and TCPO; more importantly in preparation and implementation of master plans, zoning regulations, etc. The preparation of master plans is the responsibility of TCPO and preparation and implementation of zonal plans is that of ULBs. Presently there are 116 Planning Areas in the State covering as many ULBs – all 10 M.Corps, all MCs and 75 of the 126 NPs. The Planning Areas for the remaining ULBs are yet to be notified. Until 2012 master plans for only 14 planning areas, mostly of M.Corps., have been finalized and approved by the Government. Another 20 master plans are in various stages of finalisation. The Government outsourced the task of master plan preparation but it did not seem to be making much progress.

**12.20** The Town and Country Planning Act, 1973 has not been updated despite may changes in the planning process and technology. Every ULB should have a Building Officer to be responsible for the implementation of master plans, zonal regulations, building plan approvals and other town planning related functions. But unfortunately, many ULBs do not have these posts filled and their powers have been conferred on the municipal engineers or other engineering personnel. This has serious implications for the orderly growth of the city and implementation of building regulations. In short, it can be said that the town planning in most ULBs in the state is in disarray and requires streamlining and strengthening. *The Commission, keeping in view the enormity of the problem, recommends revision of TCPO Act, 1973; transfer TCPO from Housing and Environment Department to UADD; preparation / finanalisation of master plans for all ULBs in consultation with concerned ULBs. This should be independent of the consultative process the master plan preparation entails; constitute Municipal Town Planning cadre; simplify building plan approval process; and expedite establishment of single window system for building plan approvals.*

**12.21** As we have noted earlier, encroachments and illegal constructions appear to be a common practice and this need to be addressed immediately. The Commission feels that there is a need for a regulatory mechanism to address such violations. The Commission recommends this subject may be included as one of the terms of reference of the proposed Urban Land Committee discussed later in this report.

**12.22** The State Govt. has enacted a legislation for the establishment of the **Chhattisgarh Municipal Revenue Regulatory Commission** (CMRRC) in 2011. Its mandate includes *inter alia* regulation of all taxes including PT, cess, charges and surcharges, levies, penalties, fees, duties, tolls, etc. Its scope is wide and covers all services including water supply and waste management, define benchmarks for service delivery, fix tariffs for different categories of ULBs, covers the rebates and concessions extended by the government, and has powers to review tariffs once in two years etc. Autonomy of this institution has been ensured. It is a forum for settlement of disputes and it is to facilitate enforcement of citizen duties and responsibilities. The CMRRC has a very wide canvass relating to the financial aspects of the

ULBs. Its constitution is also one of the reforms included in the reform framework of JNNURM and fulfils one of the mandatory conditions laid down by the $13^{th}$ FC to access performance grants. This Commission has been informed that the process for constitution of CMRRC has been initiated. The UADD in its memorandum to the Commission has suggested widening the scope of CMRRC. *The Commission agrees with the suggestion in view of the significant role the CMRRC is expected to play in improving municipal finances through property tax reforms, recovery of O&M costs on services, regulation of service delivery and protection of citizen interests. The Commission has already recommended in its interim report that the CMRRC be constituted and made functional without further loss of time. We reiterate the recommendation.*

# CHAPTER 13

## ULBs : Infrastructure and Service Delivery

**Status of Services :**

13.1 Delivery of basic services is a core function of the ULBs. There are, however, wide variations among the ULBs in the State in the actual delivery of services. The 13th FC, recognizing the wide gap in service delivery, underpinned that M.Corps. and MCs should notify every year the present status of service delivery and the standards proposed to be achieved by the end of the next fiscal year, in the state gazette in five core services viz., water supply, sewerage, toilets, drainage and solid waste management. This chapter covers the status of infrastructure and service delivery in these five sectors as well as status on roads and street lights. Further, estimates of resources required to achieve the benchmarks prescribed by the Ministry of Urban Development is examined.

13.2 Data on services have been collected from three sources viz., Census 2011, service level benchmarks notified by the GoC, DUAD and from the ULBs. Each of these sources has both strengths and limitations. Census 2011 provides data for all urban areas including non-municipal as well. Secondly, census data is available only on water supply, toilets and drainage. The notification of service level benchmarks on water supply, sewerage and toilets, solid waste management and drainage cover all 42 M.Corps and MCs and exclude NPs. This is a major limitation. Another limitation is that roads and streetlights are not covered under the notification and for these services data is compiled from the draft CDPs of M.Corps and MCs. As data is collected from different sources there may be variations.

**Water Supply**

13.3 As per the Census 2011, 44.2 percent urban population has access to treated water supply and another 18.2 percent to un-treated water supply in their premises. The remaining 37.5 percent depend on other sources like tube wells, bore wells, etc. Of the total urban population only 27.7 percent have treated water supply within the premises, 13.6 percent near the premises i.e., within 100 meters and the remaining 2.9 percent have to bring water from long distances, as can be seen from **table 13.1.** It is evident from the table that about 3.3 million urban population constituting about 56 percent depend on un-safe water. Though, 18.2 percent have access to water supply within their premises, the water is un-treated and therefore amenable to water born diseases. There may be wide variations between cities in terms of access to water. As city/town-wise census data is not available, it is difficult to make any analysis.

**Table 13.1: Access to Water Supply**

| | | | Chhattisgarh | |
|---|---|---|---|---|
| | | | **Population** | **Percent** |
| Treated tap water | **Total** | | 26,22,990 | 44.21 |
| | | Within premises | 16,42,223 | 27.68 |
| | | Near premises | 8,09,285 | 13.64 |
| | | Away | 1,71,482 | 2.89 |
| Un-treated tap water | **Total** | | 10,82,.593 | 18.25 |
| | | Within premises | 4,26,114 | 7.18 |
| | | Near premises | 5,46,429 | 9.21 |
| | | Away | 1,10,050 | 1.85 |
| Other from Sources | **Total** | | 22,27,973 | 37.55 |
| | | Within premises | 87,9,075 | 14.82 |
| | | Near premises | 8,64,811 | 14.57 |
| | | Away | 4,84,087 | 8.16 |

Source: Census of India, 2011

13.4 As per the State Govt. notification under SLB, 31.6 percent of population in M.Corps. and MCs have access to water supply in their premises. In the M.Corps access is 33.3 percent while in MCs it is 30.4 percent. However, there are wide variations, ULBs. The maximum access is in Jagdalpur M. Corp with 64.2 percent and the minimum less than one percent in Birgaon MC. This compares broadly with census data where about 34 percent of urban population has access to tap water supply in their premises. The SLB notification also brings out several disturbing features of water supply delivery in M.Corps and MCs, can be seen from the **table 13.2.** From table it is clear that there is a wide gap between the benchmarks and actual performance of ULBs on different indicators. This underpins the need

**Table 13.2: Water Supply - Service Levels: 2012**

| Indicators | Benchmark | Unit | Current Level | Deficit |
|---|---|---|---|---|
| Per capita water supply | 135 | LPCD | 70.9 | 29.1 |
| Metering | 100 | percent | 0.7 | 99.3 |
| Non-revenue water | 20 | percent | 50.8 | 49.2 |
| Hours of supply | 24X7 | Hrs | 3.0 | 21.0 |
| Quality | 100 | percent | 84.9 | 15.1 |
| Cost recovery | 100 | percent | 50.3 | 49.7 |
| Collection efficiency | 100 | percent | 59.6 | 41.4 |

Source: SLB Notification by the Government of Chhattisgarh.

for substantial performance improvement to provide efficient and sustainable water supply. The current levels indicated in **table 13.2** are averages of all ULBs and there are significant variations between ULBs – M.Corps and MCs.

## Sewerage

**13.5** The sewerage coverage is very insignificant in the state and only seven ULBs have a modicum of 9.3 percent coverage as per SLB notification, in five M.Corps the coverage is 7.5 percent and in two MCs 13.8 percent. There are wide variations in coverage among the ULBs. The waste water, however, in not treated and there is no reuse and recycling and cost recovery is insignificant with a mere 1.4 percent. The **table 13.3** gives the status in sewerage sector on different indicators against benchmarks.

**Table 13.3: Status on Sewerage -2012**

| Indicators | Benchmark | Unit | Current Levels | Deficit |
|---|---|---|---|---|
| Coverage of network | 100 | percent | 9.3 | 90.7 |
| Efficiency in collection of waste water | 100 | percent | 0.0 | 100.0 |
| Adequacy of treatment | 100 | percent | 0.0 | 100.0 |
| Quality | 100 | percent | 0.0 | 100.0 |
| Reuse and Recycle | 20 | percent | 0.0 | 100.0 |
| Redressal | 80 | percent | 73.9 | 26.1 |
| Cost recovery | 100 | percent | 1.4 | 98.6 |

Source: SLB Notification by the Government of Chhattisgarh.

## Sanitation

**13.6** Access to toilets is a basic necessity and is an important component of safe sanitation and public health. In urban Chhattisgarh only 60.2percent of households have access to toilet facility within their premises and another 5.4 percent depend on public or community latrines as per Census 2011. The remaining 34.4 percent do not have access to toilets and obviously resort to open defecation with all attendant socio-economic, cultural and health hazards. At the national level 81percent have toilet in their premises. Of the 60.2 percent households in Chhattisgarh who have access to latrine facility within the premises, about 59 percent have safe disposal mechanism of the human excreta i.e., connected either to sewerage system or to septic tank. The remaining HHs practice un-safe disposable mechanisms contributing to poor public health. This also compares unfavorably with national trends where 72 percent have safe disposal practices. Of the 35 percent of the urban population with latrine facilities in premises, only 9.1 percent are connected to sewerage system.

**13:7** As per the SLB notification, coverage of toilets is 74.8 percent, 82 percent in M.Corps and 72.7 percent in MCs with wide variations between them. According to Census data, however, only 60.2 percent households have toilets in their premises and another 5.4 percent use public toilets. Both put together works out to 65 percent while the SLB notification it is about 75 percent coverage, probably the toilet coverage would be higher in NPs data on which is not included in SLB notification, and is not available.

**Drainage**

**13.8** According to the Census 2011, in urban Chhattisgarh only 17.5 percent households have closed drainage system, 51.4 percent HHs are connected to open drains and the remaining 31 percent discharge waster waters on to the streets or open places with all its attendant public health hazards. As per SLB notification, about 55 percent households in the cities have storm water drainage network about 58 percent M.Corps and 55 percent MCs- thereby signifying a wide gap. As per the census data both closed and open drains cover 69 percent HHs.

**Solid Waste Management (SWM)**

**13.9** Effective SWM – collection, segregation, transport and disposal – is a very important function of ULBs, but they fail to undertake this satisfactorily despite incurring a large part of municipal finances. As per SLB notification door-door collection of wastes is only 15.1 percent. On other parameters the performance of the ULBs do not seem to be any better, as can be seen from the **table 13.4**. The notification clearly brings out that SWM is fairly good with over 86 percent; but segregation is practically non-existent; scientific disposal do not exist, and cost recovery on waste management is less than one third of the expenditure. There are wide variations between ULBs on all indicators.

**Table 13.4: Solid Waste Management -2012**

| Indicator | Benchmark | Units | Current Level | Deficit |
|---|---|---|---|---|
| Household coverage | 100 | percent | 15.1 | 84.9 |
| Efficiency of MSW collection | 100 | percent | 86.1 | 14.9 |
| Extent of Segregation | 100 | percent | 0.2 | 99.8 |
| Extent of MWS recovered | 80 | percent | 0.4 | 99.6 |
| Scientific Disposal | 100 | percent | 0.0 | 100.0 |
| Cost recovery | 100 | percent | 30.8 | 69.2 |

**Source: SLB Notification by GoC.**

The ULBs performance against the benchmarks is far below and in some cases practically nil. This is an area of concern indicating the need for immediate interventions.

## Roads and Streetlights

**13.10** Data on road and streetlights have been collected from the draft CDPs prepared by the M.Corps and MCs; as noted earlier. As per data, in nine M.Corps there is a total 4,218 kms length of road – municipal, state and national highways. Of this 3,208 kms are pucca roads constituting over 80.6 percent and the remaining 19.4 percent are either kutcha or WBM roads requiring upgradation. In M.Corps, pucca roads constitute 80.7 percent and in 25 MCs they constitute 80.6 percent. In these ULBs, over 1,144 kms roads needs to be upgraded as can be seen from **table 13.5.** Data on NPs is not available.

**Table 13.5: Status of Roads**

| # | ULB Category | Road Length | Pucca Road | | | | Kutcha Roads | Deficit Pucca Road |
|---|---|---|---|---|---|---|---|---|
| | | | Municipal | National Highway | State Highway | Total | | |
| 1 | M.Corps | 4218.02 | 3208.74 | 49.7 | 145.79 | 3404.23 | 813.79 | 813.79 |
| 2 | MCs | 1709.38 | 1186.08 | 65.2 | 127.48 | 1378.76 | 330.62 | 330.62 |
| | Total | 5927.4 | 4394.82 | 114.9 | 273.27 | 4782.99 | 1144.41 | 1144.41 |

Source: Compiled from Draft CDPs of M.Corps and MCs, 2012

**13.11** There is a need for 1,95,610 street lights as per norm of 33 street lights per kilo meter. But at present there are only 1,26,952 with a deficit of over 35 percent as can be seen from **table 13.6.** If the infrastructure deficit in M.Corps and MCs, which are relatively better endowed with resources is high, in NPs the deficit may be substantially higher.

**Table 13.6: Status on Street Lights**

| # | ULBs | Road Length (Km) | Street Lights Required | Number of Street Lights at Present | Deficit |
|---|---|---|---|---|---|
| 1 | M.Corps | 4218.02 | 1,39,201 | 95,360 | 43,841 |
| 2 | MCs | 1709.38 | 56,409 | 31,592 | 24,817 |
| | Total | 5927.4 | 1,95,610 | 1,26,952 | 68,658 |

Source: Compiled from Draft CDPs of M.Corps and MCs, 2012

## Infrastructure in Raipur City Corporation

**13.12** Raipur, the capital city of Chhattisgarh and the only million plus city in the State, has a significant place both as a political and administrative centre. Based on the gazette notification by the GoC, a comparative analysis of the infrastructure status on select indicators has been made with state averages of other State capitals in the country for 2010-11 to gain an understanding of the criticality of infrastructure in the ULBs in the state.

**13.13** Water supply connections in RMC in 2010-11 is 31 percent i.e., less than a third of its million plus population have water connection in their premises. The access is little more than the state average and is less than half of other state capitals in 2010-11. The status of service delivery on other parameters can be seen form **table 13.7.** As can be seen from the table, Raipur has a long way to go before it equals other state capitals in the provision of civic services. In some of the very essential services like sewerage, SWM and storm water drain, the status is very poor.

**Table 13.7: Infrastructure in RMC on Select Indicators**

| Indicator | Benchmark | Raipur | State | Other State Capitals |
|---|---|---|---|---|
| **Water supply** | | | | |
| Coverage connections | 100 percent | 26 | 25 | 59.7 |
| Per capita supply | 135 lpcd | 57 | 45 | 109.4 |
| Metering of connections | 100 percent | 0 | 1 | 34.3 |
| NRW | 20 percent | 61 | 65 | 40.9 |
| Continuity of supply | 24 Hours | 3 | 3 | 4.4 |
| Cost recovery | 100 percent | 41 | 25 | 54.7 |
| Collection efficiency | 90 percent | 38 | 42 | 70.0 |
| **Sewerage** | | | | |
| Coverage of toilets | 100 percent | 71 | 69 | 81.6 |
| Coverage of sewage network | 100 percent | 2 | 2 | 37.3 |
| Reuse and recycling | 20 percent | 0 | 0 | 21.3 |
| Collection efficiency | 90 percent | 0 | 0 | 32.3 |
| **Solid waste management** | | | | |
| Door to door Collection | 100 percent | 19 | 7 | 49.7 |
| Collection efficiency | 100 percent | 81 | 76 | 80.6 |
| Extent of segregation | 100 percent | 0 | 0 | 13.5 |
| Extent of MSW recovered | 80 percent | 0 | 0 | 17.9 |
| Extent of scientific disposal | 100 percent | 0 | 0 | 14.0 |
| Cost recovery | 100 percent | 0.2 | 14 | 18.7 |
| Collection efficiency | 90 percent | 66 | 31 | 50.6 |
| **Storm Water Drains** | | | | |
| Coverage | 100percent | 6 | 25 | 37.0 |

Source: SLB Notification by GoC and other states.

**13.14** For a better understanding of the status of infrastructure in different M. Corps and MCs in the state, they are ranked into four groups viz., A, B, C, and D, where A indicates better status and D indicates poor status which require immediate attention and B and C are intermediate levels and also require improvement. The criteria for categorisation are given in **Annexure 13.1** and the number of ULBs under each category is given in **Annexure 13.2.** An analysis of the performance of M.Corps. and M.Cs brings out the following:

(i) In water supply coverage no ULB is in A category and three M.Corps and 15 MCs are in D category,

(ii) Coverage of toilets is little better as none of the ULBs are in D category, while a majority of nine M.Corps and 19 MCs are in B category and one M.Corp. is in A category,

(iii) A large number of ULBs in the state do not have underground sewerage system; and hence they are in D category,

(iv) One M.Corp. is in A category in door to door collection of solid wastes, 9 in B, 19 in C and 13 in D category indicating huge service gap in SWM.

(v) No ULB is in A category in storm water drainage, two each of M.Corps and M.Cs are in B category and six M.Corps and 15 MCs are in D category in coverage indicating high deficiency.

A large number of M.Corps and M.Cs are in C and D categoryon several indicators signifying a infrastructure deficiency as well as problems in service delivery, which is a matter of concern.

**Investments in Urban Infrastructure**

**13.15** The foregoing analysis brings out the low levels of infrastructure in core sectors. The HPEC formulated per capita cost norms for different size-class cities for different sectors for estimating the investment requirements to meet the infrastructure gaps over a twenty-year period – 2012 to 2031, as given in **Annexure 13.3**. The per capita standards prescribed include the likely demand over the next twenty years based on population projections as also the backlog of infrastructure for the current population as well as the costs of replacement of infrastructure as required. For each sector, HPEC made assumptions for different components of infrastructure provision and accordingly prescribed the standards. For example, in water sector they took into the consideration water production, storage, metering, and extension of distribution network as well as upgradation of distribution network to introduce continuous water supply in the cities, etc. Similar assumptions have been made in other sectors to arrive at per capita costs. **Table 13.8** gives details of population and number of ULBs in each size-class population and number of ULBs in the state.

**Table 13.8: HPEC City Size Classification and Population**

| City Size Class | Population Range | Population | No. of Cities |
|---|---|---|---|
| Class-I A | > 5 million | - | - |
| Class-I, B | 1 to 5 million | 10,10,087 | 1 |
| Class-I, C | 1,00,000 to 1 million | 21,27,831 | 8 |
| Class-II | 50,000 to 1,00,000 | 3,85,076 | 5 |
| Class-III | 20,000 to 50,000 | 8,11,431 | 29 |
| Class-IV, V and VI | < 20,000 | 14,47,299 | 126 |
| | **Total** | **57,81,724** | **169** |

**13.16** Based on the HPEC norms, the total investment requirements for provision of infrastructure in the core sectors of water supply, sewerage, storm water drainage, roads, street lights and solid waste management is estimated at Rs. 23,160.04 crore as can be seen from **table 13.9.** The investments exclude provision of toilets. For computing the investment requirements for provision of toilets, the Commission has taken Rs. 10,000 as unit cost. As per Census 2011, there are 4,26,637 HHs requiring toilets and investments needed to meet the backlog works out to Rs. 426.63 crore. Cumulatively the total capital investments required for all six core sectors works out to about Rs. 23,587 crore for the State. Similarly, the annual requirement for O&M works out to Rs. 776 crore.

**Table 13.9: Investments required (Rs. in Crore)**

| Class wise | | 1B | 1C | II | III | IV | Total |
|---|---|---|---|---|---|---|---|
| **Water supply** | Capital | 443.93 | 1260.53 | 190.88 | 478.83 | 854.05 | 3228.22 |
| | O&M | 61.92 | 104.48 | 18.91 | 29.86 | 35.46 | 250.62 |
| **Sewerage** | Capital | 387.97 | 725.8 | 204.71 | 458.38 | 962.16 | 2739.03 |
| | O&M | 37.68 | 61.71 | 11.17 | 16.8 | 20.99 | 148.33 |
| **Storm water drainage** | Capital | 418.18 | 1101.15 | 80.87 | 227.2 | 405.24 | 2232.64 |
| | O&M | 6.26 | 16.6 | 1.23 | 3.41 | 6.08 | 33.58 |
| **Roads** | Capital | 2369.66 | 6239.86 | 646.93 | 1817.61 | 3241.95 | 14316.01 |
| | O&M | 42.52 | 112.14 | 10.63 | 29.86 | 53.26 | 248.41 |
| **Street lights** | Capital | 162.22 | 267.68 | 7.97 | 8.68 | 15.49 | 462.04 |
| | O&M | 5.56 | 11.49 | 0.15 | 0.24 | 0.43 | 17.88 |
| **Solid waste management** | Capital | 39.7 | 87.24 | 9.09 | 16.55 | 29.52 | 182.1 |
| | O&M | 19.09 | 28.73 | 4.35 | 9.17 | 16.35 | 77.69 |
| **Total** | Capital | 3821.66 | **9682.26** | **1140.45** | **3007.25** | **5508.41** | **23160.04** |
| | O&M | 173.03 | **335.15** | **46.44** | **89.34** | **132.57** | **776.51** |

Note: Computed based on HPEC norms.

## Phasing of Investments

**13.17** The investment projections at 2009-10 prices cover a period of two decades i.e. from 12th to 15th Five Year Plans. The HPEC suggested a 15 percent growth rate during 12th Plan, 12 percent during 13th Plan and 8 percent during 14th and 15th Plans. Such a tapering of growth rates was proposed as O&M costs would increase from 13th to 15th Plans as capital investments would be made on infrastructure provision which necessitates increased O&M expenditure. Therefore, from 13th to 15th Plans low capital investments were proposed.

**13.18** Investment requirements during 2012-13 to 2031-32 are given in Annexure 13.4. During the 12th Plan, 2nd SFC estimates 11 percent growth rate as at present but this would not meet the required investments. Therefore, the projections are made at 15 percent growth rate, proposed by the HPEC for capital expenditure with a phase wise investment of 12 percent during 13th Plan and 8 percent during 14th and 15th Plan periods. These projections indicate a capital investment requirement of Rs 35,006.43 crore which would meet the infrastructure requirements as per the HPEC norms. In case of O&M expenditure, the HPEC did not specifically indicate expected growth rates but only indicated broad figures. Therefore, the Commission projected at 8.8 percent growth rate per annum at constant prices through the two decade period i.e. from 2012-13 to 2031-32 which works out to about Rs. 54,514.50 crore. Since these estimated figures are at constant prices of 2011-12, adjustments need to be made for estimating the figures at current prices. Accordingly, an inflation of 8 percent per annum is assumed for projecting the figures at current prices and based on this, Rs 37,806.94 crores are needed towards capital requirements and Rs 16,748.71 crore for O&M expenditure, with a total requirement of Rs 54,555.65 crore.

# CHAPTER 14

# Municipal Finances

## Introduction

**14.1** The Terms of Reference 1(4) of this Commission requires that it 'should recommend measures needed to improve the financial position of the municipalities including measures for improving the management of available resources and measures for recovery of costs (user charges)'. In making its recommendations the Commission is expected to have regard to 'the recommendations of the 13$^{th}$ FC with regard to ULBs; the functions and services transferred by the state government to the municipalities in pursuance of the Constitutional amendments vis-à-vis transfer of services of employees engaged in these functions of the services'. Based on a study of the financial status of the ULBs of the state, the Commission feels that the resource base of the ULBs is not elastic enough to meet their growing needs. Property and consolidated taxes appear to be the only tax revenues of the ULBs and non-tax revenues are insignificant. One major concern is reluctance of ULBs to initiate measures to mobilize resources and their proclivity to seek government grants or revenue transfers to meet their management and development needs including provision of core infrastructure. The Commission is of the view that ULBs are unlikely to take the initiative to raise resources. It is imperative; therefore, the government needs to play a proactive role by providing guidelines even for the levy and collection of local taxes. In analyzing the municipal finances and in making recommendations to strengthen them, the Commission has adopted this approach.

**14.2** Broadly, the municipal finances comprise of the following sources:

- i) Own sources
    - a) Tax Resources – PT, Consolidated Tax and Water Tax
    - b) Non-Tax Resources – Market fees, rents, betterment charges, fines, user charges, etc.
- ii) Assignments – Octroi compensation, passenger tax compensation, stamp duty, etc.
- iii) Grants from State and Central governments, State and Central Finance Commission grants.

iv) Scheme funds –

a) State schemes – Bhagirathi Nal Jal Yojana, Public Toilet Scheme, Mukhya Mantri Swavalamban Yojana, etc.

b) Central schemes – SJSRY, JNNURM, UIDSSMT, BSUP, IHSDP, RAY, etc.

v) Loans – From State Government and financial institutions.

vi) Others

**Own Sources :–**

**Property Tax (PT)**

**14.3** Levied and collected by ULBs, PT is a principal source of revenue. It has a Constitutional base included at Entry 49 in the State List of Seventh Schedule. As a result, the responsibility to design PT assessment system rests with State governments. Historically, this has been the main source of income of ULBs in almost all States in the country and constitutes roughly 30 to 40 percent or more of municipal own resources. Despite its importance, its potential is not optimally exploited in India, as noted by the 13th FC (Para, 10.80 of FC's report).

**14.4** In Chhattisgarh also PT is a significant own tax resources of ULBs levied under M. Corps Act [Sec. 132 (1) (a)] and MC Act [(Sec. 127-A, (1)]. There has not been any effort in the State to reform PT and make it buoyant. PT has not been revised for more than a decade in a majority of ULBs, though as per the M.Corp Act Sec. 143(3), PT in the Acts. Self-Assessment System (SAS) introduced in the integrated state of Madhya Pradesh continues to be in operation in Chhattisgarh, as can be seen from M.Corp Act (Sec. 138) and MC Act (Sec. 126).

**14.5** PT is assessed in three different ways in India viz., annual ratable value of land and buildings (ARV), capital value and a variant of ARV called unit rate system i.e., computation of the tax by using carpet area as the unit. In Chhattisgarh, annual letting value (ALV) of the property is the basis for levy of PT. The PT varies between six to twenty percent of the ALV and the actual rate is determined by the council as per M.Corp Act (Sec.135) and MC Act, (Sec.127-A, and the guidelines of the GoC (June 2011). As the ULBs decide on tax slab and rate, there are wide variations in the rates of the taxes levied. ULBs like Ahirwara NP, Dhamtari MC and Korba M. Corp fixed the rates zone-wise while others like Durg M. Corp did so ward-wise. **Tables 14.1 and 14.2** show the variations in the rate of PT.

**Table 14.1: Rate of PT for ULBs with less than a lakh Population**

| Ahirwara* | | Dhamtari** | | Dallirajahara** | |
|---|---|---|---|---|---|
| Slab (in Rs.) | percent of Tax | Slab (in Rs.) | percent of Tax | Slab (in Rs.) | percent of Tax |
| 0 – 4,800 | Nil | 0 – 4,800 | Nil | 0 – 4,800 | Nil |
| 4,801 & above | 6 | 4,801 – 20,000 | 6 | 4,801– 12,000 | 6 |
| | | 20,001 – 40,000 | 7 | 12,001 – 18,000 | 7 |
| | | 40,001 – 60,000 | 8 | 18,001 – 24,000 | 8 |
| | | 60,001 – 1,00,000 | 9 | 24,001 – 30,000 | 9 |
| | | 1,00,001 & above | 10 | 30,001 – 50,000 | 10 |
| | | | | 50,001 – 60,000 | 11 |
| | | | | 60,001 – 70,000 | 12 |
| | | | | 70,001 – 80,000 | 15 |
| | | | | 80,001 & above | 20 |

Source: Data collected from respective ULBs.
* Ahirwara NP revised the slab system with effect from 1-4-2012.
** Dhamtari and Dallirajahara are MCs.

**14.6** There are only two slabs in Ahirwara, six in Dhamtari, while there are ten in Dallijahara. The basic slab up to Rs 4,800 is uniform in all the ULBs where all properties are exempt from PT. In Ahirwara there is only one slab above the basic slab with a tax rate of six percent and in others the slabs above the basic slab vary.

**Table 14.2: Rate of PT (More than a Lakh Population)**

| GoC Guidelines | | Durg | | Raipur | |
|---|---|---|---|---|---|
| Slab | percent of Tax | Slab | percent of Tax | Slab | percent of Tax |
| < Rs. 6,000 | Nil | < Rs. 6,000 | Nil | < Rs. 6,000 | Nil |
| 6,001-12,000 | 6 | 6,001-25,000 | 6 | 6,001-20,000 | 6 |
| 12,001-20,000 | 8 | 25,001-50,000 | 7 | 20,001-35,000 | 8 |
| 20,001-30,000 | 10 | 50,001-75,000 | 8 | 35,001-50,000 | 10 |
| 30,001-50,000 | 12 | 75,001-1,00,000 | 10 | 50,001-75,000 | 15 |
| 50,001-75,000 | 15 | 1,00,001-1,25,000 | 15 | 75,001 & Above | 20 |
| 75,001-1,00,000 | 18 | 1,25,001& Above | 20 | | |
| More than 1,00,000 | 20 | | | | |

Source: Data collected from respective ULBs

**14.7** The Government has fixed eight slabs with no PT for properties with less than Rs.6, 000 ALV. But M.Corps decided to reduce the slabs at their discretion to seven in case of Durg Municipal Corporation and six in case of RMC. In these M.Corps there is a change both in the slabs as well as the tax rate. In Durg, highest rate is 20 percent for the properties with

ALV of Rs.1, 25,000 and above whereas in RMC 20 percent was fixed for properties with ALV of over Rs.75, 001. There are also ULBs like Korba M. Corp. which have adopted the slab rates suggested by the government. In Dhamtari, 82 percent properties are in the lowest slab of 6 percent and another 14 percent in the second slab of 7 percent. In Korba about half the properties are in the lowest slab and another 24 percent in the second slab of 8 percent. Thus it appears that the ULBs do exercise their discretion and take decisions within the overall framework.

**Self-Assessment System**

**14.8** Chhattisgarh is one of the few states in India, where SAS is operational. The ULBs design SAS formats to facilitate calculation of PT, which every property owner is expected to submit annually to the ULB. The tax is calculated based on slab system discussed earlier. In several ULBs, either because of illiteracy or other reasons property owners who have problems in following the SAS format/guidelines and do not submit them. This results in the municipal officials visiting houses and assisting the property owners in filling the SAS form. Thus through the system envisages self-assessment by the property owner, in fact assessment is made by the municipal officials – in a majority of cases. As there is no penalty for non-submission of SAS formats, most property owners take submission of SA form - seriously. Due to inadequate staff, the ULBs are not in a position to collect filled SAS forms and tax.

**14.9** Another feature of PT collection is the penalty for delayed payment. The Acts empower the ULBs under M.Corp Act, (Sec 132(2) and MC Act, (Sec. 126) (2) to levy a surcharge at the rate decided by it for delayed payment of PT after due date. But this power is not being exercised by the ULBs, as is evident from the cases studied. Durg M.Corp levies a penalty of 5, 10 and 15 percent for delay of 30, 30-60 and beyond 60 days respectively after the date fixed. Others like Korba M.Corp fixed 6.5 percent, RMC, Mungeli and Dhamtari MCs and Pithora NP five percent, and Ahirwara and Saragoan NPs have not fixed any penalty rate. The Commission feels that PT is one of the important sources of municipal revenues and timely collection is critical for efficient service delivery. *The Commission, therefore, recommends that the provisions of the Municipal Acts relating to delayed payment of PT should be enforced scrupulously.*

**A Case for Unit Area System**

**14.10** The ALV of PT has many a limitation as a result of which it does not yield resources as expected to ULBs. There are also many issues relating to self assessment of PT by the property owners. As we have seen in the case studies, a majority of property owners assessed their PT in the lowest slab thereby depriving the ULBs of legitimate tax revenue. The following are the other issues:

(i) Artificial lowering of annual letting value by the property owners;

(ii) In the absence of transparent rental market, the ALVs are mostly based on notional rental values of similar properties;

(iii) In notional rent there is wide scope for discretion in the assessment of property owners as also in review by municipal officials and;

(iv) Collusion between municipal officials and property owners works to the disadvantage of the ULB.

**14.11** To overcome the problems that go with the ALV there is need to look at the alternatives to rationalize the system and bring uniformity and transparency and also to make it buoyant. There is need to standardize the assessment methodology by making the system scientific, simple and transparent by way of setting certain measurable norms in the assessment procedure irrespective of the basis of assessment, i.e., rental value. This will bring social equity and remove arbitrariness. An area based system of assessment involving assessment of rental values with reference to measurable factors like plinth area or carpet area, location of building, type of building based on construction, use of building, etc. is the best for property tax. The aspects of such assessment include:

(i) Plinth area: It is a simple, easily measurable and transparent criterion;

(ii) Zoning: Zoning identifies the location advantages of properties and consequent potential for rental value. For this purpose, municipal area is divided into zones with reference to availability of civic amenities.

(iii) Classification of buildings: Buildings are classified on two parameters viz., type of construction and nature of use.

(iv) Fixation of monthly rental values: All buildings located in a zone are classified based on type of construction and nature of use through a convenient matrix. . To fix the rental values, 20-25 percent properties are surveyed to collect information on prevailing rental values of different categories of buildings and average monthly rent per sq. meter is arrived at.

(v) Based on the survey, the data on the rental values for each zone as also for sub-zones is widely published for public information seeking clarifications and objections. After disposing of the objections, the tax rates are finalized for the rental values for the city. Final tax rates are published in official gazette and local newspapers for information as a measure of transparency

(vi) Rebates for self-occupied buildings based on age and others are incorporated into the Rules.

**14.12** The unit area method eliminates arbitrary fixation of rental values by the property owners or officials and is more transparent and equitable. *The Commission recommends that the unit area based PT system should be introduced in the ULBs. This will make the PT administration more transparent and yield more revenue.*

**Exemptions**

**14.13** Grant of exemptions from payment of PT is a common practice in the local government system world over. Its rationale *inter alia* is social equity and high collection cost, particularly where yield is low. The Indian Constitution under Article 285 provides for exemption of all Central Government properties from PT. Chhattisgarh Municipal Acts provide a long list of exemptions from the payment of PT. There are two types of exemptions viz., general and specific. General exemptions include those properties whose ALV is less than Rs.6,000/- in ULBs with more than one lakh population and Rs.4,800/- in ULBs with less than a lakh population (M.Corp Act, Sec 136 and MC Act, Sec. 127). Owner occupied properties get 50 percent rebate in PT. There are also several specific PT exemptions including properties of educational institutions; public worship or public charity; widows or minors or persons subject to physical disability or mental infirmity; freedom fighters, retired members of defence services and their widows; blind persons, abandoned women and mentally incapacitated persons; poles erected by Chhattisgarh Electricity Board and others decided by the GoC. In some cases the exemptions are conditional.

| S.No. | ULB Name | Total Properties | Exempted Properties | percent of Exempted Properties |
|---|---|---|---|---|
| 1 | Ahirwara | 3,487 | 2,408 | 69.05 |
| 2 | Saragoan | 1,313 | 1,163 | 88.57 |
| 3 | Pithora | 1,423 | 875 | 61.48 |
| 4 | Mungeli | 9,977 | 3,477 | 34.85 |
| 5 | Dhamtari | 15,188 | 8,020 | 52.80 |
| 6 | Durg | 64,032 | 28,814 | 44.99 |
| 7 | Korba | 81,828 | 33,017 | 40.35 |
| 8 | Jashpur Nagar | 3,648 | 2341 | 64.17 |

*Box 14.1: Percentage of Exempted Properties*
Source: Respective ULBs

**14.14** In many ULBs, the exempted properties appear to be more than those paying PT; as can be seen from Box 14.1 for the year 2011-12. In Saragoan NP, the exempted properties are almost 90 percent - highest among the ULBs studied. This appears to be for two reasons. Firstly, large number of exemptions provided in the municipal Acts and secondly, due to the failure of the ULBs to properly verify the self assessment forms submitted by the property owners the veracity of the ALV claimed. According to a study undertaken for the 13th FC, the percentage of un-assessed properties constitute about 10 percent of the total properties and 11percent of assessed properties.* Viewed from this background, the percentage of exempted properties in ULBs in the state is very high. *The CMRRC should undertake a survey of the exempted properties to assess their claims.*

The exemptions go against the norm of JNNURM. One of the terms of reference of the Commission is to have regard to the recommendations of the 13th FC which suggested that 'all ULBs should be fully enabled to levy PT (including tax for all types of residential and commercial properties) and any hindrances in this regard must be removed' (Para 161(vi). The GoC informed the GoI that there are no hindrances on the ULBs for the levy of the PT and thereby became eligible to access the general performance grant of about Rs.160 crore. But, the position is that the hindrances in the form of exemptions continue to exist in the Municipal Acts. Field visits to select ULBs has clearly brought out that in some ULBs the exempted properties are more than the properties paying tax. The Commission estimated the revenue loss to ULBs as a result of exemptions adopting the Roy Bahl's Model.* Based on the data available on exemptions in seven ULBs - two M.Corps, two MCs and three NPs, the per capita revenue loss was worked out. It was then projected to all ULBs in the state taking 58 lakh as the municipal population as per Census 2011. The cost of exempted properties or the revenue loss works out to about Rs 64 crore, as can be seen from the Box 14.2. *The*

*Box 14.2: Cost of Exempted Properties*[i]

(Rs in crore)

| Sl No | Particulars | |
|---|---|---|
| 1 | Number of Exempted Properties * | 78041 |
| 2 | PT Demand | 17.48 |
| 3 | Number of Taxable Properties Assessed | 99207 |
| 4 | Revenue cost of exemptions | 12.81 |
| 5 | Total Population(seven ULBs) | 11,63,308 |
| 6 | Per Capita Revenue Loss | 110.11 |
| 7 | Revenue loss for all ULBs | **63.85** |

*Cities cover: Durg, Korba, Dhamtari, Mungeli, Ahirwara, Saragaon & Pithora

* Om Prakash Mathur, et al., Urban Property Tax Potenmtial in India, (2009), National Institute of Public Finance and Policy, New Delhi, p.vii.

*Quoted in Om Prakash Mathur, et al., Opp.Cit.

Roy Bahl's model: RCEx= NEx (Td/AP) where RCEx = Estimated revenue cost of exemption; NEx=Number of exempted property; Td=PT demand for taxable properties; AP= Number of taxable properties assessed.

*Government should review the provisions relating to exemptions in the Municipal Acts and remove or rationalize them as recommend by the 13th FC.*

**Un-assessed and Under-assessed Properties**

**14.15** In the discussions during field visits, the Commission found that there are a large number of un-assessed and under-assessed properties - in the range of 20-25 percent and even more in some cases. In the absence of proper records, it is very difficult to make an estimate of such properties and consequent loss of revenue. For example, in Dhamtari MC, there appears to be about 20 percent each un-assessed and under-assessed properties and another 10 percent property owners do not seem to be paying PT. In Mungeli those who do not pay PT seem to be even more with about 25 percent. In Durg, the Corporation annually loses over rupees one crore due to un-assessment and under-assessment. Such un-assessment or under-assessment should not be allowed to continue. *The CMRRC should undertake a survey of properties and bring the un-assessed and under-assessed properties into PT net.*

**Property Tax Collection**

**14.16** At present the PT is collected annually. The process of serving tax bills and collection starts in the third quarter of the year and picks up during the last quarter of the year –more so between January to March every year. This puts enormous pressure on the municipal staff, which they are not able to meet due to staff shortage. Secondly, the PT is collected manually either in the municipal offices or by the 'Bill Collectors' through door-to-door visits. This has two implications. Firstly, it puts burden on the tax payers to make PT payments in a lump sum in one go and secondly, cash flows to the ULBs would only be at the end of the year and not throughout the year. The penalty for delayed payment is not a deterrent. If the property owner goes to court against the assessment, it takes a very long time as is the case with Korba Municipal Corporation.

**PT Receipts**

**14.17** One disheartening feature of PT system in the state is their low share to total finances as well as own sources of ULBs. Table 14.3 gives the details of demand and collection over a three year period. The total PT demand in 2009-10 was a mere Rs.43.69 crore for all 168 ULBs which increased to Rs.53.41 crore in 2010-11, an increase of 22 percent and in 2011-12 it increased to Rs.67.08 crore, an increase of about 25 percent. There are, however, variations between three tiers of ULBs. The total demand in M.Corps was Rs.37.54 crore in 2009-10, which increased to Rs.55.92 crore in 2011-12, an increase of 49 percent over a period of two years, in case of MCs, the demand increased from Rs.4.58 crore to Rs.5.92 crore, an increase of 29 percent and in case of NPs the total demand increased from Rs.1.57 crore to Rs.5.23 crore, an increase of 233 percent, a substantial increase.

**14.18 Collection efficiency,** relatively speaking, appears to be better in case of M.Corps and low in others while the overall collection efficiency was around 80 percent during 2009-10 to 2011-12, as can be seen from **Table 14.3.** The collection, however, was Rs.36 crore in 2009-10 to Rs.47 crore in 2010-11 and Rs.56 crore in 2011-12 with wide variations between different tiers of ULBs. The collection efficiency for all the ULBs in the state is around 80 percent for all the ULBs. In M.Corps, collection efficiency was 83.10 percent in 2009-10 and 84 percent in 2011-12. In case of MCs, it was around 65 percent and in NPs 51 percent in 2009-10, but increased to 67 percent in 2011-12 - a substantial increase over a period of two years.

*Box 14.3: Collection Efficiency of PT*

| Sl No | ULB Name | percent Collection |
|---|---|---|
| 1 | Raipur | 120.85 |
| 2 | Durg | 71.27 |
| 3 | Korba | 57.88 |
| 4 | Jashpurnagar | 84.86 |
| 5 | Mungeli | 25.03 |
| 6 | Dhamtari | 67.18 |
| 7 | Ahirwara | 81.09 |
| 8 | Pithora | 37.33 |
| 9 | Saragaon | 29.36 |
| 10 | Bodla | 97.94 |

**Source: Respective ULBs**

**14.19** The JNNURM norm of 90 percent collection efficiency on current year's demand was reiterated by the $13^{th}$ FC (Para 10.80). Viewed from this norm, collection efficiency is low. The overall collection efficiency 80 percent glosses over wide differences between ULBs as well as the low levels of collection in some ULBs, as can be seen from the cases studied (See Box 14.3). Except for Raipur and Bodla, none of the other ULBs studied recorded a 90 percent collection efficiency. In Mungeli, headquarters of the newly formed district, collection efficiency in 2011-12 was low at 25.03 and in Saragoan it was 29.36 percent.

## Table 14.3: PT – Demand & Collection

*(Rs. in crore)*

| | 2009-10 | | | 2010-11 | | | 2011-12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection |
| **Municipal Corporations(10)** | | | | | | | | | |
| Current | 37.54 | 32.12 | 85.55 | 45.76 | 42.22 | 92.27 | 55.92 | 48.75 | 87.18 |
| Arrear | 13.55 | 10.33 | 76.30 | 16.73 | 10.72 | 64.05 | 26.28 | 20.33 | 77.37 |
| **Total** | **51.09** | **42.45** | **83.10** | **62.49** | **52.94** | **84.71** | **82.20** | **69.08** | **84.04** |
| **Municipal Councils (32)** | | | | | | | | | |
| Current | 4.58 | 3.27 | 71.35 | 4.83 | 3.69 | 76.47 | 5.92 | 4.29 | 72.48 |
| Arrear | 2.88 | 1.50 | 52.21 | 3.09 | 1.70 | 55.05 | 3.79 | 2.03 | 53.55 |
| **Total** | **7.46** | **4.77** | **63.95** | **7.92** | **5.39** | **68.11** | **9.71** | **6.32** | **65.09** |
| **Nagar Panchayats (126)** | | | | | | | | | |
| Current | 1.57 | 1.01 | 64.64 | 2.82 | 1.66 | 59.09 | 5.23 | 3.00 | 57.24 |
| Arrear | 1.61 | 0.61 | 38.07 | 2.28 | 1.06 | 46.15 | 3.43 | 2.84 | 82.95 |
| **Total** | **3.18** | **1.62** | **51.18** | **5.10** | **2.72** | **53.29** | **8.66** | **5.84** | **67.42** |
| **State (168)** | | | | | | | | | |
| Current | 43.69 | 36.40 | 83.31 | 53.41 | 47.58 | 89.09 | 67.08 | 56.04 | 83.54 |
| Arrear | 18.04 | 12.45 | 69.03 | 22.12 | 13.48 | 60.94 | 33.50 | 25.20 | 75.24 |
| **Total** | **61.73** | **48.85** | **79.14** | **75.53** | **61.06** | **80.85** | **100.58** | **81.24** | **80.78** |

Source: Director of Municipal Administration, Government of Chhattisgarh

**14.20** One practice brought to Commission's notice during field visits is fudging of the PT demand to show high percentage of tax collection. This was compounded by the fact that in several small ULBs no property records are maintained. The Commission was informed that some ULBs started the process of fudging the demand to get benefit under incentive scheme initiated by the Government for collection efficiency. This is a serious problem and should not be allowed to continue. *The* **Commission** *recommends that CMRRC should devise mechanisms to ensure that the municipal records, including PT records, are maintained and updated regularly in all ULBs.*

**14.21** Despite relatively good collection efficiency, **arrears of PT** appear to be high. Total arrears were about Rs.18 crore in 2009-10 and Rs.33.50 crore in 2011-12, as can be seen from **Table 14.4.** In M.Corps, arrears almost doubled and in NPs more than trebled. The collection efficiency of arrears was about 75 percent in 2011-12 with variations between ULBs as can be seen from **Table 14.4.** As per JNNURM norms cumulative arrears of PT should not be more than 10 percent of the current years demand. On an average the arrears during 2011-12 are above 75 percent of the current years demand, though in some ULBs it is more than 100 percent as can be seen from **Table 14.5** and in some cases they are as high as

500 percent. Absence of penal provisions or corrective measures has led to laxity among tax payers. *The CMRRC should study the problem in its entirety across ULBs and initiate measures to recover them. If necessary, the municipal Acts may be amended to make penal provisions.*

**Table 14.4: Demand and Collection of Arrears**

*(Rs. in crore)*

| | 2009-10 | | | 2010-11 | | | 2011-12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Demand | Collection | Percent of Collection | Demand | Collection | Percent of Collection | Demand | Collection | Percent of Collection |
| M.Corps | 13.55 | 10.33 | 76.30 | 16.74 | 10.72 | 64.05 | 26.28 | 20.33 | 77.37 |
| MCs | 2.88 | 1.51 | 52.21 | 3.09 | 1.70 | 55.05 | 3.79 | 2.03 | 53.55 |
| NPs | 1.61 | 0.61 | 38.07 | 2.29 | 1.05 | 46.15 | 3.43 | 2.84 | 82.95 |
| State | 18.04 | 12.45 | 69.03 | 22.12 | 13.47 | 60.94 | 33.50 | 25.20 | 75.24 |

Source: Director, Urban Administration

**Table 14.5: Arrears Demand to Current Demand – 2011-12**

| ULBs | Average percent | Highest | | Lowest | |
|---|---|---|---|---|---|
| | | Name of ULB | percent | Name of ULB | percent |
| M.Corps | 84.94 | Ambikapur | 271.19 | Raipur | 20.45 |
| MCs | 76.05 | Baikunthpur | 301.16 | Bade Bacheli | 0 |
| NPs | 77.53 | Baloda | 544.84 | Chhuikhadan | 0.12 |
| State | 79.50 | - | - | - | - |

Source: Director, Urban Administration

**14.22 Per capita PT** in ULBs in the state was Rs.173 in 2011-12 **(Table 14.6).** In M.Corps, the per capita PT was Rs.255, in MCs about Rs.82, one-third of the M.Corps and in NPs it was about Rs.61, one-fourth of the M.Corps. There has, however, been an increase in per capita income over the last three years - it increased from Rs.106 in 2009-10 to Rs.173 in 2011-12. In M.Corps it increased from Rs.158 to Rs.255; in MCs from Rs.63 to Rs.82; and in NPs from Rs.22 to Rs.61. These overall figures, however, gloss over variations between different tiers of ULBs as also between ULBs in each tier.

**Table 14.6: Per capita PT**

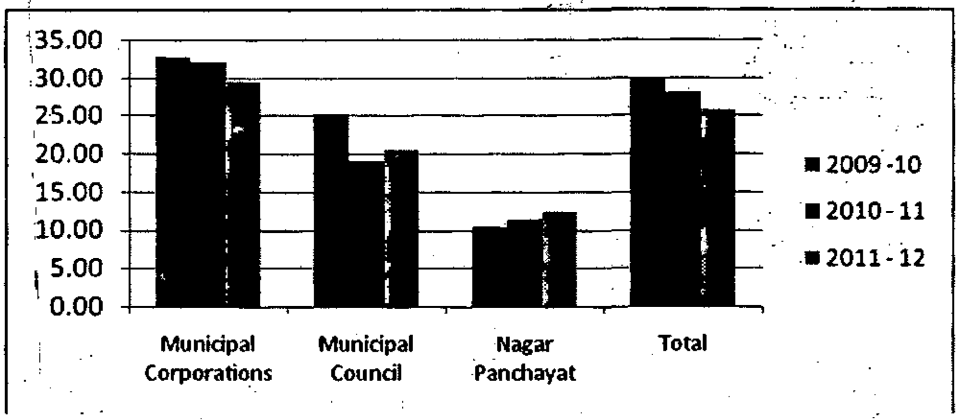
*(In Rs.)*

| S.No. | ULB Type | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|
| 1 | Municipal Corporation | 158.51 | 193.90 | 255.02 |
| 2 | Municipal Council | 63.30 | 67.24 | 82.39 |
| 3 | Nagar Panchayat | 22.52 | 36.12 | 61.31 |
| 4 | State | 106.16 | 129.87 | 172.95 |

Source: Director, Urban Administration

**14.23** PT constitutes about one-third of ULB's own revenues in the country. But in Chhattisgarh, it is far less and unfortunately, it is declining over years as can be seen from **Figure 14.1** in case of M.Corps and MCs and a marginal increase in case of NPs.

*Figure 14-1: PT as percent of Revenues from Own Sources*




Source: Director, Urban Administration

**14.24** PT has not been revised since formation of the state in most ULBs, as we have noted earlier. The Commission understands that the last revision took place in the undivided state of Madhya Pradesh in 1997-98. In the normal process, there should have been three revisions during the last 15 years, but unfortunately not even one revision has taken place in most ULBs. Korba Municipal Corporation is, however, is one example of revision of PT rate, survey of properties, reducing exemptions, etc., leading to a substantial increase in PT revenues. This can be considered a good practice to be emulated by others. *The CMRRC should ensure that the PT is revised forthwith and ensure revision every five years thereafter.*

**14.25** In several ULBs, PT is very less due to exemptions or other reasons. The Kerala Municipalities Act prescribes a minimum PT of Rs. 25/- in MCs and Rs.50/- in M.Corps per half year. The Commission feels that a similar provision should be made in the state which will have several advantages. It facilitates maintenance of proper and authentic property records which are also needed for development planning; enables property owners to participate in civic affairs as tax payers; mobilizes resources to ULBs for development and finally it contributes to equity. *The Commission recommends that the minimum tax should be Rs.50/- in case of NPs, Rs.100/- in Municipalities and Rs.150/- in M.Corps per annum. The Acts may be amended for this purpose.*

**14.26** To overcome some of the problems in PT assessment, levy and collection, the Commission makes the following *additional recommendations:*

*i)* *Govt. should seriously consider abolition of SAS. Even otherwise the verification of SAS forms should be completed within the first two months and demand notices served simultaneously;*

ii) *The PT should be collected in two half-yearly equal installments which is the practice in several states in India. The demand notice, however, may be served only once. The PT payee desirous of making one time payment should be encouraged;*

iii) *An annual penal interest of two percent may be levied for delayed payment after June for the first six months and December for the second six months;*

iv) *The ULBs should explore collection of PT through banks with appropriate arrangements. The CMRRC may work out details at the state-level with the banking institutions;*

v) *The ULBs should accept credit/debit cards for PT payment. Initially, the system may be introduced in the M.Corps and extended subsequently to other ULBs;*

vi) *The Government should explore outsourcing of PT billing and collection as is being adopted in some ULBs in Maharashtra and in other states as also in water utilities;*

vii) *A scheme of incentives for timely or advance payment of PT should be worked out and widely publicized. This enables more and effective tax compliance;*

viii) *To improve collection efficiency incentivize collection staff as also Mohalla Committees/Resident Welfare Associations;*

ix) *The ULBs should give wide publicity in print and electronic media and through the Municipal Notice Boards about the large defaulters as also those who have huge arrears of PT.*

x) *CMRRC should initiate GIS mapping of all properties for effective and total PT coverage.* The Commission understands that a similar process has been initiated in Raipur, Bilaspur, Durg and Korba under National Urban Information System. *Based on experience, this should be extended to all the Corporations during 2013-14 and Municipalities during 2014-15 and NPs the following year.* The Commission understands some IT companies are willing to provide free software for the purpose. The CMRRC and the ULBs may explore such possibilities to cut costs.

## Consolidated Tax

**14.27** M.Corp Act, [Sec 132(1)(c-e) and MC Act, (Sec. 127(1) (c-e)] provide for levy of composite general sanitation, fire and lighting taxes and together it is called 'Consolidated Tax' which is another important own source of tax revenues to ULBs. The tax was originally introduced in integrated Madhya Pradesh by amending the Municipal Acts and after the formation of the new state, the tax is being continued. A significant aspect of this tax is that government fixes minimum rate in case of M.Corps and both minimum and maximum rates in case of MCs and NPs leaving the actual rate to be decided by the ULB concerned. Though, the tax is levied under three different components, the income from this source is not ring-fenced or exclusively used for specific purposes, but credited into the general municipal funds and expenditure incurred as part of general expenditure.

**14.28** The consolidated tax was revised by the Govt. in February 2010 from Rs.15/- to Rs.50/- per month. There is, however, rebate to non-PT payers for whom it is Rs.25 per month. Two important factors that govern the levy and collection of consolidated tax are: a) the tax is levied even on those properties, which are exempted from PT, and b) as a consequence, the tax is levied on all property owners.

## Demand and Collection Efficiency

**14.29** Unlike PT, collection efficiency is low in case of consolidated tax. As can be seen from **Table 14.7** during the last three years it was around 60 percent, unlike 80 percent in case of PT. As with the PT, in M.Corps the collection efficiency was high and less in case of MCs and NPs.

**Table 14.7: Consolidated Tax: Demand and Collection Efficiency**

*(Rs. in crore)*

| | 2009-10 | | | 2010-11 | | | 2011-12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection |
| **Municipal Corporations (10)** | | | | | | | | | |
| Current | 10.33 | 8.23 | 79.66 | 14.07 | 10.65 | 75.72 | 21.73 | 12.85 | 59.13 |
| Arrear | 8.42 | 4.55 | 54.05 | 9.67 | 5.05 | 52.23 | 13.59 | 13.21 | 97.16 |
| Total | 18.75 | 12.78 | 68.15 | 23.74 | 15.70 | 66.15 | 35.32 | 26.06 | 73.76 |
| **Municipal Councils (32)** | | | | | | | | | |
| Current | 2.46 | 1.22 | 49.79 | 5.35 | 3.25 | 60.77 | 7.61 | 4.34 | 57.06 |

| | 2009-10 | | | 2010-11 | | | 2011-12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection |
| Arrear | 3.24 | 1.13 | 34.77 | 3.52 | 1.30 | 37.02 | 5.59 | 2.62 | 46.87 |
| Total | 5.70 | 2.35 | 41.26 | 8.87 | 4.55 | 51.36 | 13.20 | 6.96 | 52.74 |
| **Nagar Panchayats (126)** | | | | | | | | | |
| Current | 1.45 | 0.70 | 48.02 | 5.41 | 2.86 | 52.7 | 8.69 | 3.81 | 43.90 |
| Arrear | 1.63 | 0.54 | 33.39 | 2.52 | 0.81 | 32.32 | 6.10 | 2.40 | 39.41 |
| Total | 3.08 | 1.24 | 40.28 | 7.93 | 3.67 | 46.26 | 14.79 | 6.21 | 42.05 |
| **State (168)** | | | | | | | | | |
| Current | 14.24 | 10.15 | 71.28 | 24.84 | 16.76 | 67.49 | 38.04 | 21.01 | 55.24 |
| Arrear | 13.29 | 6.22 | 46.81 | 15.71 | 7.17 | 45.6 | 25.28 | 18.23 | 72.11 |
| Total | 27.53 | 16.37 | 59.47 | 40.55 | 23.93 | 59.02 | 63.32 | 39.24 | 61.97 |

Source: Director, Urban Administration

**14.30** One feature of property and consolidated taxes is that in M.Corps the PT is higher than consolidated tax whereas in MCs and NPs, it is less than consolidated tax **(Table 14.8).** There are many exemptions in case of PT while they are few in case of consolidated tax. The PT has political overtone both in fixing the rate of tax, levy and collection, but consolidated tax seem to be free from such pressures. As the number of properties are large, as also the type of buildings in case of Corporation, PT is much higher than consolidated tax which is levied uniformly. But in case of MCs and NPs, there are large numbers of exemptions as also a large number of properties in minimum tax rate. In case of consolidated tax, all property owners have to pay the consolidated tax as prescribed while those who are exempted from PT also have to pay consolidated tax at a concessional rate. This contributes, in part, for higher demand in consolidated tax than PT in smaller ULBs.

**Table 14.8: Property and Consolidated Taxes – A Comparison**

*(Rs. in crore)*

| | 2009-10 | | 2010-11 | | 2011-12 | |
|---|---|---|---|---|---|---|
| | Demand | Collection | Demand | Collection | Demand | Collection |
| **Municipal Corporations (10)** | | | | | | |
| Property Tax | 51.09 | 42.45 | 62.49 | 52.94 | 82.20 | 69.08 |
| Consolidated Tax | 18.75 | 12.78 | 23.74 | 15.70 | 35.33 | 26.06 |
| **Municipal Councils (32)** | | | | | | |
| Property Tax | 7.46 | 4.77 | 7.92 | 5.40 | 9.71 | 6.32 |
| Consolidated Tax | 5.70 | 2.35 | 8.87 | 4.55 | 13.20 | 6.96 |
| **Nagar Panchayats (126)** | | | | | | |
| Property Tax | 3.18 | 1.63 | 5.10 | 2.72 | 8.66 | 5.84 |
| Consolidated Tax | 3.08 | 1.24 | 7.93 | 3.67 | 14.78 | 6.21 |
| **State (168)** | | | | | | |
| Property Tax | 61.73 | 48.86 | 75.53 | 61.06 | 100.58 | 81.25 |
| Consolidated Tax | 27.53 | 16.37 | 40.55 | 23.93 | 63.32 | 39.24 |

Source: Director, Urban Administration

**14.31** The Commission has examined the possibility and the desirability of clubbing the consolidated tax as components of PT to avoid confusion as also complexities in its managements including levy and collection. During field visits this aspect was discussed with the elected representatives and officials who while agreeing in principle raised doubts about the likely increase in incidence of PT and psychological feeling of high incidence and consequent protests. If this proposal is to be accepted, the three components of the consolidated tax will become components of PT as a fixed percentage which needs to be worked out. *The Commission recommends that all the three components of consolidated tax be included as a percentage of PT instead of being a separate tax. The modalities of the tax being collected from those not liable to pay PT may be examined by CMRRE.*

**Entry Tax on Goods**

**14.32** Octroi was abolished in 1974 and in lieu of loss of revenue, ULBs were given compensation. Subsequently, Entry Tax was introduced in its place and ULBs were collecting the tax which was taken over by the government in1996 and proceeds given to ULBs. Based on recommendations of 1st SFC, GoC with modification is assigning this tax to ULBs on a formula basis – 70 percent population, 10 percent area, 10 percent slum population and another 10 percent based on efforts of revenue collection. The revenues to ULBs from the Entry Tax, as can be seen from **Table 14.9,** has been increasing progressively. But, unfortunately, the entire receipts from the Entry Tax are not transferred to the ULBs. They only receive Rs.26 per capita per month based on Census 2001 as Octroi compensation grant. The Commission understands that such a decision was taken by the government in 2007 and continues even today. Another Rs.60 cores are transferred to SUDA for provision of grants under different schemes to the ULBs and the rest i.e., about Rs.400 crore (during 2011-12) are transferred to the Chhattisgarh Infrastructure Development Fund which also includes SFC grants, general purpose grants and road maintenance grant and is administered by the Chhattisgarh Infrastructure Development Fund Committee headed by the Minister for Urban Development. The Entry Tax which was introduced in lieu of abolition of Octroi should legitimately go in its entirety to the ULBs as assigned grant without any strings. Octroi compensation goes to the ULBs without strings but other funds/grants are distributed to the ULBs based on the proposal they submit and should be used for the purpose for which it was allocated. Similar is the case with road maintenance grant, which needs to be spent only on maintenance of roads. This makes the ULBs complain that the grants under development schemes or road maintenance strip. The ULBs of their freedom to utilize the grant as per their priorities. As entry tax is a replacement after the abolition of Octroi, the *Commission recommends that the entire proceeds of the entry tax be assigned to the ULBs and no strings should be attached.* This facilitates ULBs to meet their recurring and a part of developmental and capital expenditure.

**Table 14.9: Total Collection of Entry Tax**

*(Rs. in crore)*

| Entry Tax | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| | 484.63 | 460.00 | 418.90 | 605.00 | 607.50 |

Source: Director, Urban Administration

## Water Tax

**14.33** M. Corp Act, [Sec. 132 (1)(b)] and MC Act, [Sec. 127 (1)(b)] empower ULBs to levy water tax on all buildings with water connection. The government fixes the minimum tax while ULBs are free to fix the actual rate. But most ULBs in the state do not seem to levy this tax and only levy water charges. In some ULBs, the water charges are often called the water tax leading to confusion that both water tax and water charges are being levied, which is not the case. Raipur and Korba M.Corps appear to be among the few ULBs in the state which levy water tax at the rate of one and five percent of the PT on all PT payers respectively. They also levy water charge which is a user charge based on water connection. These two are different - one is the general purpose tax and the other is a user charge. In some ULBs like Durg Municipal Corporation those who do not have water connection are charged Rs.40/- per annum. In most other ULBs only user charges are levied. *All ULBs should levy water tax as per the provisions of the Acts as a general purpose tax to cover costs of public stand posts and subsidy of water supply to the poor.*

## Optional Taxes

**14.34** The M. Corp Act, Sec. 132 (6) and MC Act, Sec. 127 (6) empower ULBs to levy different taxes at their discretion. The ULBs may impose any of the taxes listed in the Acts or increase the rate of tax or fee already imposed, through a resolution of the council. But during field visits it was observed that a majority of optional taxes are not being levied by the ULBs. The **Table 14.10** gives a bird's eye view of the optional taxes being levied. Though some of these taxes are being levied, there appear to be wide variation in the rate of tax as also collection efficiency. Only six of the 13 optional taxes are being levied by the ULBs though it is not clear whether all ULBs levy or not. From the case studies it is clear that only few ULBs levy these taxes.

Table 14.40: Status on Levy of Optional Taxes

| S.No. | Optional Tax | Levy Status |
|---|---|---|
| 1. | Latrine Tax or Conservancy tax (Section 132 (6) (a) / Section 127 (6)(a) | X |
| 2. | Drainage Tax (Section 132 (6) (b) / Section 127 (6) (b)) | X |
| 3. | Profession Tax (Section 132 (6) (c) / Section 127 (6) (c) | X |
| 4. | Tax on the owners of vehicles and animals (Section 132 (6) (d) / Section 127 (6) (d) | X |
| 5. | Toll on vehicles and animals (Section 132 (6) (e) / Section 127 (6) (e) | X |
| 6. | Fees for the registration of cattle (Section 132 (6) (f) / Section 127 (6) (f) | √ |
| 7. | Market Fees on Exposing Goods for Sale in the Market (Section 132 (6) (g) / Section 127 (6) (g) | √ |
| 8. | Betterment Tax on Property | √ |
| 9. | Tax on Pilgrims (Section 132 (6) (i) / Section 127 (6) (i)) | X |
| 10. | Toll on new bridge constructed by the ULB – Section 132 (60 (k) of Municipal Corporation Act 1956 and Section 127 (6) (k) of Municipal Council Act 1961 | ? |
| 11 | Advertisement Tax Section 132 (6) (l) / Section 127 (6) (l) | √ |
| 12. | Tax on Theatres, Theatrical Performances and Other Public Entertainments - (Section 132 (6) (m) / Section 127 (6) (m) | √ |
| 13. | Terminal Tax on Goods And Animals exported from the limits of a Local Body | X |

Source: Field visits to select ULBs

## Advertisement Tax

**14.35** Advertisement tax is an important source of municipal revenue to ULBs. It is being levied only by a few ULBs in the State and income from this source appear to be small. Of the ten cases studied (Box 14.4), five ULBs do not levy this tax and in the remaining it is minimal except in RMC which is making efforts to exploit this source, as can be seen later in Chapter 16. The income from this source to RMC is expected to be about two crore rupees during 2012-13 and there has been an increase over years. *The advertisement tax should be optimally exploited, particularly in the larger ULBs which have potential. The CMRRC may formulate municipal advertisement tax guidelines to help ULBs.*

*Box 14.4: Income from Advertisement Tax*

*(Rs. In lakh)*

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|
| Raipur | 30.00 | 34.16 | 12.22 | 52.43 | 78.60 |
| Durg | 3.71 | 2.73 | 4.00 | 8.23 | 9.47 |
| Korba | 3.17 | 10.27 | 10.00 | 11.50 | 13.33 |
| Dhamtari | 0.00 | 0.00 | 0.07 | 0.00 | 0.00 |
| Mungeli | - | - | 1.50 | 1.65 | 0.02 |

## Non-Tax Revenues

**14.36** The Municipal Acts empower ULBs to levy and collect of fees, rents, charges, etc., as user charges. This source constitutes a substantial portion of the own revenues of the ULBs in the country. In Chhattisgarh, they constitute roughly one-fifth of the total revenues of the ULBs derived from sources like market fees, rents from shops, user charges from water supply and SWM and other sources like water tanker charges, fees from documents, lease of land and buildings, etc. These fees and charges are levied subject to provisions of municipal Acts and the guidelines issued by the Government from time to time. The ULBs are, however, free to impose any of these taxes or fees and are also free to increase the rate of tax or fees already imposed.

## Market Fees

**14.37** There is provision for market fee under both M. Corp Act, [Sec. 254 (1)] and MC Act, [Sec. 260(1)] in most cases it is collected on a daily basis when commodities are brought into municipal areas for sale. The MC Act (Sec. 262) empower ULBs to charge a fine for use of municipal lands without license for marketing purposes. **Table 14.11** provides the demand and collection of market fees for the years 2009-10 and 2010-11.

*Table 14.5: Demand and Collection of Market Fees*

*(Rs. in crore)*

| Type of ULB | 2009-10 | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection |
| M.Corps | 2.42 | 1.86 | 77.05 | 2.21 | 2.22 | 100.09 |
| MCs | 1.14 | 1.10 | 96.61 | 1.74 | 1.67 | 96.07 |
| NPs | 3.32 | 3.21 | 96.75 | 4.46 | 3.93 | 88.01 |
| **Total** | **6.88** | **6.17** | **89.81** | **8.41** | **7.82** | **92.85** |

Source: Director, Urban Administration

**14.38** The total revenue to the ULBs from Market fee was about Rs.6.9 crore during 2009-10, which increased to Rs.8.4 crore during 2010-11. The demand appears to be high in case of NPs and low in case of municipalities. This may be due to large number of NPs in the state. Surprisingly, both in case of MCs and NPs, there is an increase of about 50 percent in demand, whereas in case of Corporations there was decline by 10 percent as can be seen from the **Table 14.12**. Collection efficiency was around 90 percent during these two years.

**14.39** A problem with this source of revenue is the collection by municipal officials on a day-to-day basis from hawkers who assemble with their produce at specified places. There are criticisms of harassment of hawkers who are petty traders and is also leading to unhealthy practices contributing to poor municipal revenues. *The Commission recommends its abolition altogether or in the alternative, the practices be streamlined and effective monitoring and supervision are put in place which will yield more revenues to the ULBs. It is also necessary to maintain computerized records of places and people involved in this trade for effective monitoring and transparency.*

### Shop Rent

**14.40** Most ULBs in Chhattisgarh as elsewhere in the ULBs in other states, have constructed market places and shops on municipal land and they are rented or leased out. This is an important source of revenue to the ULBs. The **Table 14.12** gives details of the income from rents from shops and collection efficiency.

**Table 14.6: Demand and Collection of Rents from Shop**

*(Rs. in crore)*

| Type of ULB | 2009-10 | | | 2010-11 | | |
|---|---|---|---|---|---|---|
| | Demand | Collection | percent of Collection | Demand | Collection | percent of Collection |
| M.Corps | 12.76 | 10.51 | 82.37 | 10.43 | 7.21 | 69.15 |
| MCs | 3.24 | 2.05 | 63.32 | 3.59 | 2.96 | 82.42 |
| NPs | 2.10 | 1.22 | 57.93 | 2.60 | 1.56 | 60.02 |
| **Total** | **18.10** | **13.78** | **76.12** | **16.62** | **11.73** | **70.60** |

Source: Director, Urban Administration

**14.41** The total demand from this source was Rs 18 crore in 2009-10 and declined to Rs 16.6 crore during 2010-11. The demand is very high in case of M.Corps with over Rs.12.76 crore and very minimal in case of MCs and NPs with only Rs.3.2 and Rs.2.1 crore respectively. The collection efficiency was 76 percent in 2009-10 but declined to 70 percent during 2010-11. While, the collection efficiency increased in MCs and NPs, it declined substantially in M.Corps, from 82 to 69 percent. As this is an important own source of revenue, efforts should be made to streamline the process of levy and collection of rents. As data is not available municipality-wise, the Commission could not go deeper into this source of revenue. *The CMRRC should formulate guidelines for the fixation of rents, periodic revision as well as levy and collection.* **It is critical and important that the ULBs prepare an inventory of market places, as part of its overall asset management.**

### Water Charges

**14.42** The M. Corp Act, Sec. 132 (A) and MC Act, Sec. 127 (B) enable ULBs to impose user charges on provision of water, drainage and sewerage where they exist, for collection and disposal of solid waste and for other services. User charges are being levied only on two services viz., water supply and to some extent on SWM. The government fixes the fee to be collected for providing water connection in different types of ULBs in the state. An important feature is the rebate given to non-income tax payers for providing water connection for domestic purposes as can be seen from the **table 14.13**. Such a distinction is unreasonable considering that income tax payers are very few. *The Commission recommends that the distinction between income tax payee and non-income tax payee be removed as it has several operational problems of verification and all property owners who seek water connection should be levied water connection charges uniformly.*

**Table 14.7: Fees for Water Supply Connection**

| S.No. | Beneficiary | Municipal Corporation | Municipal Council | Nagar Panchayat |
|---|---|---|---|---|
| 1. | Income Tax Payee | 5,000 | 4,000 | 3,000 |
| 2. | Non-Income Tax Payee | 2,000 | 1,500 | 1,500 |

**Source:** Notification No. F 5-4/18/2011 dated 12 January 2011

**14.43** The rates of water charge are prescribed by the government periodically and ULBs adopt and accordingly levy and collect them. The government revised water rates in January 2011 but the rate notified has a serious limitation. Water rates are fixed uniformly across all the ULBs without any relation to the O&M charges, which vary from one ULB to another based on source of water supply, status of network, hours of supply, etc. The ULBs collect water charges only based on the rates fixed by the government and adopted by them. *The Commission recommends rationalization of water charges with a view to collect at least operational costs. The CMRRC should undertake the exercise ULB wise and guide ULBs.* Another feature is that under Municipal Acts buildings and land owned by freedom fighters during their life time, if they are exempted from income tax, water connection for domestic purposes with half-inch connection, no water charges are collected. *Such exemptions have operational problems and therefore should be done away with.*

**14.44 Collection efficiency of water charges** is a matter of concern. During 2010-11, the collection efficiency fell to 62 percent from 75 percent in 2009-10, as can be seen from **Table 14.14.** There are also variations between M.Corps, MCs, and NPs in the collection efficiency. In 2010-11 the collection efficiency is less than two-third the demand.

**Table 14.84: Collection Efficiency of Water Charges**

| S.No. | ULBs | 2009-10 (percent) | 2010-11 (percent) |
|---|---|---|---|
| 1 | M.Corps | 80.16 | 63.86 |
| 2 | M.Cs | 65.59 | 60.14 |
| 3 | NPs | 65.70 | 56.06 |
| | Total | 74.99 | 61.95 |

Source: Director, Urban Administration

## Water Charges - Cost Recovery

**14.45** There is a wide gap between the user charges collected and the actual cost of provision of service. **Table 14.15** brings out these aspects very distinctly. From the table it is clear that the actual O&M expenditure for water supply in the Corporations and Municipalities is about Rs.73 crore whereas demand raised is only Rs.46 crore which works out to about 64 percent of the actual expenditure. Of the Rs.46 crore demand only about Rs.26 crore were collected and this works out to 55.56 percent of the demand. But, if we compare the collection to the actual expenditure, it only covers about 35 percent.

**Table 14.9: User Charges – Demand and Collection 2011-12**

*(Rs. in crore)*

| State/ULB Tier | O&M Expenditure | Demand | Collection | Percent Collection to Demand | Percent Collection to Expenditure |
|---|---|---|---|---|---|
| M.Corps | 53.87 | 37.50 | 19.97 | 53.3 | 35.44 |
| MCs | 18.63 | 8.88 | 5.87 | 66.2 | 31.5 |
| NPs | 0.41 | 0.25 | 0.20 | 79.8 | 48 |
| State | 73.18 | 46.67 | 25.93 | 55.56 | 37.1 |

**Source:** SLB Notification by GoC relating to 10 M.Corps, 32 MCs and one NP.

There are also variations between different types of ULBs. The state average is 37.1 percent and in corporations the actual cost recovery was 31.5 percent where as in the MCs it is very low at 48 percent. In the lone NP the actual cost recovery is only 35 percent as can be seen from table 7.17.The low cost recovery goes against the JNNURM norms. This has been reiterated by the 13th FC which recommended (Para 10.173) that the local bodies should 'recover at least maintenance costs for services like water supply, solid waste management and sewerage.'

| Name | Expenditure | Revenue demand | Collection against demand | Percent Collection | |
|---|---|---|---|---|---|
| | | | | demand | expenditure |
| Durg | 3.21 | 2.96 | 2.48 | 83.8 | 77.3 |
| Korba | 2.61 | 2.51 | 1.46 | 58.3 | 56.0 |
| Raipur | 20.99 | 12.00 | 8.00 | 66.7 | 38.1 |
| Dhamtari | 1.00 | 1.72 | 0.81 | 0.47 | 0.80 |
| Jashpurnagar | 0.48 | 0.13 | 0.06 | 0.43 | 0.12 |
| Mungeli | 0.56 | 0.25 | 0.09 | 0.37 | 0.17 |
| Saragaon | 0.41 | 0.25 | 0.20 | 0.80 | 0.48 |

*Box14.5: O&M Cost Recovery*
Source: Respectieve ULBs

**14.46** The cost recovery to the total expenditure on provision of water supply varies substantially. In ULBs studied there are wide variations as can be seen from the Box 14.5. Durg M. Corp has achieved about 77 percent cost recovery of actual expenditure incurred on provision of water supply, which is highest among the cases studied. Mungeli MC recovered just about 0.17 percent of the costs. In Raipur M.Corp, the actual cost recovery is 38.1 percent only.

**14.47** The percentage of cost recovery of O&M expenditure is highest in Durg and lowest in Chirmiri among the M.Corps with 77 percent and 13 percent respectively as can be seen from Box 14.6. Among the MCs, Kawardha has the highest cost recovery of 83.6 percent and Birgaon less than one percent. Obviously, in this ULB the water charges are not being collected.

*Box 14.6: Percent Cost Recovery of O&M Expenditure*

| | | |
|---|---|---|
| **Nagar Palika Nigam** | | |
| Highest | Durg | 77.3 |
| Lowest | Chirimiri | 13.7 |
| **Nagar Palika Parishad** | | |
| Highest | Kawardha | 83.6 |
| Lowest | Birgaon | 0.7 |

Source: SLB Notification -2011-12

**14.48** One of the norms under JNNURM is 100 percent recovery of O&M costs in all services provided by the ULB. But, as the foregoing illustrates, ULBs in the State recover only approximately two-thirds of O&M charges in water supply and the rest is being met from general funds. *The Commission recommends that all ULBs should ensure 100 percent recovery of O&M costs and CMRRC should regulate this aspect and monitor ULBs.*

**Solid Waste Management**

**14.49** SWM – collection, transportation and disposal is a major expenditure in the ULBs. But, a majority of ULBs have not been collecting any user charges for this service. Some ULBs, however, initiated the process of door-to-door collection of solid waste by collecting a specified amount. The State Govt. prescribed service charges for different categories of waste generators in 2011. ULBs have started adopting these rates, though slowly. The demand and collection of user charges for SWM vary substantially as with water supply as can be seen from **Table 14.16.**

**Table 14.16: SWM User Charges – Demand and Collection 2011-12**

*(Rs. in crore)*

| O&M Expenditure | Demand | Collection | Percent Collection to Demand | Percent Collection to Expenditure |
|---|---|---|---|---|
| 78.70 | 16.28 | 8.42 | 51.74 | 10.70 |

**Source:** Notification of SLB, GoC.

**14.50** The actual O&M expenditure on SWM including salaries, transport vehicles, POL and other incidentals works out to Rs.78.7 crore in the M.Corps and MCs, but the charges levied is only Rs.16.28 crore with a collection efficiency of about 5%. But the collection of user charges to actual O&M expenditure works out to a mere 10.7 percent. This only indicates that high subsidy is being provided in this sector from the general funds. In NPs, problem may be much more where the expenditure on SWM would be higher without any levy and collection of user charges. It is imperative that the ULB should collect actual O&M costs through user charges. As noted earlier and in view of the reluctance of ULBs to levy any user charges, the *CMRRC should formulate guidelines and advise the ULBs to progressively move towards 100 percent collection of O&M through user charges on SWM.* It should also prescribe the timeframe for the purpose after taking into consideration local variations.

**Other Non-tax Sources**

**14.51** As per Municipal Acts, there are several other sources of non-tax income like charges for supply of water through water tankers, building permission charges, rent from lands, etc. But, details of actual expenditure and collection of charges is not available either at state or local levels. Based on case studies Commission feels that income from these sources is too meager to merit discussion. The problem gets compounded as the incomes are shown under the head 'others' making segregation far more difficult. Overall, the non-tax revenues of ULBs constitute a small percentage of their total revenues. This source has considerable scope and need to be exploited optimally. *The CMRRC should formulate guidelines to enable ULBs to collect O&M charges on services provided by them. It should also educate ULBs and the community on the need for payment of user charges for improved and effective service delivery.*

**Assigned Revenues**

**14.52** Assigned revenues are important source of income to the ULBs. In this State stamp duty and entry tax are the two important assigned sources.

**Stamp Duty**

**14.53** The Government is levying one percent additional stamp duty under the Indian Stamp Act on the instruments of conveyance. In the past, stamp duty was levied at nine percent but, as per JNNURM reform condition, the Government brought it down to five percent. The additional stamp duty of one percent is being distributed to ULBs. Up to 2008-09, Rs.10 crore were assigned to ULBs and in 2011-12 it increased to Rs.35.24 crore as can be seen from **Table 14.17.** The assignment depends on the registrations that take place in the urban areas during the year and there are variations from year to year.

**Table 14.17: Assignment of Stamp Duty**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| **Stamp Duty** | 10.00 | 10.00 | 21.25 | 30.02 | 35.24 |

Source: Director, Urban Administration

**14.54** A problem in the transfer of stamp duty is that every year ULBs have to obtain the registration transactions that take place in their jurisdiction and make a request to the Government for fund transfer. As a result, there appears to be delay in the transfers. Secondly, as the assignment is based on quantum of transactions that occur in the jurisdiction of the ULB, there are variations in the receipts between ULB to ULB as can be seen from the Box 14.8 from case study ULBs. *The extant process should be streamlined for timely transfers.*

*Box 14.7 Receipts from Stamp Duty*

(Rs. In lakh)

| ULB | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|
| Raipur | - | 581.68 | 901.43 | 1564.78 |
| Durg | 79.94 | 128.27 | 123.59 | 146.25 |
| Korba | 25.00 | 50.00 | 71.87 | 71.87 |
| Jashpurnagar | 0 | 3.65 | 3.55 | 4.15 |
| Dhamtari | 18.39 | 44.09 | 21.11 | 28.46 |
| Mungeli | NA | 0.50 | 0.55 | 0 |
| Ahirwara | 1.58 | 0 | 0 | 8.75 |

Source: Respective ULB budgets

## Loans

**14.55** The ULBs as per Municipal Acts can borrow loans from the financial institutions or others to meet capital expenditure needs. One significant feature is that the State Govt. has been extending loan facility to ULBs to enable them to undertake infrastructure projects. The Commission was informed that the loans also have part grant component which varies between M.Corps and MCs and NPs. This is a welcome sign as the ULBs begin to think that they cannot expect to receive only grants from the government without any effort on their part. Until March, 2012 only 17 ULBs - nine M.Corps, six MCs and two NPs - accessed the loan facility for infrastructure development viz., shopping complexes, sewerage, market place development, etc., to the tune of Rs.190 crore. The installments towards repayment of loans are deducted by the UDAD from the Octroi compensation being paid to ULBs every month. After payment of both principal and interest the ULBs have still dues of about Rs.150 crore. Of this, Bilaspur and Raipur M.Corps have over Rs.140 crore dues and the remaining by the other 15 ULBs, as can be seen from **Annexure 14.1.** One problem that came to the notice of the Commission is that the ULBs do not get details of the deductions regularly from UDAD and as such the ULBs are not fully in know of the deductions and the loan dues. The UDAD must include a deduction statement every month along with the details of grants sent to the ULBs. *The Commission recommends that the ULBs must be encouraged to go for credit rating so that they will be able to understand their credit worthiness and make efforts to improve them and be eligible to obtain loans from the financial market.*

## Receipts and Expenditure

**14.56** The foregoing examined the own revenue sources of ULBs in the state as also the transfers and devolutions from state and central governments. **Table 14.18** gives receipts of ULBs both from own sources like tax and non-tax revenues as also devolutions, grants, loans, etc. from state and central governments. State grants include road maintenance grant, SFC grants, infrastructure grants, capacity building grants, etc., and central grants include SJSRY, IHSDP, UIDSSMT, JNNURM, sanitation program, etc. In addition, there are loans given by the state government and those obtained by ULBs from the financial institutions. The receipts increased from Rs.624 crore in 2006-07 to Rs.968 crore in 2010-11. Own revenues of ULBs increased from Rs.135 crore to Rs.237 crore during the same period. Revenues from all other sources like state transfers, grants, loans etc., increased from Rs.488 crore to Rs.731 crore.

**Table 14.18: Receipts and Expenditure from all Sources** *(Rs in Crore)*

| Sl.No. | Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Tax Revenue | 64.69 | 70.49 | 80.76 | 85.05 | 115.62 |
| 2 | Non Tax Revenue | 70.50 | 78.39 | 93.53 | 117.50 | 121.40 |
| 3 | Total Revenue Income from Own Sources | 135.19 | 148.88 | 174.29 | 202.54 | 237.02 |
| 4 | Transferred Amount | 114.97 | 44.93 | 68.20 | 69.73 | 153.95 |
| 5 | Grant from State Government | 247.95 | 287.30 | 397.52 | 340.83 | 307.05 |
| 6 | Others (Loan, Grants from Cent. Govt. and Other Cent Sponsored Schemes) | 126.05 | 206.87 | 276.39 | 197.34 | 270.46 |
| 7 | Total Other Revenues | 488.97 | 539.11 | 742.11 | 607.90 | 731.46 |
| 8 | Total Receipts | 624.16 | 687.99 | 916.40 | 810.44 | 968.48 |
| 9 | Revenue Expenditure | 231.76 | 258.92 | 321.67 | 288.75 | 377.73 |
| 10 | Capital Expenditure | 260.30 | 342.96 | 648.19 | 518.51 | 406.81 |
| 11 | Total Expenditure | 492.06 | 601.89 | 969.86 | 807.26 | 784.54 |

Source: Director, Urban Administration

This indicates that transfers, grants and others are more than the own revenues of ULBs. As can be seen from **Table 14.19,** the percentage of own revenues of ULBs increased marginally from 21.66 percent to 24.47 percent while the revenues from external sources marginally declined from 78.34 percent to 75.53 percent between 2006 to 2011. From this, it is clear that the ratio between own sources and external sources more or less remained at the same level over a period of five years.

**Table 14.1910: Ratio between Own and Other Sources of Revenues** *(in percent)*

| | Revenue Sources | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Revenues from Own Sources | 21.66 | 21.64 | 19.02 | 24.99 | 24.47 |
| 2 | Revenues from Other Sources | 78.34 | 78.36 | 80.98 | 75.01 | 75.53 |

Source: Director, Urban Administration

## Expenditure

14.57 Expenditure of ULBs consists of two types – revenue and capital. Revenue expenditure includes items of recurring nature including employee salaries, pensions, management costs, O&M, etc. Capital expenditure includes investments on infrastructure provision in various sectors. From **Table 14.18** it is clear that revenue expenditure increased from Rs.231 crore to Rs.377 crore over a period of five years. Similarly, capital expenditure increased from Rs.260 crore to Rs.406 crore. The revenue and capital expenditures over the last five years, i.e., from 2006-07 to 2010-11, more or less remained constant. During 2008-09 and 2009-10, revenue expenditure was fairly low and capital expenditure high as can be seen from Table **14.20.** This may be mainly due to allocation of more funds for infrastructure under different schemes. An analysis of the revenue and expenditure pattern over a five year period reveals that **receipts increased by 55 percent and expenditure by 60 percent; ratio between own and other sources more or less remained constant and the ratio between *revenue and capital expenditure remained at the same level. The ULBs own sources* constitute about one-fourth and the remaining come from other sources – assigned revenues, grants, scheme funds etc, from State and Central governments.** The ratio between revenue and capital expenditures is almost equal at 50 percent. The ULBs meet part of the revenue expenditure from the grants received from Central and State governments. **The analysis indicates a very low share of internal revenues and high dependency on State and Central grants,** indicating the need to strengthen the internal resources so that ULBs do not have to depend on the State Government and become self-sufficient.

**Table 14.20: Ratio between Revenue and Capital Expenditure**

| | | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Revenue Expenditure | 47.10 | 43.02 | 33.17 | 35.77 | 48.15 |
| 2 | Capital Expenditure | 52.90 | 56.98 | 66.83 | 64.23 | 51.85 |

Source: Director, Urban Administration

An analysis of expenditure pattern in the cases studied over a five year period during 2007-2011 indicate that establishment costs average to

21%, O&M 18 percent, capital expenditure 49 percent, debt servicing one percent and other expenditure 11 percent as can be seen from Box 14.8

**Box 14.8: Expenditure Pattern in Case Cities**

*(in Percent)*

| # | Expenditure Heads | Durg | Korba | Dhamtari | Jashpurnagar | Mungeli | Ahirwara | Average |
|---|---|---|---|---|---|---|---|---|
| 1. | Admin & Establishment | 28.01 | 20.37 | 22.70 | 17.94 | 19.33 | 17.55p | 20.98 |
| 2. | O&M | 19.63 | 9.25 | 15.47 | 19.89 | 28.19 | 15.78 | 18.04 |
| 3. | Debt Servicing | 3.17 | 2.75 | 0.19 | 0.00 | 0.00 | 0.29 | 1.07 |
| 4. | Capital | 38.61 | 51.95 | 50.33 | 61.52 | 43.31 | 46.85 | 48.76 |
| 5. | Others | 10.58 | 15.68 | 11.31 | 0.64 | 9.17 | 19.53 | 11.15 |
| | Total | 100.00 | 100.00 | 100 | 100.0 | 100.00 | 100.00t | 100.00 |

Source: Respective ULBs

## Receipts and Expenditure – Municipal Corporations

**14.58** There are ten M.Corps in the State with a population of over 3.2 million constituting more than half the total urban population of the state. The own revenues of these corporations increased from Rs.95.58 crore to Rs.161.95 crore during a five-year period. The revenues from other or external sources increased from Rs.340.11 crore to Rs.446.91 crore – an increase of 31.4 percent, as can be seen from **Table 14.21.**

**Table 14.111: Receipts and Expenditure of M.Corps**

(Rs. in Crore)

| Sl.No | Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Tax Revenue | 53.18 | 56.66 | 61.22 | 66.92 | 89.23 |
| 2 | Non Tax Revenue | 42.41 | 48.69 | 60.28 | 75.80 | 72.72 |
| 3 | Total Revenue Income from Own Sources | 95.58 | 105.35 | 121.50 | 142.72 | 161.95 |
| 4 | Transferred Amount | 93.29 | 15.40 | 24.11 | 29.24 | 28.31 |
| 5 | Grant from State Government | 136.43 | 182.25 | 171.14 | 176.16 | 160.90 |
| 6 | Others (Loan, Grants from Cent. Govt. and Other Cent Sponsored Schemes) | 110.39 | 182.42 | 258.35 | 162.43 | 257.70 |
| 7 | Total Other Revenues | 340.11 | 380.07 | 453.60 | 367.83 | 446.91 |
| 8 | **Total Receipts** | 435.70 | 485.41 | 575.10 | 510.55 | 608.86 |
| 9 | Revenue Expenditure | 176.20 | 197.09 | 247.70 | 208.19 | 281.58 |
| 10 | Capital Expenditure | 165.94 | 226.21 | 432.84 | 357.46 | 284.18 |
| 11 | **Total Expenditure** | 342.14 | 423.30 | 680.53 | 565.64 | 565.76 |

Source: Director, Urban Administration

**14.59** There is a decline in the devolutions and increase in State grants as well as loans and other receipts. The total receipts increased from Rs.435.70 crore to Rs.608.86 crore over a period of five years. The revenue expenditure increased from Rs.176.20 crore to Rs.281.58 crore while the capital expenditure increased from Rs.165.9 crore to Rs.284.1 crore. An interesting feature is that the ratio between revenue and capital expenditure remained at the same level of 50 percent as can be seen from **Table 14.22.**

**Table 14.22: Revenue and Capital Expenditure Ratio of M.Corps**

*(in Percent)*

| | Expenditure | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 |
|---|---|---|---|---|---|---|
| 1 | Revenue Expenditure | 51.50 | 46.56 | 36.40 | 36.81 | 49.71 |
| 2 | Capital Expenditure | 48.50 | 53.44 | 63.60 | 63.19 | 50.23 |

Source: Director, Urban Administration

## Receipts and Expenditure in MCs

**14.60** There are 32 MCs in the State with a population of over 1.28 million constituting 22 percent of total urban population of the State. Their total revenues from own sources increased from Rs.22 crore to Rs.36 crore, an increase of 63 percent over a period of five years. The revenues from other sources including transfers, State and Central grants and loans increased from Rs.79.93 crore to Rs.163.25 crore over a period of five years, as can be seen from Table 14.25. Total receipts increased from Rs.102.00 crore to Rs.199.32 crore. The revenue expenditure increased from Rs.33.35 crore to Rs.52.11 crore while the capital expenditure marginally declined from Rs.51.89 crore to Rs.49.54 crore.

**14.61** The total expenditure however, increased from Rs.85.24 crore to Rs.101.65 crore over a five year period – an increase of about 20 percent as can be seen from **Table 14.23.**

**Table 14.123: Receipts and Expenditure of MCs**

*(Rs. in Crore)*

| Sl.No | Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Tax Revenue | 5.71 | 6.90 | 11.45 | 8.17 | 11.68 |
| 2 | Non Tax Revenue | 16.36 | 17.89 | 17.20 | 21.42 | 24.39 |
| 3 | Total Revenue Income from Own Sources | 22.07 | 24.79 | 28.65 | 29.59 | 36.07 |
| 4 | Transferred Amount | 16.71 | 22.35 | 32.98 | 30.90 | 116.16 |
| 5 | Grant from State Government | 51.15 | 42.32 | 103.15 | 53.67 | 39.52 |
| 6 | Others (Loan, Grants from Cent. Govt. and Other Cent Sponsored Schemes) | 12.07 | 13.62 | 9.62 | 22.31 | 7.57 |
| 7 | Total Other Revenues | 79.93 | 78.29 | 145.75 | 106.88 | 163.25 |
| 8 | **Total Receipts** | 102.00 | 103.08 | 174.40 | 136.47 | 199.32 |
| 9 | Revenue Expenditure | 33.35 | 38.11 | 44.86 | 45.25 | 52.11 |
| 10 | Capital Expenditure | 51.89 | 57.01 | 100.76 | 77.64 | 49.54 |
| 11 | **Total Expenditure** | 85.24 | 95.11 | 145.62 | 122.89 | 101.65 |

Source: Director, Urban Administration

he revenue expenditure increased from 39 percent to 51 percent while capital expenditure declined from 61percent to 49 percent; signaling an unhealthy trend wherein provision of infrastructure takes a backseat, as can be seen from **Table 14.24.**

**Table 14.24: Ratio between Revenue and Capital Expenditure in MCs**

*(in percent)*

| | | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 |
|---|---|---|---|---|---|---|
| 1 | Revenue Expenditure | 39.12 | 40.07 | 30.81 | 36.82 | 51.27 |
| 2 | Capital Expenditure | 60.88 | 59.93 | 69.19 | 63.18 | 48.73 |

Source: Director, Urban Administration

### *Receipts and Expenditure in NPs*

**14.62** There are 126 NPs with a population of about 1.28 million constituting over 20 percent of the total urban population of the State. Their revenues from own sources increased from Rs.17.54 crore to Rs.39 crore. Receipts from other sources increased from Rs.68.92 crore to Rs.121.3 crore **(Table 14.25)**. The total revenues increased from Rs.86.46 crore to Rs.160.31 crore.

**Table 14.25: Receipts and Expenditure of NPs**

| Sl.No | Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|---|
| 1 | Tax Revenue | 5.81 | 6.93 | 8.09 | 9.95 | 14.71 |
| 2 | Non Tax Revenue | 11.73 | 11.82 | 16.05 | 20.28 | 24.29 |
| 3 | *Total Revenue Income from Own Sources* | 17.54 | 18.75 | 24.14 | 30.23 | 39.00 |
| 4 | Transferred Amount | 4.96 | 7.19 | 11.11 | 9.58 | 9.49 |
| 5 | Grant from State Government | 60.37 | 62.72 | 123.24 | 111.01 | 106.63 |
| 6 | Others (Loan, Grants from Cent. Govt. & Other Cent Sponsored Schemes) | 3.59 | 10.84 | 8.42 | 12.60 | 5.19 |
| 7 | Total Other Revenues | 68.92 | 80.75 | 142.77 | 133.19 | 121.31 |
| 8 | **Total Receipts** | 86.46 | 99.50 | 166.91 | 163.42 | 160.31 |
| 9 | Revenue Expenditure | 22.21 | 23.72 | 29.11 | 35.31 | 44.04 |
| 10 | Capital Expenditure | 42.47 | 59.75 | 114.60 | 83.41 | 73.10 |
| 11 | **Total Expenditure** | 64.68 | 83.47 | 143.71 | 118.72 | 117.13 |

Source: Director, Urban Administration

**14.63** The revenue expenditure increased from Rs.22 crore to Rs.44 crore. The capital expenditure on the other hand increased from Rs.42.47 crore to Rs.73.10 crore as can be seen from **Table 14.25.** The total expenditure in the NPs increased from Rs.64.68 crore to Rs.117.13 crore. Broadly the ratio between the revenue expenditure and the capital expenditure remained at the same level with marginal changes **(Table 14.26)**.

**Table 14.26: Ratio between Revenue and Capital Expenditure in NPs**

*(in percent)*

| | Expenditure | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 |
|---|---|---|---|---|---|---|
| 1 | Revenue Expenditure | 34.33 | 28.42 | 20.26 | 29.74 | 37.60 |
| 2 | Capital Expenditure | 65.67 | 71.58 | 79.74 | 70.26 | 62.40 |

Source: Director, Urban Administration

**Accounts**

**14.64** Most ULBs in Chhattisgarh have been following single entry cash based accounting system until recently. The State Accounts Manual to implement accrual based double entry accounting system (DEAS) was prepared in 2005 in tune with National Municipal Accounts Manual and finalized in 2008. But its implementation is yet to begin. With a view to switch over to double entry system, the UADD has taken two significant steps viz., switch over to accrual based system in all ULBs and agencies like SUDA and DUDAs and others from 2008-09 and to shift from manual basis of accounting to computer based accounting using software developed by the Center for Good Governance (CGG), Hyderabad. The 13$^{th}$ FC recommended switch over to DEAS and it is a mandatory condition to access the performance grant. To fast track the accounting reforms, the UADD appointed Ernst and Young as the nodal agency to supervise the implementation of DEAS across all ULBs in the state. As the volume of work in the ULBs and other agencies under UADD is substantial, the government engaged ten field level chartered accountant firms (CA Firm) to introduce DEAS for the years 2008-09 to 2010-11. All the ULBs and other agencies were divided into ten groups and each group is attached to a CA Firm. These CA Firms are responsible for data entry as well as preparation of financial statements in the ULBs attached to them for the year 2008-09, train the municipal officials in the DEAS and supervise the data entry process to be undertaken by the ULBs during 2009-10 and 2010-11. The E&Y is responsible to supervise and monitor the overall progress of work of the CA Firms. But until 2012, about 70 of the 168 ULBs seem to have prepared financial statements for the year 2008-09. This signifies a wide gap in the migration to DEAS. The UADD dissatisfied with this progress prepared a time frame and instructed the CA Firms to complete preparation of financial statements of ULBs for the year 2008-09 by October 2012, for 2009-10 by December 2012 and for the year 2010-11 by March 2013. From this it is clear that the process of migration to DEAS is too slow and a large number of ULBs have not completed even for 2008-09. The officials of the Directorate of Local Fund Audit feel that various provisions of the Municipal Acts are not being implemented in NPs, there is no concept of accounts and daily wagers without any training and experience maintain the accounts.

**14.65** The case studies reveal glaring lacunae in the migration process. The CA Firms, in some cases, seem to have sub-contracted the assignment. Even those agencies did not position Chartered Accountants in the ULBs and their officials visit the ULBs occasionally, take accounts books, registers and other related documents to their offices located elsewhere, convert the single entry system into double entry system, prepare the financial statements for the year and submit them to the ULBs. In the process, ULB functionaries do not get any orientation in DEAS. This is a major constraint in the process and the problem remains as it was. There appear to be several problems in the conversion process to the DEAS at the ULB level. Important among them include bsence of effective supervision; non-submission of relevant records by the ULBs to the CA Firms; training and orientation not provided by CA Firms to ULB employees; absence of dedicated computer systems and broadband internet connectivity in some ULBs; and absence of experienced and computer- literate accounting staff.

**14.66** The efforts of Govt. to fast track the migration to DEAS after investing resources has not yielded the expected results. *The Commission recommends that accountants should be posted in all ULBs and those who are in place including the daily wage employees should be given orientation including hands-on experience. Efforts should be directed to develop internal capacity of officials within a given time frame.*

**Audit**

**14.67** Audit has a significant role in effective financial management of local bodies. LFAD, under the Finance Department, is responsible to audit the accounts of local bodies in the state (M. Corp Act, Sec. 129 and MC Act, Sec. 121. There appear to be a backlog of audit as can be seen from **Table 14.27.** The NPs are the most affected as the back log is very high and need to be addressed. A major problem is the accumulation of large audit objections and ULBs failure to address them.

**Table 14.27: Details of Pending Audit (as on August 2012)**

| Sl. No. | ULBs | Total Years Pending |
|---|---|---|
| 1 | Municipal Corporations | 29 |
| 2 | Municipal Councils | 73 |
| 3 | Nagar Panchayats | 245 |
| 4 | Total | 347 |

Source: Department of Local Fund Audit

here are 54,356 audit objections involving about Rs.1000/- crore in ULBs in the State **(Table 14.28).** There are over 1300 audit objections per M.Corp, over 400 per MC and over 226 per NP - an average of 323 per ULB in the state. The amount involved is also very high in the M.Corps with 68% of the total amount. These objections seem to have piled up over a period of 60 years i.e., between 1948-49 to 2009-10 and no efforts are being made to address them. Box 14.09 gives the status of audit objections in the cases of urban bodies studied. Only 12 objections involving about Rs.14 lakh were addressed and that too by NPs and others glossed over the problem. In addition, LFAD also reported 555 cases of embezzlement involving over Rs.1.26 crore; over 57 percent in the NPs. *These need to be addressed within a timeframe to bring financial accountability in urban administration. Special drive should be initiated to address all audit objections expeditiously. Time lag would further weaken the very purpose of audit and citizen confidence.*

**Table 14.28: Details of Audit Queries**

*(Amount in Crore)*

| Sl. No. | ULBs | Total Queries | | Queries Addressed | | Balance | |
|---|---|---|---|---|---|---|---|
| | | No. | Amount | No. | Amount | No. | Amount |
| 1 | M.Corps | 13,054 | 668.17 | 0 | 0 | 13,054 | 668.17 |
| 2 | MCs | 12,765 | 144.89 | 0 | 0.03 | 12,765 | 144.86 |
| 3 | NPs | 28,537 | 169.95 | 12 | 0.11 | 28,525 | 169.84 |
| | **Total** | **54,356** | **983.01** | **12** | **0.14** | **54,344** | **982.87** |

Source: Department of Local Fund Audit

**14.68** Shortage of Staff and limited use of information technology seem to constrain the LFAD in undertaking the audit of local bodies and taking follow up measures. The Commission was informed that though the need for different categories of staff in LFAD is 1100, it has only 356 sanctioned posts of which only 250 are working at present. This appears to be a serious constraint not only affecting the audit process but also strengthening financial management of ULBs. The Commission was informed that by 2014 several officials are slated to retire and many more by 2016 thereby plunging the Department into a crisis. Unless efforts are initiated forthwith there will be a major problem. The 13th FC recognizing the substantial increase in the volume of transfers to ULBs and consequent increase in transactions suggested that the state governments should strengthen their LFADs both through personnel augmentation and capacity building (Para. 10.167). The LFAD submitted a proposal to the state government costing Rs.8.36 crore to strengthen the Department through personnel augmentation and other improvements. Commission was informed that the Government is yet to take decision on the proposal. *The Commission recommends that the State Government should strengthen LFAD through personnel augmentation and computerization.* The European Union

*Box 14-8: Audit Objections*

| S.No. | ULB | Status of ULB | No. of Objections |
|---|---|---|---|
| 1 | Raipur | Corporation | 1358 |
| 2 | Durg | Corporation | 1721 |
| 3 | Korba | Council | 665 |
| 4 | Dhamtari | Council | 1555 |
| 5 | Mungeli | Council | 1678 |

***Source: Director, Urban Adminsitration***

sanctioned Rs.2.86 crore for the automation of LFAD. The process has been initiated and NIC is supervising the establishment of a central data center in LFAD. Later similar centers are proposed at regional and district levels with appropriate network. *The Commission feels that this should be taken forward faster to reap the benefits of information technology and strengthen LFAD.*

**14.69** The Director LFAD is being appointed by government and is part of the Finance Department of the State Government. The Commission feels that the Director LFAD should be independent of the State Government on the lines of the C&AG at the national level. *The Commission endorses the recommendation of the SARC that independence of the Director, LFAD should be institutionalized and the Director should be appointed by the State Government from a panel vetted by the C&AG.*

**14.70** The 13th FC recommended that the C&AG must be given TG&S over the audit of all the local bodies and his Annual Technical Inspection Report and the Annual Report of the Director of Local Fund Audit must be placed before the state legislature. This is a requirement to access the performance grant. But the Commission understands that this is not being done so far. *The Commission recommends that annual report of the C&AG and director LFAD should be placed before the State Legislature and the relevant acts should be amended.*

**14.71** The LFAD initiated the process for online audit report preparation. This is being facilitated by provision of laptops to the audit officials. But, training is a major constraint. To overcome some of these issues and problems, the Commission *suggests that the resident audit system should be revived in the ULBs. Similarly, accounting system should be streamlined and strenghthened.*

### Investments in Infrastructure

**14.72** In the previous chapter the Commission estimated a total requirement of about Rs.54,556 crore for infrastructure provision and maintenance over a period of 20 years. These investments would meet the backlog of infrastructure as also meet the needs of the growing population during the next two decades. During the award period i.e., 2012-13 to 2016-17, a total of about Rs. 5,777 crore is required to meet both the capital investments and O&M needs as can be seen from **Table 14.29.**

**Table 14.29: Investment Requirements during the Award Period**

*(Rs in Crore)*

| S No | Year | Investment Requirement | | | Available | | | Additional Funds Required |
|---|---|---|---|---|---|---|---|---|
| | | Capital | O&M | Total | Capital | O&M | Total | |
| 1 | 2012-13 | 560.84 | 334.80 | 895.64 | 501.23 | 96.66 | 597.89 | 297.74 |
| 2 | 2013-14 | 644.96 | 364.26 | 1009.22 | 556.37 | 107.30 | 663.66 | 345.56 |
| 3 | 2014-15 | 741.71 | 396.32 | 1138.02 | 617.57 | 119.10 | 736.67 | 401.36 |
| 4 | 2015-16 | 852.96 | 431.19 | 1284.16 | 685.50 | 132.20 | 817.70 | 466.46 |
| 5 | 2016-17 | 980.91 | 469.14 | 1450.04 | 760.90 | 146.74 | 907.65 | 542.40 |
| | Total | 3781.37 | 1995.71 | 5777.08 | 3121.57 | 602.00 | 3723.57 | 2,053.51 |

During the award period, the ULBs would be able to mobilize about Rs. 3,723 crore at the present 11 percent rate of growth, leaving a gap of Rs 2,053 crore. These additional funds need to be mobilized internally by the ULBs and through devolutions and grants from State government.

**14.73** The GoC launched in August 2009, 'Bhagirathi Nal Jal Yojana' to provide access to drinking water to all the urban households below the poverty line. The government initially allocated funds on an *ad hoc* basis to implement the scheme and in 2012-13, a separate budget head was created and Rs.15 crore allocated. The scheme envisages provision of water connections to all urban poor households with tap water connection and the government provides a subsidy up to Rs.3,000/- per connection and the balance, if any, is to be borne by the ULB. The scheme was well received by the citizens. During field visits both elected representatives and officials informed that the scheme has benefitted the poor. The Commission feels that this is a best practice and should be implemented by all ULBs to extend water connection to all urban poor households who do not have it at present. Taking into consideration the expected public health outcomes from protected and safe water, *the Commission recommends that the government increase the allocation of funds to cover all the urban households under this scheme during the award period subject to availability of network. If implemented effectively, the state may achieve the distinction of providing universal access to water supply to all urban households in the state. The Commission also recommends that there should be effective monitoring of implementation of the scheme to ensure that the people are not harassed or contractors approaching the households for part payment for providing water connection.*

**14.74** Sanitation is another important service that significantly contributes to improved public health. Census 2011 has brought out unambiguously the alarming gap in urban sanitation across the country. In Chhattisgarh more than 40 percent urban HHs do not have access to proper and safe sanitation, as can be seen from **Table 14.30.** Obviously they are the poor who cannot afford the high costs of latrine construction.

**Table 14.30: Status on Sanitation**

| Particulars | No of HHs | percent |
|---|---|---|
| Total number of households | 12,38,738 | 100.00 |
| Number of households having latrine facility | 7,45,715 | 60.2 |
| Number of households not having latrine facility | 4,93,023 | 39.8 |

Source: Census of India, 2011

**14.75** The GoC formulated State Urban Sanitation Policy in 2010 on the lines of the National Urban Sanitation Policy, 2008. The policy aims at achieving universal urban sanitation by 2025 by providing access to improved sanitation to all urban residents. It proposes preparation of city sanitation plans, elimination of open defecation, construction of group toilets where necessary, ensuring proper disposal mechanism, partnering with corporate houses, NGOs etc., to improve sanitation, etc. The policy focuses on awareness building for better results and proper regulation mechanisms for effective implementation. The policy estimates the need for Rs.750 crore both for residential and public toilets. *This Commission accords high priority to sanitation along with water and proposes universal access to safe sanitation during the award period. For this purpose the Commission makes a provision of Rs. 200 crore and hopes that this will contribute to improved health, privacy and dignity to women and also gender rights. Needless to add that through these measures the state would fulfill its commitment to achieve millennium development goals.*

**Mobilizing Resources**

**14.76** As already mentioned in **Para 14.72** above, to meet the resources to provide infrastructure as per the SLB norms during the award period, there is a need to mobilize about Rs.2,053 crore both for provision of new infrastructure and to meet O&M expenditure during the award period. Additionally, another Rs.150 crore is needed to achieve universal access to sanitation and Rs. 50 crore for capacity building taking the total requirement to Rs.2,253 crore. This can be done through several measures including state and central grants and mobilizing internal resources by the ULBs. The strategy is to:

i) Strengthen, streamline and optimize the existing sources;
ii) Exploit the sources empowered under the municipal Laws but not being levied or optimally exploited;
iii) Identifying the new sources to meet the present and future needs;
iv) Devolutions by the State Government; and

v) Developing models of capital expenditure.

**14.77** Exploiting the existing resources optimally is very critical before identifying new avenues. PT is by far the most important source and its optimal exploitation is critical. As discussed earlier in this chapter PT reforms include revision every five years, levy of service charges on central and state government properties as per the GoI guidelines, strengthening tax collection mechanism, rationalising exemptions and levy of a minimum tax on all properties, GIS mapping to identify un-assessed and under-assessed properties and constitution of CMRRC to guide and advise the ULBs in tax mobilization and monitor their performance periodically. *The Commission feels that through these measures, the ULBs would be able double the PT* **receipts** *and even more. This is based on experience in other states* and on assumption that the Commission's estimate of cost of exempted properties itself is over Rs.63 crore and with other suggested reforms revenues can be much more.

**14.78** The Municipal Acts have provision for levy and collection of several optional taxes. The Commission feels that not only the optional tax provisions have not been implemented by a large number of ULBs. Even those which exploit the yield is limited. *The Commission recommends that the ULBs should levy the taxes they are empowered under the Acts, prominent among them being advertisement tax. In many states this tax is a significant source to ULBs. By rationalizing, strengthening and streamlining the levy and collection of advertisement and other taxes, the ULBs may mobilize additionally about Rs.25-30 crore per annum.*

**Profession Tax**

**14.79** The profession tax is a state level tax on professions, trades and employment being levied as per the provisions of the Constitution of India under Article 276 read with Entry 60 of List II of Schedule VII. The proceeds of the tax go to the local bodies. States like Gujarat, Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, etc., have been levying this tax for a very long time. Gujarat, for example, enacted as separate law i.e. the Gujarat Panchayats, Municipalities, Municipal Corporations and State Tax on Professions, Trades, Callings and Employments Act, 1976, under which the profession tax is being levied. Other States have also enacted similar laws. The tax is imposed both on individuals and organizations like companies, firms, proprietary concerns, societies, clubs, association of persons, etc. The Acts governing the profession tax have provisions for exempting the individuals from the payment of the tax like senior citizens, handicapped, etc. Employers are expected to deduct the tax at source and remit to government. The maximum and minimum tax leviable is indicated in the Act itself. In case of establishments, profession tax is calculated on the basis of turnover of sales or purchases of the previous year. *The Commission recommends that the Government should consider enactment of legislation for levy and collection of profession tax. The tax should be collected by the Commercial Tax Department and proceeds allocated to the local bodies. In all likelyhood this would be an important source of income for the local bodies and is likely to fetch more than Rs.50/- crore per annum initially.* This is based on the assumption that there would be about six lakh employees both of government and commercial establishments who can be brought into profession tax net.

**14.80** The Commission further makes the following recommendations to strengthen the financial base of the ULBs and to mobilize additional resources to meet the infrastructure needs proposed:

(i) **Trade Licensing Fee**: The Government may review the present status of the trade-licensing fee and revise and expand the list of trades for coverage;

(ii) **Vacant Land Tax**: At present this tax is not being levied or exploited. The Commission recommends that all vacant lands within the jurisdiction of the local body except government land should be surveyed and identified and a tax on the capital value of the land should be levied. **The CMRRC may formulate policy and guidelines for this purpose.**

(iii) With the expansion of mobile culture in the country a large number of cell towers are being erected in all areas, more so in urban areas. Similarly, the cable operators are making quick money and these two sources should be exploited optimally by the ULBs.

*In the absence of proper and reliable information, it is difficult to estimate the revenues from these efforts. The Commission estimates, however, that from these sources about Rs.20 crore can be mobilized annually.*

**The Chhattisgarh Urban Infrastructure Fund**

**14.81** The GoC established the Chhattisgarh Urban Infrastructure Fund (CIUF) under the Chhattisgarh Nagar Vikas Nidhi Niyam, 2003. The objectives of the Fund include devolutions of Entry Tax to ULBs, sanction of grants from the corpus for specific purposes, channeling grants received from GoC and state and central Finance Commissions to ULBs, repayment of installments of outstanding loan raised by the ULBs directly from the Fund, and undertaking responsibility of repayment of installments of new loans being raised by ULBs, etc. The receipts of Entry Tax, grants from state and central finance commission, other state government grants and other funds are credited into the Fund. The Fund consists of two accounts viz., devolution (Nyagaman) account and infrastructure (Adhosamrachana) account. The former includes Entry Tax transfers to ULBs as Octroi compensation, Stamp Duty and other compensations payable to ULBs, etc. The latter includes remaining amount of Entry Tax after transferring Octroi compensation to ULBs, SFC grants for improvement of basic services and other state grants for capital works, etc. One percent of Entry Tax from the devolution account is deposited into separate fund called 'Yantriki Prakoshth' (Technical Cell) to support technical assistance to ULBs. The Governing Committee of the Fund is headed by the Minister of Urban Development and Directorate of Municipal Administration is the Fund Manager. The Committee determines from time to time the share of each ULB from the Entry Tax. As this Commission proposes the total transfer of Entry Tax to ULBs, the remaining fund is limited.

**14.82** The JNNURM guidelines require setting up of a revolving fund by ploughing back at least 20% of funds to revolving fund._The Fund is to be utilized to leverage market funds for further investment in infrastructure. The Commission understands that the Revolving Fund has not yet been created and this may adversely affect receipt of grants under the second phase of JNNURM. Therefore, the *Commission recommends constitution of Revolving Fund as per guidelines of JNNURM and its merger with the existing CIUF. The Commission further recommends provision of seed capital of Rs. 50 crore from Government into the CIUF for enabling attainment of its objectives.* Revolving funds accruing from all development programmes including JNNURM should feed into CUIF. The Fund may have the following objectives:

i) Funding urban infrastructure projects for improving living standards of urban population, including the urban poor, through a revolving fund;

ii) Assist ULBs to access capital market, individually or jointly through pooled finance arrangements;

iii) Operate a complementary window to assist ULBs by way of grants for project design and management and to address problems of the urban poor and environment conservation;

iv) Facilitate private sector participation in infrastructure through joint ventures and through public-private-community partnerships; and

v) Capacity building to enable ULBs access finances from the market.

**14.83** *The Commission further recommends the establishment of a Chhattisgarh Urban Finance and Infrastructure Development Corporation to act as a Fund Manager /Asset Management Company of CUIF to perform the role of a financial intermediary between ULBs and financial markets. It will be responsible for collection of funds from ULBs and its proper utilization. The details of Revolving Fund, plough back mechanisms, etc., may be decided on lines recommended by GoI. The Corporation should disburse Funds to ULBs in part as loans to sustain and develop urban infrastructure.*

*Models for Capital Expenditure*

**14.84** Apart from mobilizing resources from internal and external sources, there is also need to develop models of capital expenditure for sustainable financing of expenditures for creating and maintaining urban infrastructure assets such as water supply, sewerage, sanitation, SWM, roads, etc. The Commission discussed borrowings from financial market, credit rating, adoption of PPP models, etc., earlier in this Report. The Commission reiterates them and further details are discussed.

*Credit rating and debt market*

The ULBs should be encouraged to undertake credit rating and access bond markets for financing infrastructure. They should be encouraged to access loans from banks and commercial institutions by structuring commercially viable projects. Towns in Tamil Nadu, Maharashtra and Karnataka have used debt market bonds to finance urban infrastructure.

*Public Private Partnerships*

Financing capital expenditure through PPP is another model. The ULBs should adopt appropriate PPP models viz., management contracts, Build, Operate and Transfer (BOT) and Build, Own, Operate and Transfer (BOOT), etc. The management contracts and service contracts may be preferred where the capital requirement is low, need for improvement in performance is high and gestation period is five years or less. These models are suitable in

O&M of STPs and water treatment plants, water supply distribution system, street sweeping, door to door collection of solid waste, etc. BOT and BOOT models may be preferable where capital requirement and managerial expertise is high with long gestation period. These models may be adopted in 24X7 water supply projects, setting up compost and waste to energy plants, parking complexes, etc. For this purpose ULBs may create project specific Special Purpose Vehicles. The government should formulate an enabling policy, regulatory and institutional framework and ULBs should develop adequate capacity to structure and implement the projects. PPPs are extensively used in cities and towns of Madhya Pradesh, Karnataka, Rajasthan, etc.

*Establishing Revolving Fund*

As noted in Para 14.87 a state level revolving fund shall be established to provide commercial loans to ULBs for financing infrastructure. The repayments from the loans should be ploughed back into the Fund to make it viable and sustainable. Funding should be based on commercial viability of the project and implementation of financial reforms to make ULBs creditworthy. This Fund could also be used to leverage projects under PPP.

**Incentivising Performance**

**14.85** The ULBs have not been making serious efforts to strengthen and streamline the municipal finance system to undertake their functions. It is important, therefore, to incentivize the performance of ULBs. *The Commission feels that two criteria may be considered for incentivizing the ULBs viz, 90 percent collection of PT and introduction of DEAS. The government may give weightage to these criteria and provide additional grants to the ULBs which meet these criteria. The scheme, the Commission hopes, will motivate municipal leadership and official functionaries to take the needed and appropriate interest to move towards evolving a self-sustaining municipal finance system.*

**14.86** *There is an urgent need to improve the service levels in ULBs and the Govt. may consider providing an incentive to them for the same. We recommend that the criterion for such an incentive may be achieving atleast 10% improvement in service levels in respect of household water connections, coverage by sewerage and solid waste collection* *and management. The State Govt. should prepare a suitable incentive scheme for the same.*

**14.87** *At present only the M.Corps and M.Cs are required to notify the service level benchmarks every year. There is a need to make an assessment of the level of civic services being provided by the NPs also and to extent the SLB process to them. We recommend that the SLB process be extended to all NPs as well as suggested by the XIII FC.*

*14.88 The Commission recommends that the Ward and Mohalla Committees be incentivised for their contributions to collect 90 percent of the current demand and allocate a portion of the PT collected – say 20 to 25 percent for infrastructure provision or other services as proposed by these Committees. This would facilitate active and effective participation of civic communities in not only mobilizing resources but also in development effort. The Commission believes, in the long run, such participatory culture would facilitate sustainable urban development.*

**14.89** The councilors including alderman in the ULBs are allotted a Councilor's fund called 'Parishad Nidhi' every year to undertake works relating to repairs and maintenance of roads, drains, water supply systems, public toilets, etc. The 'Nidhi' was revised upward in 2012. The 'Councilor's Fund' is being allotted by the government from CUIF. *The Commission recommends that the Councilor Fund should be made from the municipal budget and not from the Infrastructure Fund.* During field visits some elected representatives, officials and community members brought to the notice of the Commission about the poor quality of works being undertaken as a result of which the community could not benefit from the works. The Commission feels that care should be taken to ensure quality in works relating to the repairs and maintenance works so as to ensure 'value for money'. Any violations to the rules prescribed should be taken seriously with exemplary punishment to those who execute the projects.

**Other Recommendations**

**14.90** In regional consultations several problems faced by ULBs as also some suggestions were made. Some of these problems relate to policy, some are more of administrative nature, some relate to personnel and others to finances. The Commission examined these problems and suggestions carefully and makes the following recommendations:

*(i)* **Delayed receipt of funds**: The delayed receipt of funds from the State Government affects payment of salaries to teachers, operation of mid-day meal scheme, implementation of welfare programs, etc. *The Commission feels that the Government should ensure timely release of funds so that implementation of on-going programs is not affected and to sustain morale of people working on the projects.*

*(ii)* **Unspent grants**: It is understood that in some ULBs large amounts of funds released under several development schemes are not utilized either due to absence of detailed project reports, for want of technical staff or for other reasons. As a result, funds are lying with the ULBs unspent for long periods. For example, in Durg Municipal Corporation Rs.30 crore and in Mungeli and Jashpurnagar MCs Rs.6 and one crore respectively could not be spent. This is against the principles of prudent financial management. *The Commission recommends that the UDAD should regularly monitor the implementation of development schemes and expenditure pattern and initiate corrective measures where required. The UDAD may also consider transferring resources to other ULBs where there is urgent need for funds through proper planning without affecting the claims of the concerned ULB as and when the funds are needed.*

*(iii)* **Deductions from Octroi compensation**: Many ULBs brought to the notice of the Commission that deductions are being made from the Octroi compensations due to the ULBs for different purposes like pension payments. But while transferring the funds deduction statement is not being enclosed and therefore, the ULBs seem to be in the dark about the total funds due to them under different heads, deductions made, etc. *The Commission suggests that the UDAD should ensure that a deduction statement accompany the fund transfer letter with details of entitlements, deductions made and purpose for which they were made, etc., so that ULBs are fully in know of funds received. This will ensure transparency in financial transactions.*

*(iv)* **Special Funds for upgraded ULBs**: Several ULBs, particularly the NPs, have brought to the notice of the Commission that their infrastructure was very poor and do not meet the standards or benchmarks. They requested financial support to

upgrade infrastructure. *The Commission examined this issue carefully and recommended a one time grant of one crore rupees to NPs and additional one crore rupees to the NPs which have become headquarters of the newly formed districts in the interim report for the development of infrastructure as a one-time grant. This has been recommended in our interim report. This is independent of this Commissions' recommendation of evolving norms for constitution of ULBs as suggested by the 13th FC and conversion of some NPs based on Census 2011.*

*(v)* **A share in Commercial Taxes and Excise Duty**: The Commission has examined the suggestion but is not in its favour as it has recommended a global share of funds from state resources.

*(vi)* **Funds for Development Schemes**: Several suggestions have been made to the Commission that the development schemes under which ULBs get funds do not enable them to implement the schemes holistically as scheme guidelines restrict the use of funds for specific purposes. For example, grants released for renovation of water bodies do not include increase in the depth of water bodies or de-silting. *The Commission feels that government may examine some of these suggestions and review the guidelines of development schemes and make appropriate changes as necessary.*

# CHAPTER 15

## Financial Requirements and State Devolution

**15.1** The Commission has estimated a requirement of about Rs.54,555 crore at current prices for infrastructure provision and O&M over a period 20 years beginning from 2012-13, as can be seen from **Annex 15.1.** Similarly, during the award period i.e., 2012-2017, the Commission estimated a requirement of about Rs. 5,777 crore, as presented in **Table 15.1.**

**Table 15.1: Investment Requirements during the Award Period**

*(Rs in crore.)*

| S.No | Year | Investment Requirement | | |
|---|---|---|---|---|
| | | Capital | O&M | Total |
| 1 | 2012-13 | 560.84 | 334.80 | 895.64 |
| 2 | 2013-14 | 644.96 | 364.26 | 1,009.22 |
| 3 | 2014-15 | 741.71 | 396.32 | 1,138.02 |
| 4 | 2015-16 | 852.96 | 431.19 | 1,284.16 |
| 5 | 2016-17 | 980.91 | 469.14 | 1,450.04 |
| | **Total** | **3,781.37** | **1,995.71** | **5,777.08** |

### Resource Gap

**15.2** The Commission, based on an average annual growth of 11 percent in capital expenditure and O&M achieved during the last five years, projects that during the award period about Rs 3,723 crore would be available to ULBs as against the requirement of Rs 5,777 crore thereby leaving a gap of about Rs 2,053 crore, as given in **Table 15.2.** Additionally, Rs.200 crore would be needed to provide access to sanitation and Rs.50 crore for capacity building, as recommended by this Commission, taking the total gap to Rs.2,303 crore.

**Table 15.2: Available Investments during the Award Period**

*(Rs in crore)*

| Sl No | Year | Available | | | Additional Funds Required | Total |
|---|---|---|---|---|---|---|
| | | Capital | O&M | Total | | |
| 1 | 2012-13 | 501.23 | 96.66 | 597.89 | 297.74 | 895.64 |
| 2 | 2013-14 | 556.37 | 107.30 | 663.66 | 345.56 | 1,009.22 |
| 3 | 2014-15 | 617.57 | 119.10 | 736.67 | 401.36 | 1,138.02 |
| 4 | 2015-16 | 685.50 | 132.20 | 817.70 | 466.46 | 1,284.16 |
| 5 | 2016-17 | 760.90 | 146.74 | 907.65 | 542.40 | 1,450.04 |
| | **Total** | **3,121.57** | **602.00** | **3,723.57** | **2,053.51** | **5,777.08** |

**Projection of ULBs Own Sources and State Government Grants**

**15.3** The projected available resources to meet capital and O&M expenditures and gap have been assessed against possible allocations by State Government and revenue generation by ULBs during the award period. As can be seen from **table 15.3,** ULBs' own resources for the award period i.e., 2012-13 to 2016-17 are likely to be about Rs 2,113 crore while the state government grants are likely to be about Rs 2,852 crore taking the total to Rs 4,965 crore. Based on ULB data it is assumed that 75 percent of the projected revenues are available for capital and O&M expenditure and this works out to Rs 3,724 crore **(table 15.3),** leaving a gap of about Rs 2,303 crore including allocations for sanitation and capacity building, as against the required Rs. 5,777 crore.

**Table 15.3: Revenue Income Projections from Own Sources & State Grants**

(Rs in crore.)

| Revenue Income | Growth rate | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total | 75% (capital and O&M) |
|---|---|---|---|---|---|---|---|---|
| **Own Sources** | 15.06 | 313.46 | 360.48 | 414.55 | 476.73 | 548.24 | 2113.45 | 1585.08 |
| **State Transfers** | 5.41 | 512.14 | 539.79 | 568.94 | 599.66 | 632.05 | **2852.58** | 2139.43 |
| **Total** | | **825.59** | **900.26** | **983.48** | **1076.39** | **1180.28** | **4,966.03** | **3724.51** |

**Additional Resources from ULBs**

**15.4** The estimated revenue gap of over Rs. 2,303 crore to meet the infrastructure investments need to be mobilized by the ULBs by improving the tax and non-tax resources and devolutions from state government. The Commission estimates that ULBs can mobilize additionally Rs 648 crore through tax reforms as discussed in the previous chapter (Paras 14.81-82) and can be seen from **Table 15.4.** After taking into account the additional resources, there is still a gap of about Rs.1,605 crore which need to be met from additional state devolutions.

**Table 15.4: Additional Resources from ULBs during 2013-14 to 2016-17**

| S.No | Tax Source | Amount (Rs crore.) |
|---|---|---|
| 1 | Property tax | 268 |
| 2 | Professional tax | 200 |
| 3 | Advertisement tax | 100 |
| 4 | Others | 80 |
| | **Total** | **648** |

**State Devolutions**

**15.5** The Commission, in its interim report, recommended an allocation of 8% of net SOTR to local bodies, both rural and urban. The divisible pool for the five year period covered by this Commission is estimated to be Rs.5793.50 crore. The share of the ULBs, on the basis of population, comes to 1.85% of this 8%, which translates to Rs.1339.75 crore during the five year period. Therefore, there is likely to be a gap of only about Rs.310.00 crore (Rs.1650 crore – 1340 crore) in the total investment required during the five year period. We are not making any specific recommendation as to how this gap is to be met. We expect that additional grants from the State Government and better internal resource mobilization by the ULBs themselves will bridge this gap. As we have stated earlier, the devolution made by this Commission is meant for capital expenditure, creating assets in the areas of water supply, sanitation, SWM, roads etc. and capacity building. The Commission suggests that UADD prepare sectoral plans alongwith estimates for the award period of five years for each of these sectors taking into account the requirement of ULBs, alongwith a capacity building plan, and make annual allocations accordingly. A consolidated picture of investment requirements and resource mobilization including transfers under this Commission's award, can be seen from the **Table 15.5** below.

**Table 15.5: Investment Requirement and Resource Mobilization**

*(Rs.in crore)*

| Investment Requirement | | Resource Mobilization | | |
|---|---|---|---|---|
| Capital | **3781.37** | Available resources with ULBs | | **3724.51** |
| O&M | 1995.71 | Resource generation through proposed reforms | 648 | |
| Sanitation | 200.00 | SFC Allocation | 1340 | |
| Capacity Building | 50.00 | Gap | 314.57 | |
| | | ***Sub Total*** | | **2302.57** |
| **Total** | **6027.08** | **Grand total** | | **6027.08** |

We are proposing that the funds required for sanitation (Rs. 200 crore) and for capacity building and creation of an institute of urban development (Rs.50 crore) may be provided by the State Government as grant-in-aid. That will reduce the gap to only about Rs.64 crore, which is left unbridged.

# Chapter - 16

# Good Practices in Urban Governance

16.1 One significant feature of urban capacity building is learning from good practices and adopting them to meet cities' particular needs where possible. In recent years documentation and dissemination of good practices has become a very significant part of capacity building. Similarly, the ULBs across the globe have been making efforts to improve urban governance including financial management and effective service delivery to improve the quality of life of the civic community.

16.2 The UN-Habitat has developed best practice database which is in public domain. The Dubai International Awards, being awarded for urban best practices annually since 1995, covers practices from as many as 150 countries. Massachusetts Institute of Technology developed international urban best practices in water supply, sanitation and other services including environment, housing, etc. Good practice in Latin America relating to fiscal management and local resource management, participatory budgeting, public service provision, etc., have been well documented by Tim Campbell and Harald Fuhr under the aegis of World Bank Institute. The ULBs in the state should make efforts to benefit from these practices and experiences.

**Good practices in the country**

16.3 The 12th FC documented best practices in rural local bodies in the areas of finance and taxation, accounts and audit, incentive grants, levy of user charges, etc., and recommended for their adoption (Para. 8.18 and 19). Yaswanthrao Chavan Academy of Development Administration undertook a study of municipal best practices for the 13th FC covering resource mobilization, expenditure reduction through outsourcing and PPP, accrual accounting, accountability and citizen charters, slum development, delegation of funds, functions and functionaries, maintenance of municipal finance statistics, etc. The study also documented Tamil Nadu experience of urban infrastructure development through urban development fund, Kerala experience of delegation of powers to ULBs, 24X7 control room for grievance redressal in Hubli-Dharwad, etc. The 13th FC felt that these practices can usefully be emulated by the ULBs (Para 10.78). Documentation and dissemination of urban best practices gained momentum in India in recent years. The Ministries of Urban

Development and Housing and Urban Poverty Alleviation have documented several good practices in the country. The Ministry of Urban Development, GoI in partnership with ASCI established National Urban Water Awards with a view to recognize best practices in water management in the country. Thus there is a mine of information on best practices in urban sector. What is needed is to disseminate them with a view to enhance understanding of municipal functionaries in the state so that they can adopt and implement them as needed profitably.

**16.4** The NIUA brought out a compendium of best practices in urban property tax reforms in India covering reforms in Ahmedabad, Bangalore, Bhubaneswar, Chennai, Hyderabad, Indore, Kolkata, Ludhiana, Patna and Pune M.Corps.

**16.5** World Bank, GoI and CII, etc., published compendiums on PPP best practices in urban infrastructure covering water supply and sewerage, SWM, transport and others. They include good practices *inter alia* sewerage project in Alandur, water supply project in Nagpur, centralized bio-medical waste treatment facility in Surat, multi-story parking and commercial complex in Indore, bus terminal in Dehradun, street lighting in Nasik, integrated municipal SWM project in Timarpur –Okhla, etc.

**16.6** The Planning Commission and UNDP published a volume on successful governance initiatives and best practices from Indian states covering municipal management and capacity building in Punjab, women's empowerment in Tamil Nadu, participatory poverty reduction in Kerala, etc. ASCI brought out a compendium of cases on use of information and communication technology for effective urban governance covering water, sanitation and other municipal services in different cities, billing and collection, biometric attendance system and citizen interface through e-sewa in Hyderabad and improve citizen services in Jabalpur M. Corp.

## Urban Good Practices - Chhattisgarh

**16.7** The GoC launched Bhagirathi Nal Jal Yojana with a view to provide to the urban poor and those who live in slums access to water supply in their premises. This is a subsidized water connection scheme being implemented in the ULBs across the State and has caught the imagination of the urban community, particularly the poor. Korba Municipal Corporation undertook PT reforms in 2010. The RMC formulated an advertisement tax policy. Despite resistance in the beginning leading to modification of the policy, the RMC is mobilizing income from this largely untapped source. This indicates the potential of the source but being neglected by a majority of ULBs. These practices are discussed in detail.

***Box 16.1: Bhagirathi Yojana in Bhilai Municipal Corporation***

Bhilai, the second largest city in Chhattisgarh, has a population of over 6.25 lakh as per Census 2011. Prior to the completion of water augmentation project in 2008, the city depended on ground water supplied through limited individual connections and PSPs. Only 8,000 of 1,50,000 HHs were covered with individual water connections. Urban poor and slum HHs suffered most as they had to depend on PSPs, hand pumps, tankers, bore wells and others.

BMC took advantage of Yojana and initiated steps to implement through intensified campaign to extend both regular connections and to the poor. An 'Implementation Committee' headed by the Mayor and consisting of members of Mayor-in-Council and Commissioner as members was constituted. The Committee decided to implement the Yojana in all slums instead of prioritizing them. The BMC decided that all HHs with a built up area up to 800 square feet with no concrete roof are eligible to get water connection under the scheme. All HHs on encroached lands are also eligible with a condition that water supply connection does not confer the title to land. BMC appointed two contractors through competitive bidding for providing last minute connectivity including provision of water meters, use of strap saddle technology and High Density Polyethylene (HDPE) pipes.

BMC developed customized software to establish a robust customer database. To build awareness, publicity through local print and electronic media were undertaken. Powers were delegated to zonal officials to implement the scheme.

The BMC received about 28,000 applications for water connection of which 24,000 are under the scheme. Over 8,600 connections have already been provided and another 10,000 connections were approved. BMC targets to provide 50,000 additional connections covering 2.5 lakh population in the next one year and has requested GoC to provide a subsidy of Rs. 15 crore.

With the implementation of the scheme, BMC started generating revenues in the form of user charges. This also reduced expenditure on water supply through tankers. For example, BMC spent in 2006-07 Rs. 114 lakh on tankers which came down to Rs. 15.5 lakh in 2011-12. The scheme also brought increased citizen satisfaction, reduced social tensions among the urban poor HHs at PSPs, reduced health problems, improved quality of life among slum households and increased ULB revenues potential to meet the O&M costs. The number of grievances also reduced substantially. There is a very positive response both from citizens as well as the local elected representatives towards the scheme.

## Bhagirathi Nal Jal Yojana

**16.8** As per Census 2011 only 3.43 lakh of 12.28 lakh urban HHs in Chhattisgarh have residential water connections and receive protected piped water. Recognizing that low water supply coverage is mainly due to high connection cost and cumbersome procedures, GoC launched Bhagirathi Nal Jal Yojana in August 2009. The Yojana aims at provision of residential water connection to the identified poor free of cost. The objectives of the Yojana are to extend water connections to about three lakh slum and urban poor HHs, improve the living conditions of urban poor women and children through easing their struggle for basic services and prevent wastage of water at PSPs. It is expected that the implementation of the scheme would result in enhancing the self respect of women leading to their empowerment.

*Implementation*

**16.9** The water connection under Yojana is extended to the urban poor, but the ULBs are given the freedom to decide on the eligibility criteria. The expenditure toward capital cost of provision of water connection is reimbursed by the GoC according to the actual expenses subject to a ceiling of Rs. 3,000 per connection. Once water connection is provided, the beneficiary has to pay monthly user charges. The ULBs are entrusted with the responsibility of selection of slums under the guidance of Implementation Committee headed by Mayor/President. The applicant has to submit an application requesting for water connection and property/house title is not a constraint to extend water connection. The ULB based on number of applications received, raises a demand for reimbursement of funds from SUDA, the nodal agency for implementation of the scheme. The Yojana has demonstrated encouraging results during the last three years. Till date 1,27,812 connections have been provided in 110 ULBs. Implementation of the scheme appears to be weak in some ULBs and some are not able to take up the scheme due to unavailability of water. Sustainability of the Scheme lies in effective billing and revenue collection mechanism. Bhilai Municipal Corporation (BMC) is one of the ULBs implementing the Yojana effectively and has become a role model for others in the state. For its effective implementation and increasing the access to water to the urban poor BMC received an award from the Ministry of Urban Development, GoI under the National Urban Water Awards in 2010. This Yojana can be considered a best practice, sustainable and replicable. The BMC case can be seen from Box 16.1.

## PT Reforms in Korba

**16.10** Korba Municipal Corporation (KMC) is a good example of efficient PT management – revision, identifying un-assessed and under-assessed properties and plugging loopholes in levy and collection. The reforms included conducting a survey of properties, introduction of slab system as per the guidelines, revision of tax rates and streamlining levy and collection. These efforts got a phillip after the UADD issued the guidelines in June 2011.

## Property Survey

**16.11** One significant feature of reform was to undertake a house to house survey of properties in the city in 2010-11. This survey identified 10,000 new properties, about 9,000 properties were brought into the PT net, number of exempted properties came down and PT collections increased substantially, as can be seen in table 16.1. The properties were divided into four categories viz., residential, commercial, PSU residential and PSU commercial. The PT rates were 8% for residential, 9% for commercial and PSU residential and 10% for PSU commercial.

**Table16.1: Property Tax Survey**

| Sl. No. | Particulars | No. of Properties | | Difference | |
|---|---|---|---|---|---|
| | | Before Survey | After Survey | No | percent |
| 1 | Total Properties | 71784 | 81828 | 10044 | 13.99 |
| 2 | Paying PT | 39940 | 48811 | 8871 | 22.21 |
| 3 | Paying only Consolidated Tax (CT) | 12218 | 24232 | 12014 | 98.33 |
| 4 | Exempted from PT and CT | 19626 | 8785 | -10841 | -55.24 |
| 5 | Increase in PT (Rs in lakh) | 807.00 | 2188.77 | 1381.77 | 271.22 |
| 6 | Increase in CT (Rs in lakh) | 90.00 | 520.02 | 430.02 | 477.80 |

Source: Korba Municipal Corporation

**Revision of Rates**

**16.12** The KMC revised the PT rates as per the GoC guidelines, introduced slab system and adopted the rates for different slabs indicated in **table 16.2.** As a result, the properties with a higher ALV have to pay higher PT which was not the case earlier. This increased the revenues from PT substantially.

**Table16.2: Revised Rate of PT**

| Sl. No. | ARV | percent of Tax | In 2012-13 properties under each category | Percent |
|---|---|---|---|---|
| 1 | 0 – 6000 | Nil | 24232 | |
| 2 | 6001 – 12,000 | 6 | 12419 | 48.6 |
| 3 | 12,001 – 20,000 | 8 | 6270 | 24.5 |
| 4 | 20,001 – 30,000 | 10 | 3055 | 11.9 |
| 5 | 30,001 – 50,000 | 12 | 2029 | 8 |
| 6 | 50,001 – 75,000 | 15 | 914 | 4 |
| 7 | 75,001 – 100,000 | 18 | 366 | 1 |
| 8 | 100,001 & above | 20 | 500 | 2 |

Source: Korba Municipal Corporation

With these initiatives, KMC increased the number of PT payer by 22 percent and revenue from PT by 271 percent, as can be seen from **table 16.1.** The number of exempted properties was reduced by 55 percent and number of consolidated tax payers doubled.

**Advertisement Tax – RMC**

16.13 Advertisement tax is an optional tax under M.Corp Act [Sec. 132(6)] (1) and MC Act [Sec. 127(6)(1)]. There are variations in exploiting the potential of this tax by ULBs - tax base, rate, revision, etc. Except M.Corps and some MCs this tax is not being exploited by others. In NPs the scope is considered minimal and as such no efforts are being made. RMC the largest M-Corp in the State attempted to exploit its potential. RMC adopted a policy in 2009 based on tendering levy and collection. It outsourced the collection from the hoardings, uni-poles, etc. The RMC faced resistance from property owners for collection of this tax and to overcome the objections, guidelines were revised in 2012. As per these guidelines, advertisement rights on hoardings and uni-poles situated on public lands, advertisement on buses, jetties, etc., are tendered for collection. Hoardings which are situated on individual buildings/properties are levied and collected by the RMC at a revised rate of Rs. 40/- per sq. ft. (earlier it was Rs. 11.25/- per sq. ft.) RMC now levies advertisement tax also on mobile vans carrying hoardings at a rate of Rs. 136/- per sq. ft. Advertisements on walls are exempted from this tax. The income from advertisement tax is increasing over the years. Revenue collection from this source increased from Rs.30 lakh in 2006-07 to Rs.78 lakh in 2010-11. With changes in policy, the RMC hopes to collect over two crore rupees during 2012-13 as can be seen from **table 16.3.**

**Table 16.3: Income from Advertisement Tax – 2012-13**

*(Rs. in lakh)*

| Sl. No. | Particulars | Revenue |
|---|---|---|
| 1 | Traffic Booth | 23.20 |
| 2 | Advertisement on road dividers | 79.49 |
| 3 | Uni- poles | 6.19 |
| 4 | No Parking Board | 5.45 |
| 5 | Roof of residential buildings/private hoardings | 87.39 |
| 6 | LED board on residential buildings | 2.26 |
| | **Total** | **203.98** |

Source: RMC

*16.14 The Commission recommends that the good practices as above and the good practices documented by various institutions as mentioned in paras 16.2 to 16.6 above should be compiled, disseminated to all ULBs in the State. The experiences in good urban governance in India and elsewhere should be shared with them. The SIUGD should play a significant role in documenting good practices and their adoption by ULBs. The State Govt. should consider incentivizing adoption of good practices.*

# CHAPTER 17

## ULBs: General Reforms

17.1 We have discussed in this chapter other reforms like taking forward e-governance, capacity building, community participation, public disclosure of information and amendments to Municipal Acts.

### E-Governance

17.2 As noted earlier, one major constraint faced by this Commission is the non-availability of authentic data of municipal fiancés, infrastructure, service delivery, staffing, etc., which is also affecting planning and development at the ULB level. Use of information technology can be said to be in formative stages in most ULBs in the state. Some ULBs do not have email connectivity and even where it is available its use is minimal as the functionaries have not been trained. In several cases computers are operated by the contract or daily wage staff. Except some Corporations, most ULBs do not have a website. Even in those ULBs which have the website, only static data is being hosted and is not interactive.

17.3 Introduction of e-Governance has become a necessity for good governance and several states have introduced it and have began to expand coverage. Under JNNURM reform framework introduction of modules on birth and death registration, PT, service delivery, accounts, personnel and pay rolls, building plan approvals, project management, trade licenses, etc., is mandatory. e-Procurement in states like Maharashtra and Andhra Pradesh has given rich dividends. e-Seva centers in Andhra Pradesh cover over 150 services and these centers offer one-stop services. Under the aegis of Municipal Reform Cell, Karnataka has developed common e-Governance software with a central server to be used by all ULBs. Online submission of building plans using Auto-DCR method in Coimbatore and General Packet Radio Service System (GPRS) enabled mobile phones and hand-held printers used by tax collectors in Ulhasnagar in Maharashtra led to better tax collection. Alerts through mobile phone on property and profession tax, water charges, etc., in several cities contributed to better billing and collection. Several cities are adopting GIS based applications in planning and development with better results. *The Commission recommends the immediate* *introduction of e-Governance in all functional areas of ULBs in phases. It is imperative that all officials should be trained in use of e-governance. This will facilitate effective data management, planning and development and better interface with the citizens leading to effective community participation.*

**17.4** The UADD is setting up district data centers located in the head quarters ULB with the objective of online municipal data management and to facilitate video-conferencing and internet connectivity. Each center is allocated Rs.14.32 lakh to procure computers, printers, UPS, furniture, etc. A blue print with details has been circulated to guide the establishment of these centers by Commissioner, UADD. The salaries and other office expenses have to be met from the head quarter's ULB's budget. During visits to the ULBs, the Commission found that these centers are yet to take full shape in some ULBs and in others yet to initiate the process to establish them. *The Commission attaches high importance to these centers and recommend that a time frame should be fixed for establishing and making them functional. The Commission recommends that similar Centers should be established in the offices of Joint Directors with responsibility for collation, analysis and preparation of reports on status of the ULBs performance. In the districts where the number of ULBs is less than three, the data centers in the office of the Joint Director should also function as district data center for purposes of efficiency and to avoid duplication. The Joint Directors should monitor establishment of district centers and supervise data management. There must be online connectivity between the data center located in the DMA and the District and regional Data Centers. The officials involved need to be trained in data management along with technical aspects.*

**Capacity Building**

**17.5** Capacity deficit is the single major problem faced by most ULBs in the State leading to poor service delivery and incapacity to spend the funds provided by State and Central governments. Near absence of training and capacity building compounds the staff inadequacy and related constraints. Even a majority of CMOs, never underwent any training on urban governance or on technical aspects of their roles and responsibilities. The Commission was informed that some CMOs and a number of other functionaries have been drafted from the erstwhile Road Transport Corporation and are working in the ULBs for some time. Neither were they given induction or in-service training. In the absence of an urban institute in the state to train the municipal functionaries, there appears to be a wide gap in their capacity which need to be addressed on a priority basis.

**17.6** The Ministry of Urban Development, GoI sanctioned about Rs.885.2 lakh in March 2010 to the State for urban capacity building for implementation during 2010-12. A cursory look at the training programs completed indicates that a large number of short duration programs of one or two days were organized covering a large number of functionaries. The Commission feels that such programmes may address awareness but do not develop any skill in any specific area. For example, ten programs were organized on DEAS covering 450 officials - ten one day programs for 50 participants each were organized. Such programs would not help in building the capacity of accountants or proper understanding of the new accounting practices even to other functionaries. What is required is training in specific subject areas for developing the skills of employees to enable them to work in those areas independently. The training programs organised under the centrally sponsored scheme, the Commission feels, may not have achieved the objective. While the ULBs face very serious capacity constraints, allocated resources could have been utilized more fruitfully.

**17.7** The UADD in its memorandum suggested the establishment of a training and research institute. *The Commission agrees with the suggestion and recommends the establishment of State Institute of Urban Governance and Development. For this purpose the Commission proposes an amount of Rs. 50 crore to meet capital expenditure on infrastructure and organizing programs during the award period. As the Institute is likely to take time to take shape, the Commission suggests that a separate wing in the SIRD be established to start training and orientation programs.* This will facilitate use of its infrastructure as also the regional training centers. Capacity building has two dimensions - institutional and human capacity building. *The Commission recommends that 2.5 percent of the salary budget of ULBs should be allocated for capacity building; as indicated in the National Training Policy, 2012. To improve human capacity vacancies in all key appointments such as, all CMOs/ Commissioners, functional heads and other core staff should be filled in all the ULBs. Once the training institution is established, annual training to all municipal functionaries – both elected and appointed – should be made mandatory. The Commission recommends that sector related training on urban governance and development should be mandatory to all functionaries once in three years. Technical functionaries should be imparted training in their functional areas* *periodically. The training and orientation should be made mandatory before implementation of policy changes, or launching new programs or changes in the existing programs. Similarly all the elected representatives should get mandatory training immediately after election and periodically thereafter.*

**17.8** *The State government should also promote think tank initiatives in urban policy and development. The proposed SIUGD should facilitate this.*

**Monitoring and Evaluation**

**17.9** Monitoring is an important facet of good governance. The Commission feels that the monitoring systems on the performance of local government institutions at the state and local levels are weak and there is need to put in place a framework to monitor financial management, service delivery, grievance redressal, transparency and accountability, etc.

**17.10** The 12th FC recommended the constitution of a high level monitoring committee under the Chief Secretary with Secretaries of finance and other concerned departments as members to review the utilization of grants recommended by it and to take mid-course corrections as appropriate. The objective is to ensure proper utilization of grants both in financial and physical terms, adherence to conditionalities where applicable and ensure quality in implementation of projects. Accordingly, the states have constituted them and the system has been working effectively and the 13th FC suggested continuation of the monitoring mechanism as it worked well (Para 12.326). We also feel that a robust monitoring mechanism is critical to ensure proper and effective utilization of grants recommended by this Commission and to monitor the implementation of other recommendations. But the Commission does not suggest a separate mechanism for the purpose as it results in duplication of effort and time. *The Commission recommends the same Monitoring Committee headed by the Chief Secretary should also review the implementation of recommendations of SFCs to facilitate convergence in the implementation of recommendations of both central and state finance commissions and monitor the projects funded under the Commission's Award.*

**Monitoring at Department Level**

**17.11** In Chhattisgarh, the DMA, as head of the department monitors the progress of ULBs periodically on financial status, service delivery, implementation of development programs sponsored by state and central governments, etc. Another feature is that the senior officials of DMA are assigned a few ULBs which they visit and prepare visit reports. The visits also provide opportunity to understand specific issues each ULB faces and solutions that need to be articulated. They provide a framework to monitor the working of ULBs. The Regional Directors also monitor the ULB performance on behalf of the government and submit reports to DMA. The District Collectors have a significant role in monitoring the working of ULBs in the district. They not only monitor the programmes but also extend support where required and effect coordination between ULBs and other line Departments like Education, Health, Social Welfare, etc. Despite these efforts monitoring system appears to be weak and need to be strengthened. *The Commission suggests that the reports of these agencies should be compiled and a comparative statement of performance of ULBs should be prepared and submitted to the high power monitoring committee as a feedback and for necessary action. These reports should be circulated to the ULBs along with actions needed for improvement.*

**Monitoring at ULB Level**

17.12 At the local level, there is weak monitoring system and often the councils complain of not being fully aware of the performance of ULB. *The Commission suggests that the Commissioner/CMO should submit a quarterly report on municipal performance on finances, utilization of Central and State grants and implement action of schemes, service delivery as per benchmarks, grievance redressal, adherence to citizen charters, gaps in workings, etc., to enable the councils to take appropriate decisions and to become partners in development.*

**Concluding Observation:**

17.13 The 74th Amendment, considered a watershed in the evolution of local self government in India, aimed at strengthening urban governance through functional and financial decentralization, institutional reforms, etc. The Commission approached the subject with this broad perspective. Despite incorporating all 18 functions of the 12th Schedule of the Constitution into the municipal Acts, the functions along with finances and functionaries have not yet been transferred. ULBs can become self sustaining only when they are financially strengthened and empowered. This Commission has made several recommendations to strengthen the municipal finances including reforms in PT, introduction of profession tax, levy and collection of user charges to meet O&M costs, etc. With these reforms, ULBs would be able to provide services more efficiently and also meet the national benchmarks. Institutional strengthening is another major area of reform. Constitution of CMRRC, Municipal Public Works Division in the office of DMA, etc., as recommended by this Commission would improve governance in its varied aspects. A very significant and critical element in institutional development is capacity building which is practically absent in the state at present. Establishment of SIUGD would be a first step in urban capacity building.

**17.14** This Commission has made several recommendations to strengthen municipal organization and human resources with a view to optimize performance. Acceptance and implementation of these recommendations would go a long way in improving municipal performance.

**Metropolitan Planning Committees**

**17.15** As per Census 2011 Raipur attained the status of a metropolis with a million plus population. Similarly, Durg-Bhilai UA has a population of more than a million. Earlier the Commission recommended for the formation of an integrated Durg-Bhilai Municipal Corporation. The Constitution of India under Article 243-ZE provides for the constitution of a MPC for every metropolitan area to prepare a draft development plan. It is a Constitutional necessity. *The Commission recommends that MPCs should be constituted for both Raipur and Durg-Bhilai UA. The Raipur Development Authority may form the secretariat of Raipur MPC and arrangements should be made for Durg-Bhilai MPC.*

**Community Participation**

**17.16** The M.Corps Act (Sec.48-A and B) and MC Act (Sec. 72-A and B) provide for the ward and mohalla committees to facilitate community participation in municipal governance to develop ownership of programs being implemented. But while ward committees have been constituted in M.Corps with a population of more than 3 levels as required under law, mohalla Committees have not been constituted in any ULB. The 1st SFC recommended that ward committees should be constituted in all ULBs with more than a lakh population. *This Commission reiterates the recommendation of the earlier Commission and suggests that* *ward committees should be constituted as per the provisions of the Acts and made functional.*

**Public Disclosure of Municipal Information**

**17.17** The M.Corps Act (Sec.130B) and MC Act (Sec. 122 B) provide for disclosure of information on municipal performance to the public. But not many ULBs have been disclosing information as per the provisions of the Acts. *The Commission recommends that ULBs should periodically disclose information on their performance including the status on financial, service delivery, development schemes, management aspects, etc., to the community for awareness building and to ensure participation and feedback. The ULBs should also disclose the status of services included in the Chhattisgarh Lok Sewa Guarantee Act, 2011.*

**Urban Land**

**17.18** In the urban areas land is scarce and at the same time essential for developing infrastructure. But, land appears to be a major problem area in the State. Firstly, government land is not available and secondly, existing land have been encroached. In the regional consultations, both elected and official functionaries made repeated references to the land issue and requested the Commission to suggest transfer of all `nazul' lands to the ULBs.

**17.19** Encroachments in some cities appear to be widespread and no efforts seem to be made to arrest the problem. This is a complex issue involving the Departments of Revenue, Urban Administration and Development and ULBs. The ULBs complain of total lack of cooperation by the Revenue Deptt. The latter does not make available vacant Govt. land in the ULBs area to enable them to plan urban infrastructure. The present situation is that land in the cities is neither the responsibility of Revenue Deptt. nor of the ULB, the reason why encroachments are rampant. Urban lands are encroached upon with impunity and there appears to be no control over Revenue Deptt. by this. *The Commission feels this problem cannot brook any delay and need to be addressed on a priority basis and recommends the constitution of an Expert Committee to study urban land issue in its entirety and suggest ways and means to stop encroachments and also enable ULBs to have access to the land so that it can be used for asset creation and development. The Commission further recommends preparation of an inventory of land and other related assets in all ULBs. The ULBs should tap land-based financing sources - conversion charges, betterment charges,* *impact fees, development charges, etc., within overall planning guidelines and to put in place a transparent and accountable mechanism for monetisation of public land with due attention to the needs of the poor.*

**Municipal Project Planning and Management Unit**

**17.20** A majority of ULBs in the state are small with very limited capacities. With urbanization, increased functional domain after 74th Amendment and expanding scope of reforms to improve urban governance, the ULBs need technical support in diverse areas to effectively implement reforms and to monitor their progress. The State Government also requires technical support to undertake these functions. Under JNNURM such a need was recognized and a Project Management Unit was created at state level. But their functions mostly relate to JNNURM and UIDSSMT projects. The UADD in its submission to the Commission proposed establishment of Financial Management and Project Management Cell at the state level. This *Commission agrees with the proposal with modification and recommends the establishment of a multi-disciplinary Municipal Project Planning and Management Unit (MPPMU). Such Units may be established in large cities as well.* The Units should be responsible to:

i. Provide technical assistance to state governments, regulators, and ULBs in planning, finance, operations, and monitoring of urban programs;
ii. Develop a strategy and methodology for scaling up e-governance, accounts , building approval, and other reforms and support the ULBs to implement them within a timeframe;
iii. Encourage projects under PPPs through model concession agreements, database, knowledge sharing, etc.; and
iv. Develop performance management system for evaluating ULBs against measureable indicators.

**Quality Assurance in Infrastructure**

**17.21** The State is witnessing increased investments on development of urban infrastructure. The recommendations of this Commission are likely to propel further investments as well as O&M expenditure. During the regional consultations and field visits to ULBs poor quality of infrastructure as well as O&M works was brought to the notice of the Commission. One of the reasons for such poor quality is the absence of quality assurance system and mechanisms. This is compounded by the absence of qualified engineering personnel to supervise works under execution. This problem has also been flagged in the regional consultations. *To ensure that the infrastructure conform to the quality norms, the Commission recommends that all infrastructure projects should have provision for third party quality assurance as part of the detailed project report. The government should establish Infrastructure Quality Labs under the proposed Municipal Public Works Division. They should be made use of by all ULBs to ensure that quality standards are followed in infrastructure projects undertaken by the ULBs and in O&M works. The Commission further recommends that quality certificate should be made mandatory in all infrastructures and O&M works; if necessary through legislative changes.*

**Amendments to Municipal Acts**

**17.22** The Commission have made several recommendations in this report to improve municipal finances, governance, planning, peoples' participation, accountability and transparency. Some of these recommendations require legislative basis. *The Commission, therefore, recommends amendments to the Municipal and Town Planning Acts, development control regulations, building bye-laws and relevant Rules under different laws to:*

*i) put in place time-bound process of building plan approval;*
*ii) promote environment through RWH, waste water recycling, etc.;*
*iii) facilitate the ULBs to undertake infrastructure projects through PPP;*
*iv) facilitate market borrowings by ULBs;*
*v) allow mixed land use to enable levy of FAR charges;*
*vi) facilitate Urban Development Authorities to plan peri-urban areas;*
*vii)* associate the ULBs with city planning and delivery functions now being undertaken by the parastatals, etc.

**Suggestions for GoI and 14th FC**

**17.23** The 1st SFC made some recommendations which are in the realm of Central Government suggesting that they be brought to the attention of GoI for necessary action; as noted in Chapter 3. They include transfer of all Centrally Sponsored Schemes and funds to

States, preparation of a separate list of taxes to the ULBs; establishment of Urban Finance Corporation by the GoI to extend financial support to ULBs and consultations with State Governments before finalizing the conditionalities in Centrally sponsored schemes, some of which are very are difficult to implement. *This Commission reiterates these suggestions. Further, the GoC should bring to the notice of the GoI that future allocations should be made to the ULBs based on inter alia the status of urban infrastructure, benchmarks stipulated by the Ministry of Urban Development and the estimated costs to achieve the benchmarks. Secondly, the 14th FC should give weightage to tax efforts of ULBs and provide additional grants on the lines of the performance grant recommended by the 13th FC. Thirdly, allocations should be made to advance e-governance including IT enabled services and urban MIS to achieve good urban governance.*

PART – IV

# CHAPTER 18
## Principles of Devolution

### Introduction: Principles

**18.1** We have outlined our broad approach to devolution in Chapter 2. Generally, in a 'gap filling' approach, an assessment is made of the total fiscal requirements of the local bodies for the discharge of their statutory responsibilities. This is possible only when reliable data relating to their revenues and expenditure are available. As we have already mentioned, inspite of our best efforts the necessary primary data could not be obtained, particularly from the PRIs. Even in the case of ULBs there is a question mark about reliability of the data collected from them. The data obtained from the Directorate of U&AD and the data directly collected from the ULBs do not tally. Under the circumstances, it was not possible for the Commission to estimate the revenue gap in a realistic manner. So far as ULBs are concerned, an assessment of the financial requirements, on some normative basis, and revenue gap have been made on the basis of secondary data, but not in case of the PRIs. The devolution recommended by us is largely on ad hoc basis, but keeping the needs of the local bodies in mind. We are, however, aware that even the marginally higher devolution that we have proposed, as compared to the first SFC, may not fully meet their needs, the present level of infrastructure and services being what they are.

**18.2** One of the main principles of devolution is that it should ensure fiscal autonomy of the local bodies as envisaged in the Constitution. We have therefore recommended more funds but with less strings attached. As we have observed in this report, fiscal devolution by the State Govt. through the various State schemes do not take into account the local imperatives and do not leave room for provision for local needs. Besides, the focus of many schemes is not on basic services. **We have therefore recommended devolution to be largely untied.**

**18.3** The TOR of this Commission, as notified by the State Govt., requires that the Commission, while recommending transfer of funds to local bodies should take into consideration the demands on the State Govt. in view of the provisions the FRBM Act. We have referred to the provisions of the Act in Chapter 4. Fortunately, the financial position of the State continues to be sound and is expected to remain so during the award period, unless there is a major setback which is not anticipated. The devolution proposed by us would not adversely affect compliance with the provisions of the FRBM Act.

**18.4** Fiscal devolution will serve its purpose only if governance reforms and capacity development of the local bodies go hand in hand. The Commission is conscious of the fact that with their present capacity the local bodies are not be in a position to properly utilize the funds being transferred to them under various Central and State schemes and State devolution. At the same time, we would like to emphasize that presently internal resource mobilization by the local bodies does not appear to receive as much attention at their level, or at the level of the Govt. as it should. The local bodies must raise internal revenues, which should include service changes, to provide basic services to the citizens on a sustained basis. Raising own revenues gives them a sense of responsibility and a measure of financial autonomy. It also ensures greater accountability to the people. We have therefore recommended governance reforms, raising of internal resources, accountability, both functional and financial, and fiscal devolution, as a package and urge that it should be viewed as such.

**18.5** In the Commission's interim report for the year 2012-13, we have adopted some principles for fiscal devolution. In order to maintain continuity, we propose to adopt the same principles for the remaining four years of the award period. However, wherever necessary we have made minor modifications.

**18.6** The Commission has taken only the **net tax revenues of the State** to be shared with PRIs and ULBs. The net tax revenues have been arrived at by deducting from the SOTR the proceeds of three taxes i.e. 0029-Land Revenue, 0042-Tax on Goods and Passengers, 0055-other Taxes on Commodity and Services, which are transferred in full to the local bodies, and also the expenditure incurred in the collection of the remaining taxes. In the interim report, the net SOTR was arrived at on the basis of the budgetary figures which were available. For the remaining years of the award period i.e. 2013-17, we have relied on the projections of SOTR made by us in Chapter 4 of this report (para 4.15 and table 4.11). Similarly, we have made projection of the revenues of the three taxes, referred to above. We have analyzed the revenues realized under each of these in the last five years i.e. 2007-08 to 2011-12 to see if there is a trend in their growth. The figures unfortunately do not reveal any clear trend which may be adopted for projections for the next five years.

**Table 18.1**
**Taxes proceeds of which are transferred in full to local bodies**

(Rs. in crore)

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| SOTR | 5618.1 | 6328 | 7123.3 | 9005.14 | 10494.8 | 12175.6 |
| OO42-Taxes on Goods and Passengers | 510.72 | 485 | 696.1 | 675.14 | 700 | 805 |
| OO29- Land Revenue | 88.12 | 100 | 159.69 | 247.37 | 250 | 275 |
| OO45-Other Taxes on Comm. & Serv. | 6.25 | 6.22 | 6.41 | 10.68 | 6.84 | 7.82 |
| Total | 605.09 | 591.22 | 862.2 | 933.19 | 956.84 | 1087.82 |
| Percentage of SOTR | 10.8 | 9.3 | 12.1 | 10.4 | 9.1 | 8.9 |

As may be seen from Table 18.1 above, the yield of each vary from year to year. However, the revenues of the three taxes together constitute about 10% of the SOTR. We have therefore, projected 10% of the SOTR to be the proceeds of these three taxes. Similarly, for projection of cost of collection of taxes we have depended on the figures of the last five years. As may be seen from Table 18.2 below, the expenditure on collection of four major taxes of the State Govt. constitute about 2% of the SOTR. It varies between 1.9% in the year 2007-08 to 2.6% in the year 2011-12.

**Table 18.2**
**Calculation of Cost of Collection**

(Rs. in crore)

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| 2030-Stamp & Registration | 42.18 | 45.97 | 58.81 | 57.78 | 81.01 | 102.02 |
| 2039-State Excise | 45.17 | 49.27 | 59.41 | 97.41 | 108.27 | 77.48 |
| 2040-Commercial Tax | 14.24 | 24.42 | 25.71 | 30 | 55.91 | 50.57 |
| 2041-Tax on Vehicles | 7.48 | 17.86 | 10.83 | 12.14 | 23.44 | 28.24 |
| Total Expenditure | 109.07 | 137.52 | 154.76 | 197.33 | 268.63 | 258.31 |
| Percentage of Exp. to SOTR | 1.9 | 2.2 | 2.2 | 2.2 | 2.6 | 2.1 |

It was less than 2% as per the C&AG (Para 1.3.1, appendix-1.5 of the Report of the C&AG for the year ended 31st March, 2011). We have, however, projected 2% of the SOTR as the expenditure on collection for the above period.

**18.7** The net SOTR for the five year period from 2012-13 to 2016-17 has been arrived at on the above basis. Table 18.3 gives the projected net SOTR. The net SOTR for the five year period comes to around Rs. 72,418.55 crore, which on an average, is about Rs. 14,484 crore per annum.

**Table 18.3**
**Projections of Net SOTR**

(Rs. in crore)

| | 2012-13 (Actual) | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| 2nd CGSFC projections of SOTR | 12175.59 | 14118.5 | 16165.8 | 18509.7 | 21193.6 |
| Less- Transferred to ULBs (Estimated 10% of SOTR) | 1087.82 | 1411.85 | 1616.58 | 1850.97 | 2119.36 |
| Less-Expenditure on Collection (Estimated 2% of SOTR) | 258.31 | 282.37 | 323.32 | 370.19 | 423.87 |
| **Net SOTR** | **10829.46** | **12424.28** | **14225.9** | **16288.54** | **18650.37** |

**18.8** As against the first SFC's recommendations of 8.287%, the State Govt. agreed to only 6% of the net SOTR to be shared with the local bodies. In our interim report, we have recommended 8% of the net SOTR to be shared with the PRIs and the ULBs. **We have recommended higher devolution because of the following:**

(a) Upgradation of identified basic urban and rural infrastructure and adequate provision of basic civic services, more than anything else, help establish these institutions firmly on the ground, and earn the confidence of the people. The ULBs, and much more the PRIs, are weak in both these areas.

(b) Not many of the Central and State Govt. schemes cater to these basic requirements.

(c) While the Commission is in the favour of the PRIs and the ULBs raising their internal resources, because of certain institutional limitations and functional incapacity, they are not in a position to do so. *This is especially true of the PRIs who also have even* otherwise a very limited and narrow resource base. In fact, the PRIs in the Schedule V areas are in no position to raise much internal resources. **We have hence recommended in this report a more liberal tax regime for them.**

(d) As we have indicated earlier, a 'gap-filling' approach is not feasible because of lack of data. In any case, the gap is so large that a higher dose of devolution may be the only answer. We have noted that the State Govt. has transferred more than 6% of the SOTR to the local bodies during the last five years. **The Commission therefore recommends that the share of the local bodies should be 8% of the net SOTR of the State. We would thus, like to maintain the same level of fiscal devolution as was recommended by us in the interim report.**

**18.9** Since the net SOTR of the five year period comes to Rs. 72,418.55 crore, the divisible pool i.e. 8% of the net SOTR, comes to Rs. 5,793.48 crore, which is about Rs. 1,158.6 crore annually. Table 18.4 below gives the divisible pool for each year of the five year award period:

**Table 18.4**
**Divisible Pool: Distribution between PRIs and ULBs**

(Rs. in crore)

| | 2012-13 (Budgets) | 2013-14 | 2014-15 | 2015-16 | 2016-17 | Total |
|---|---|---|---|---|---|---|
| Net SOTR | 10829.46 | 12424.28 | 14225.90 | 16288.54 | 18650.37 | 72418.55 |
| Divisible Pool: 8% of Net SOTR | 866.36 | 993.94 | 1138.07 | 1303.08 | 1492.03 | 5793.48 |
| PRIs (6.15%) | 666.01 | 764.09 | 874.89 | 1001.74 | 1147.00 | 4453.73 |
| ULBs (1.85%) | 200.35 | 229.85 | 263.18 | 301.34 | 345.03 | 1339.75 |

**18.10** Generally, in the total funds to be devolved on the local bodies, the share of the PRIs and the ULBs is determined on the basis of the percentage of rural and urban population respectively. As per the 2011 census, the rural population of the State is 76.8% and the urban population 23.2% of the total. **In the divisible pool therefore, the share of the PRIs will be 6.15% while that of ULBs 1.85%.** Their respective shares for each year of the award period are also given in table 18.4 above. **The share of the PRIs and ULBs in the net SOTR of Rs. 5793.48 crore for the five year award period, comes to Rs. 4453.73 crore and Rs. 1339.75 crore respectively.**

## Devolution Formula:

### Panchayat Raj Institutions

**18.11** So far as PRIs are concerned the district-wise allocation of funds is recommended to be made on the same basis as in our interim report, which is as follows:

i) Population (2011 census) – weightage 60%

ii) Area – weightage 20%

iii) SC/ST population – weightage 10%

iv) Households below poverty line – weightage 10%

We would have liked to prepare a backwardness index of districts for district-wise allocation of funds to PRIs. This has not been possible because of lack of adequate and reliable data for all the 27 districts. However, the Commission feels, that the criteria adopted would largely meet the objective.

**18.12** We have noted in our interim report that the number of households below poverty line has to be as per the survey conducted in 2002. A fresh socio-economic survey to identify households below poverty line is being undertaken in the State by the GOI. The revised number of households below poverty line, as and when available, should be considered for the purpose of devolution. The first SFC had given 10% weightage to per capita internal revenue mobilization. IRM takes place primarily at the level of the GP. From the primary data we have collected from more than 50% of the GPs in the State, as also the field studies made by 'Samarthan' and 'Pradan' on our behalf, we are convinced that weightage to IRM in fiscal devolution may not be very realistic. Such a conditionality will also place the PRIs in Schedule V Blocks at a disadvantage. We have, therefore, suggested weightage to number of households below poverty line in place of IRM. We have separately in Chapter-7 of this report sought to encourage IRM through incentives. On the basis of the above criteria, the district-wise allocation has been worked out and is given in table 18.5 below.

## Table 18.5
## District-wise Allocation to PRIs

(Rs. in crore)

| S.NO | DISTRICTS | PER. | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|---|
| 1 | BALOD * | 3.27 | 21.76 | 24.97 | 28.59 | 32.73 | 37.48 |
| 2 | BALODABAZAR * | 5.16 | 34.39 | 39.46 | 45.18 | 51.73 | 59.23 |
| 3 | BALRAMPUR * | 3.83 | 25.48 | 29.24 | 33.47 | 38.33 | 43.89 |
| 4 | BASTAR | 4.01 | 26.72 | 30.65 | 35.10 | 40.18 | 46.01 |
| 5 | BEMETARA * | 3.32 | 22.11 | 25.36 | 29.04 | 33.25 | 38.07 |
| 6 | BIJAPUR | 2.07 | 13.77 | 15.79 | 18.08 | 20.71 | 23.71 |
| 7 | BILASPUR | 6.52 | 43.43 | 49.82 | 57.05 | 65.32 | 74.79 |
| 8 | DANTEWADA | 1.46 | 9.73 | 11.16 | 12.78 | 14.63 | 16.75 |
| 9 | DHAMTARI | 2.90 | 19.33 | 22.18 | 25.39 | 29.07 | 33.29 |
| 10 | DURG | 2.77 | 18.44 | 21.15 | 24.22 | 27.73 | 31.75 |
| 11 | GARIABAND * | 2.91 | 19.36 | 22.22 | 25.44 | 29.13 | 33.35 |
| 12 | JANJGIR CHAMPA | 6.18 | 41.16 | 47.22 | 54.06 | 61.90 | 70.88 |
| 13 | JASHPUR | 4.33 | 28.81 | 33.05 | 37.84 | 43.33 | 49.61 |
| 14 | KABIRDHAM | 3.53 | 23.53 | 27.00 | 30.91 | 35.39 | 40.52 |
| 15 | KANKER | 3.83 | 25.48 | 29.23 | 33.47 | 38.32 | 43.88 |
| 16 | KONDAGAON * | 3.10 | 20.65 | 23.69 | 27.12 | 31.06 | 35.56 |
| 17 | KORBA | 4.19 | 27.89 | 32.00 | 36.64 | 41.95 | 48.04 |
| 18 | KORIYA | 2.49 | 16.61 | 19.06 | 21.82 | 24.98 | 28.61 |
| 19 | MAHASAMUND | 4.59 | 30.59 | 35.10 | 40.19 | 46.01 | 52.69 |
| 20 | MUNGELI * | 2.87 | 19.09 | 21.90 | 25.07 | 28.71 | 32.87 |
| 21 | NARAYANPUR | 0.71 | 4.71 | 5.40 | 6.19 | 7.08 | 8.11 |
| 22 | RAIGARH | 6.43 | 42.83 | 49.14 | 56.27 | 64.42 | 73.77 |
| 23 | RAIPUR | 4.01 | 26.68 | 30.61 | 35.04 | 40.13 | 45.94 |
| 24 | RAJNANDGAON | 6.29 | 41.91 | 48.08 | 55.05 | 63.04 | 72.18 |
| 25 | SUKMA * | 1.77 | 11.80 | 13.54 | 15.50 | 17.75 | 20.32 |
| 26 | SURAJPUR * | 3.64 | 24.25 | 27.83 | 31.86 | 36.48 | 41.77 |
| 27 | SURGUJA | 3.83 | 25.51 | 29.27 | 33.52 | 38.38 | 43.94 |
| | **TOTAL** | **100.00** | **666.00** | **764.09** | **874.89** | **1001.74** | **1147.00** |

* Allocation of 3% in 2012-13 and 5% thereafter to ZPs of these 9 new districts shall be added to ZPs to which these are presently affiliated till ZPs are created in the new districts.

### Allocation to PRIs: Vertical Distribution

**18.13** The distribution of the 6.15% share as above of the PRIs, among the three tiers of the Panchayats, i.e. ZPs, JPs and GPs, should be made broadly on the basis of their statutory functions and other responsibilities. Of the three, the GPs are the most important institutions of rural self-Govt., with large responsibilities. The JPs, on the other hand, have very little direct responsibility and their role is largely supervisory and, to an extent, unclear. The role and functions of the ZP are more definite. They have been entrusted with the responsibilities of implementation of major programmes and schemes, co-ordination and supervision. All grants meant for JPs and GPs are routed through them. The DRDAs have merged in ZPs adding to their responsibilities. With these in view, we propose allocation of fund to the tiers of PRIs as under:

| | |
|---|---|
| i) Gram Panchayats- 85% | Rs. 3785.68 crore |
| ii) Janpad Panchayats- 10% | Rs. 458.68 crore* |
| iii) Zila Panchayats- 5% | Rs. 209.37 crore* |
| **Total 100%** | **Rs. 4453.73 crore or** |
| | **Rs. 4454 crore** |

*Including share in 2012-13 of JPs 12% and ZPs 3%

In our interim report we have recommended 12% for JP and 3% for ZP. In the mean time, the State Govt. has given a grant of Rs. 1 crore to each JP under the JP Sashaktikaran Yojna. We have therefore, reduced the share of JP to 10% and have increased the share of ZP to 5%. Thus the share of JPs and ZPs shall be 12% and 3% for 2012-13 and 10% and 5% respectively for the remaining four years of the award period.

**18.14** The 5% share to ZPs shall be 5% of the allocation to their respective districts as per table 18.5. There are presently 18 ZPs, though the number of districts in the State has in the mean time gone up to 27. The allocation of the ZPs of nine new districts, where there are no ZPs at present, shall go to the ZPs to which they are presently affiliated for expenditure in the new Districts. As and when ZPs are created in these districts, the 5% allocation should go to them.

**18.15** The 10% allocation to JPs and 85% to GPs in a district shall be distributed among them inter se on the basis of population. The net availability over the five year period for distribution among all GPs in the State shall be Rs. 3785.68 crore or say Rs.3786.00 crore. The allocation to a GP, on an average, will be Rs. 38.90 lakh for the five year period or Rs. 7.78 lakh per year and to GPs in Schedule areas shall be the same except for the additionality of Rs. 2 lakhs for the year 2012-13. In our interim report we had made a special allocation of Rs. 2 lakh each to the 4607 GPs in Schedule V Blocks, out of the total allocation to GPs. In view of their very low revenue base and poor infrastructure, we recommend the State Govt. may continue the same dispensation during the remaining four years of the award period as grant-in-aid and not make it a charge on the funds proposed to be transferred to GPs which are meagre. Thus the Rs. 2 lakh per GP in PESA area shall be an additionality for them. The average population of a GP in Scheduled areas being about 1900, the additionality will be about Rs. 100 per capita during the award period. However, in view of their lack of capacity, closer supervision is required to ensure that the funds are spent for the purpose of which these are meant. The projected devolution to the Panchayats is given in Table 18.6:

**Table -18.6**
**Projected Average Devolution on each GP/JP/ZP per year**

(Rs. in crore)

| Years | GPs | | JPs | ZPs |
|---|---|---|---|---|
| 2012-13 | PESA GP | 0.069 | 0.55 | 0.74 |
| | GP | 0.049 | | |
| 2013-14 | | 0.067 | 0.52 | 1.41 |
| 2014-15 | | 0.076 | 0.60 | 1.62 |
| 2015-16 | | 0.087 | 0.69 | 1.86 |
| 2016-17 | | 0.100 | 0.79 | 2.12 |
| **For Five years** | | **0.379** | **3.14** | **7.75** |

* The devolution on GPs for the year 2012-13 is the average of devolution to PESA GPs and other GPs

**18.16** The projected average devolution on PRIs per year, including GPs in PESA areas, may be seen in Table 18.6 above. The total fiscal transfer to a GP in the five year period will be Rs. 37.9 lakh, or say about Rs. 38 lakh while for a GP in PESA areas will be Rs. 48.0 lakh with an additionality of Rs. 10 lakh over five years. A JP will receive Rs. 3.14 crore and a ZP Rs. 7.75 crores in the five years. So far as GPs are concerned the allocation of about Rs. 7.60 lakh per year is not a very large sum. **The Commission recommends that the entire fund proposed for transfer to GPs should go to them untied. However, we would like the funds to be utilized for the purpose of putting up street lights/extension of street lights, piped water supply and its extension, rural sanitation and for maintenance of the GP's assets.** The funds may also be utilized for organizing social campaigns including national campaigns, in the villages, such as, pulse polio, adult literacy campaign, gender sensitivity campaign, prohibition, prohibition of child marriage, etc subject to a maximum of Rs. 50,000 per year.

**18.17** The JPs which have a mainly supervisory role, will get larger funds as per the devolution formula. They should utilize these funds for maintenance of Janpad assets, for provision of technical support to GPs and for 'panch' level (not office-bearers) training and empowerment. The ZPs will get a much larger share of funds, more than rupees one crore per year. The Commission would like these funds to be utilized properly. We have already mentioned about the (i) creation of district Panchayat data bank in ZPs. The funds being transferred to them may be utilized for procurement of a computer and appointment of a separate computer operator exclusively for data bank. (ii) The funds may be utilized for maintenance of the ZP's assets. The funds should also be utilized for empowerment of the Panchayat Raj institutions by way of provision of services of a technical person to the GPs; organizing training of office bearers of GPs and ZPs and also Panchayat officials; and conducting district level seminars and awareness camps. (iii) There is a need for compilation and publication of a hand book containing all schemes of the Central and State Govt. meant for PRIs, including the procedure for accessing funds available under various Central and State schemes. We have already recommended about this in our interim report and would like to reiterate that the ZPs get this done and provide copies to all GPs/JPs. The State Govt. may ensure that this is carried out. **The ZPs may also prepare and fund plans/schemes which are the missing links in the schemes of the Central and State Govts. for rural development.** Such schemes should focus on provision of basic services and creation of rural infrastructure. The P&RD Deptt. may issue detailed guidelines and instructions for utilization of the funds proposed to be devolved on PRIs on the above lines and including the above elements.

**Urban Local Bodies**

**18.18** In Chapter 15, we have made an assessment of the likely fiscal gap during the award period in respect of the ULBs. We have estimated a requirement of about Rs. 5777 crore (Table 15.1). After taking into account, the resources which may be mobilized by the ULBs themselves and the grants which may be received by them from the State Govt., there may still be a revenue gap of Rs. 2,253 crore to meet the investment needs in infrastructure. We have estimated that ULBs may mobilize additionally Rs. 648 crores through tax reforms. This leaves a gap of Rs. 1,600 crore which need to be met by State devolutions. As per our calculations, the share of ULBs in the divisible pool proposed by us shall be about Rs. 1,340 crore (Para 18.9). Thus after proposed devolution there may be gap of Rs. 260 crore only which may have to be filled by grant-in-aid from the State Govt. This includes Rs. 150 crore *for sanitation and Rs. 50 crore for capacity development for which we have proposed grants-*in-aid from the State Govt. Thus the gap may be a mere Rs. 60 crore which we would like to leave unbridged and expect the State Govt. to provide higher grants through the State schemes and the ULBs to better their internal resource mobilization.

### Allocation to ULBs-Vertical Distribution

**18.19** The share of ULBs in the divisible pool comes to 1.85%, out of 8% of net SOTR, on the basis of population (Para 18.9 above and Table 18.4). The first SFC made inter se allocation among the ULBs, at all the three levels, on the following basis: population - weightage 80%; area – weighage 10%; slum population – weightage 10%. However, the State Govt. added a fourth criterion 'revenue effort' and assigned it a weightage of 10%, by reducing the weightage to population to 70%. We do not propose to change these criteria in the devolution of funds on ULBs. However, the Commission feels that **any weightage to slum population in Nagar Panchayats has little meaning.** The total population of all the Nagar Panchayats in the State is 12,85,665 and they constitute 21.70% of the urban population in the State. **The average population of a NP being about 10,000 slum population does not appear to have much relevance to the urban situation in the NPs.** Hence in so far as the NPs are concerned, the weightage assigned to population may be 80%, with no weightage assigned to slum population. Since there will be no uniform criteria for inter se allocation among ULBs, with a differential treatment being given to NPs, as proposed, the formula for inter se allocation needs to be decided. We propose that out of the share of the ULBs 22%, which is roughly the share of NPs in the urban population, should be earmarked for NPs only and distributed among them on the basis we have outlined above. Accordingly the allocation among the ULBs inter se is as proposed as under:

| | **M. Corp + M.C 78%** | **NP 22%** |
|---|---|---|
| **Criteria** | **Weightage** | **Weightage** |
| Population (2011 census) | 70% | 80% |
| Area | 10% | 10% |
| Slum Population | 10% | - |
| Revenue Effort | 10% | 10% |

On the above basis the devolution on the ULBs from the divisible pool, during 2012-13 till 2016-17, the award period of this Commission, will be as under:

**Table 18.7**
**Distribution among ULBs inter se**

(Rs. in Crores)

| | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **Total of 2012-17** |
|---|---|---|---|---|---|---|
| Mcorp and MCs (78%) | | 179.28 | 205.28 | 235.04 | 269.12 | |
| NP (22%) | | 50.57 | 57.90 | 66.29 | 75.91 | |
| Total to ULBs | **200.345** | **229.85** | **263.18** | **301.34** | **345.03** | **1339.74** |

Thus, the NPs share during the five year period will be about Rs. 300 crores (assuming the allocation during 2012-13 to be about Rs. 50 crore) in the total devolution proposed for ULBs. Thus on an average a NP shall receive more than Rs. 40 lakhs per annum under this award.

18.20 **The allocation proposed for ULBs should be untied and should be utilised primarily for urban infrastructure and basic civic services and should not be appropriated towards various State Govt. schemes.** The State Govt. may issue strict guidelines for the utilization of this amount for the purposes mentioned above. The Directorate of U&AD may monitor the expenditure on a quarterly basis and report to the High Powered Committee under the Chief Secretary, proposed for monitoring utilization of funds under SFC award. As such these funds are not very large and are not likely to meet the requirements of the ULBs for the purposes mentioned above. We have discussed in Chapter 15 the fund requirement of ULBs and to what extent the devolution proposed may meet it.

**18.21** As the Commission has noted, transfer of funds to the local bodies recommended by the first SFC has been made by the State Govt. largely through various schemes by the State Govt. We have also noted that channelization of funds through Govt. schemes may have its own merits, but it does not provide any autonomy to the local bodies to meet local needs. We have brought out in this report that the State Govt. schemes, particularly for PRIs, do not provide for the basic services required in the villages. These schemes are also overlapping in their objectives. The position in respect of State schemes meant for ULBs is largely similar. The State schemes do not focus on the five basic services identified by the 13th FC. Thirdly, the practice of transfer of devolved funds through State schemes does not ensure certainty and predictability of flow of funds to local bodies and inhibits local planning. Lastly, this also militates against the principles of devolution and the spirit of the provisions in the Constitution regarding devolution. **We therefore reiterate that the entire amount proposed for transfer for PRIs and ULBs should be untied. However, the State Govt. may ensure that the funds are used for the purposes we have recommended. The State Govt. should issue detailed instructions regarding the utilization of these funds. We recommend that the monitoring committee chaired by the Chief Secretary to the Govt. which monitors utilization of funds provided under the recommendation of 13th FC, should also monitor utilization of the funds proposed for to local bodies by the second SFC.**

**Transfer of funds by the State Govt.**

**18.22** The Commission is not recommending any additional assignment of revenue by the State Govt. than what is already assigned, which we have discussed in Chapter 8 and Chapter

13. The only recommendation made for consideration of the State Govt. is for sharing a small portion of royalty received from major minerals with GPs.

**18.23** Presently, full/part of the proceeds of the following taxes are transferred to the PRIs and ULBs:

**Table 18.8**
**Transfer of State's Revenues to Local Bodies**

(Rs. in crore)

| Compensation Grant to PRIs | Scheme Code | 2012-2013 |
|---|---|---|
| Land Revenue | | 275 |
| Stamps & Registration Fees | 4610 | 45 |
| Minor Mineral Royalty Grant | 6299 | 110 |
| Entertainment Tax Grant | 8879 | 1.9 |
| **Total** | | **432** |
| **SOTR** | | 12175.59 |
| **Percentage to SOTR** | | 3.55 |
| **Compensation Grant to ULBs** | | |
| Entry Tax (Octroi) Grant | 8018 | 668.25 |
| Passenger Tax Grant | 9436 | 8 |
| FL Lincense Fees Grant | 5061 | 15.5 |
| Stamps and Registration Fees | 4035 | 36.16 |
| Entertainment Tax Grant | 8850 | 7.76 |
| **Total** | | **735.7** |
| **SOTR** | | 12175.59 |
| **Percentage to SOTR** | | 6.04 |

In Table 18.8 above we have also given the provision made in the budget for the current year to give an indication of the quantum of revenues being transferred by the State Govt. to the local bodies. In order to arrive at the likely transfer of revenues from the above taxes to the local bodies during the five year award period, we have looked at the data of the last five years in respect of the revenues from these taxes, to see if a trend growth rate can be arrived at for such projection. Unfortunately, no such trend is noticed. Therefore we have projected the revenues from these taxes likely to be transferred to the local bodies during the award period on the basis of the transfers in the budget for the year 2012-13 and its percentage of SOTR.The provision for PRIs comes to a little more than 3.5% of the SOTR and the provision for ULBs is about 6.0% of the SOTR. We have projected the transfer of revenues on the basis of the same percentage of the projected SOTR of the five years. In fact this has approximately been the percentage during the last three years also. On the above, basis the total fiscal transfer to the local bodies, including the devolution proposed by us, will be as given in the Table 18.9.

**Table 18.9**
**Total Transfers to Local Bodies**

(Rs. in crore)

| | 2012-13 (Actual) | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2012-17 |
|---|---|---|---|---|---|---|
| Devolution to PRIs (6.15%) | 666.0 | 764.1 | 874.9 | 1001.7 | 1147.0 | 4453.7 |
| Revenue Transfer to PRIs | 431.9 | 494.1 | 565.8 | 647.8 | 741.8 | 2881.5 |
| Total-PRIs | **1097.9** | **1258.2** | **1440.7** | **1649.6** | **1888.8** | **7335.2** |
| Devolution to ULBs (1.85%) | 200.3 | 229.8 | 263.2 | 301.3 | 345.0 | 1339.7 |
| Revenue Transfer to ULBs | 735.7 | 917.7 | 1050.8 | 1203.1 | 1377.6 | 5284.9 |
| Total-ULBs | **936.0** | **1147.6** | **1314.0** | **1504.5** | **1722.6** | **6624.6** |

Thus the total transfer to PRIs during the award period is likely to be Rs.7335.2 crore and ULBs Rs. 6624.60 crore. The per capita transfer to the rural population in the State will thus be on an average Rs. 3741.8 over a five year period Rs. 748.4 annually. The average per capita transfer to people living in urban areas in the State will be Rs. 11,159 over a period of five years or Rs. 2231.8 annually.

# CHAPTER 19

## Grants-in-Aid to Local Bodies

19.1 One of the terms of reference of this Commission is to recommend grants-in-aid to the local bodies out of the Consolidated Fund of the State. We have in part II and III of this report recommended grants-in-aid to PRIs and ULBs for some specified purposes. In this Chapter we are only giving a summary of such recommendations and not proposing any additional grants-in-aid.

### Grants-in-Aid to PRIs

**19.2** (1) With a view to incentivise better internal resource mobilization by the GPs, we had in our interim report recommended that a GP which recovers of its own taxes atleast 10% more than last year should be given a matching grant by the State Govt. equivalent to the incremental revenue collected. We have proposed that this incentive should continue over the award period.

(2) Similarly in Para 7.4 (7), we have recommended that property tax being the most important source of revenues for GPs, a GP which recovers atleast 70% of its property tax demand of the year, or recovers atleast 75% of its arrears, in a year should be given a matching grant by the State Govt.

(3) An annual grant-in-aid of Rs. 2 lakh each to 4607 GPs in Schedule V area should be given by the Govt. over the next four years (2013-17), to fund rural infrastructure which is severely lacking in these areas. This will involve a total grant-in-aid of Rs. 92.14 crore per year and Rs. 368.56 crore over the four year period.

### Grant-in-Aid to ULBs

**19.3** (1) A one time grant-in-aid of Rs. 50 crore is recommended for the establishment of an Institute of Urban Governance and Development primarily meant for capacity development of both elected representatives and officials of ULBs. The institute may also draw on the expertise available outside the State for conducting studies on various aspects of urban administration. The grant may be released over a period of two years by the State Govt.

(2) A grant-in-aid of Rs. 200 crore may be provided by the State Govt. to urban local bodies for sanitation. The levels of sanitation of our cities are extremely poor. The State Govt. may take a proactive step to improve sanitation in urban areas of the State and launch a new scheme. The UADD may prepare a suitable scheme for urban sanitation including construction of public toilets, public urinals and funding sanitary toilets for BPL families living in urban areas.

**PART – V**

# CHAPTER 20
## SFC: Some General Issues

**20.1** SFC is constituted under Article 243 (S) of the Constitution of India, read with the State statute on SFCs. After the formation of the new state of Chhattisgarh, the Chhattisgarh Rajya Vitta Ayog Adhiniyam, 1994, was amended in 2003 to make it a two-member body including chairperson in place of a multi-member body provided in the statute till then. The first and the present SFCs were constituted as per the amended Act with a chairperson and a member. The Commissions have faced problems in terms of expertise as also load of work the two members have to bear. Both 12th and 13th FCs recommended the need for strengthening the SFCs. The 12th FC observed that "....It is important that experts are drawn from specific disciplines such as economics, public finance, public administration and law. In order that the concerns of both rural and urban local bodies are adequately addressed, it is suggested that at least one member with specialization and /or experience in matters relating to the PRIs and another similarly well versed in municipal affairs must be appointed in the SFC. The number of members including the chairperson may not exceed five excluding a serving officer who may act as the Secretary. Since SFCs are temporary bodies and dedicated efforts are called for to discharge their functions within the time limit, all members and Chairman should be full time (Para 8.34 of Report of 12th FC). The 13th FC endorsed these recommendations and suggested that the State Governments should legislate on the requisite qualifications of SFC members (Para 10.128 of the Report of XIII FC). The SFC of the State had felt the need to strengthen the composition of the SFC. **We also recommend amendment to the Rajya Vitta Ayog Adhiniyam to make provision for a multi-member SFC, drawn from the disciplines of local governance and decentralization, economics and public finance, law, public administration, etc.**

**20.2** Another problem is the delay in action on the recommendations of the SFC. The 12th FC noted that the convention established at the national level of accepting the principal recommendations of the Finance Commission without modification, is not being followed in the States. It suggested that this situation need to be changed. Similarly the 13th FC desired that the State Governments need to ensure that the recommendations of SFCs are implemented without delay and that the Action Taken Reports placed promptly before legislature (Para 10.129). **There is a need to evolve a convention to accept the recommendations of the Commission without modification, as is the practice at the Centre and also take action on its recommendations promptly.**

**20.3** The 2nd SFC was constituted almost at the end of the award period of the 1st SFC. As the SFC requires about 18 months to complete its work, the award period gets postponed which goes against the spirit of the 74th Amendment. **The Commission suggests that the SFC should be constituted well in time before the next award period begins. Further, the Commission need to be provided with infrastructure and other support to take up their assignment at the earliest after constitution. There is a need for synchronization of the constitution of the SFC with the Central Finance Commission so that its report is available for consideration of the latter and enable it to make recommendations on the devolution of funds to the local bodies. This aspect has been underpinned both by the 12th and 13th FCs.**

**20.4** In Para 3.21 of this report, we have commented about the presentation of SFC dispensation in the budget. Presently, it is difficult to relate provision of grants made in the budget for PRIs and ULBs with the devolution recommended by the SFC and accepted by the State Govt. As we have mentioned in Chapter 3 such clarity in the budget is required so as to assess the impact of the recommendations of the SFC on the State finances. This information is required to be brought up before the Central Finance Commission. *We will recommend that the SFC devolution should be separately shown in the Finance Secretary's Memorandum which is published along with the budget documents every year.* **The 14th Finance Commission has already been constituted by GOI. It would therefore be advisable that action is taken promptly by the State Govt. on the recommendations of this Commission and transfer of funds to local bodies is reflected in the budget separately.**

**20.5** In the absence of a proper and effective institutional mechanism at State level, the Commission could not get the information and data required for study an analysis. *It is necessary the a permanent SFC cell is established in the Finance Department to ensure* *follow-up of the recommendations, monitor progress at the State level and bring to the notice of the High Power Monitoring Committee under the Chief Secretary, problems in implementation. Such cells should also be established in the UAD and P&RD Departments with similar functions and with linkages with the cell in the Finance Deptt.* This will facilitate not only follow of SFC recommendations but over time facilitate development of database for future SFCs. The Monitoring Committee should also monitor utilization of the funds provided under the recommendations of this Commission.

**(Dr. Ashok Kumar Parakh)**
Member

**(Ajay Chandrakar)**
Chairman

## List of Annexures

## Annexure 1.1
## DISTRICT PROFILE

| S.NO. | DISTRICTS | AREA (IN SQ.KM) | POPULATION | SEX RATIO (Female per 1000 Male) | LITERACY RATE |
|---|---|---|---|---|---|
| 1. | RAIPUR | 6965.36 | 2159880 | 961 | 81.42 |
| 2. | DURG | 3069.1 | 1721726 | 966 | 83.16 |
| 3. | BILASPUR | 6929.43 | 1960466 | 971 | 73.68 |
| 4. | RAJNANDGAON | 8022.52 | 1537520 | 1017 | 76.97 |
| 5. | DHAMTARI | 4081.93 | 799199 | 1012 | 78.95 |
| 6. | KABEERDHAM | 4447.05 | 822239 | 997 | 61.95 |
| 7. | BASTAR | 6418.05 | 833318 | 1018 | 51.05 |
| 8. | KANKER | 6432.68 | 748593 | 1007 | 70.97 |
| 9. | JANJGIR CHAMPA | 4466.74 | 1620632 | 986 | 73.70 |
| 10. | KORBA | 7145.44 | 1206563 | 971 | 73.22 |
| 11. | RAIGARH | 6527.74 | 1493627 | 993 | 73.70 |
| 12. | JASHPUR | 6457.41 | 852043 | 1004 | 68.60 |
| 13. | SURGUJA | 9441.56 | 842085 | 977 | 61.80 |
| 14. | KORIYA | 5977.7 | 659039 | 971 | 71.41 |
| 15. | BIJAPUR | 6552.96 | 255180 | 982 | 41.58 |
| 16. | NARAYANPUR | 6922.68 | 140206 | 998 | 49.59 |
| 17. | BALRAMPUR | 3803.08 | 730275 | 971 | 59.20 |
| 18. | SURAJPUR | 2789.76 | 788969 | 979 | 62.26 |
| 19. | MAHASAMUND | 4963.01 | 1032275 | 1018 | 71.54 |
| 20. | DANTEWADA | 5710.99 | 282803 | 1025 | 49.11 |
| 21. | BALODABAZAR | 3593.86 | 1304881 | 1004 | 71.50 |
| 22. | GARIABAND | 2887.06 | 597399 | 1018 | 69.03 |
| 23. | BALOD | 2777.89 | 826019 | 1023 | 80.86 |
| 24. | BEMETARA | 2854.81 | 795334 | 1001 | 70.59 |
| 25. | KONDAGAON | 3684.83 | 578326 | 1034 | 61.31 |
| 26. | SUKMA | 3335.3 | 249988 | 1018 | 35.43 |
| 27. | MUNGELI | 1639.42 | 701611 | 976 | 65.56 |
| | **TOTAL** | **137898.36** | **25540196** | **991** | **71.04** |

Annexure 1.2

Government of Chhattisgarh
Finance Department
Mantralaya-Raipur

## NOTIFICATION

Raipur. the Dated 23 July, 2011

No.F 8-9/2011/Fin/B-4-In pursuance of the provisions of clause (1) Atricle 243-I of the Constitution of India read with Section 3 of the attisgarh Rajya Vitta Ayog Adhiniyam, 1994 (No. 3 of 1994) and as aded Chhattisgarh Rajya Vitta Ayog (Amendment) Adhiniyam, 2003 9 of 2003), the Governor of Chhattisgarh hereby constitutes a State nce Commission consisting of Shri Ajay Chandrakar as Chairman and Ashok Kumar Parakh as Member.

The Chairman and member of the Commission shall hold office from date on which they respectively assume office upto 31st July, 2012.

The Notification in respect of terms of reference (TOR) would be ed separately.

The Commission shall make its report available up to or before 31st y, 2012 on each of the matters mentioned in the notification referred in a 3 above covering a period of 5(five) years commencing on the first day April, 2011 The Commission shall indicate the basis on which it has ived at its findings.

By order and in the name of the Governor
of Chhattisgarh

(Ajay Singh) 23.7.11
Principal Secretary
Finance Department

Annexure 1.3 (1/2)

**Government of Chhattisgarh**

**Finance Department**

**Dau Kalyan Singh Bhawan, Mantralaya**

**//NOTIFICATION//**

**Amendment**

Raipur, Dated 15/06/2012

No. 996/680/2012/Estt./4:The State Government hereby extends the period of five years commencing from "01st April, 2005" appearing in para '4' of Finance Department notification no. 286/B-4/Four/ 2003, dt 22.08.2003 upto 31st March, 2012.

**By order and in the name of**
**Governor of Chhattisgarh**

(C. J. Khatri) 15/6/12
**Joint Secretary**
**Government of Chhattisgarh**
**Finance Department**

Annexure 1.3 (2/2)

**Government of Chhattisgarh**

**Finance Department**

**Dau Kalyan Singh Bhawan, Mantralaya**

**//NOTIFICATION//**

**Amendment**

Raipur, Dated 15/06/2012

No.1000/680/2012/Estt./4: The State Government hereby substitutes "01st April, 2012" for "01st April, 2011" appearing in the first line of para '4' of Finance Department notification no. 1086/L 8-9/ 2011/Fin/ B-4, dt 23.07.2011.

**By order and in the name of**
**Governor of Chhattisgarn**

15/6/12
**(C.J.Khatri)**
**Joint Secretary**
**Government of Chhattisgarh**
**Finance Department**

Annexure 1.4

**GOVERNMENT OF CHHATTISGARH**
**FINANCE DEPARTMENT**
**DAU KALYAN SINGH BHAWAN**
**MANTRALAYA, RAIPUR**

**//NOTIFICATION//**

Raipur, dated 03 August, 2012

**No.1238/680/2012/Estt./Four**:: In pursuance of this department's notification no. 1086/ 18-9/2011/Finance/B-4, dated 23-07-2011, the Governor of Chhattisgarh, hereby, extends the tenure of State Finance Commission from 01-08-2012 to 31-03-2013.

By order and in the name of
Governor of Chhattisgarh

03/8/12
**(C.J. Khatri)**
Joint Secretary,
Finance Department

## Annexure 1.5

**Discussion with Senior Officials of State Government**

**Panchayat and Rural Development Department**

1. Additional Chief Secretary, Panchayat and Rural Development Department
2. Secretary, Panchayat and Rural Development Department
3. Director, Panchayat
4. Director, S.I.R.D

**Urban Administration and Development Department**

1. Principal Secretary , Urban Administration and Development Department
2. Director, Urban Administration

**Finance Department**

1. Additional Chief Secretary, Finance Department
2. Commissioner, Local Fund Audit Department
3. Deputy Director, Local Fund Audit Department
4. Joint Director, Local Fund Audit Department

**Other Department**

1. Principal Secretary, Forest Department
2. Secretary, Revenue Department
3. O.S.D, Mineral Resources Department

## Annexure 1.6

## PRIs covered by NGOs for Micro Level Study

**Samarthan**

| District | Gram Panchayat |
|---|---|
| Rajnandgaon (8) | Arjuni |
| | Aamlidih |
| | Ku.Bhatagaon |
| | Khamera |
| | Manpur |
| | Shivni |
| | Bharitola |
| | Athra |
| Mahasamund (8) | Sinodha |
| | Birkoni |
| | Jhalap |
| | Nandgaon |
| | Khuteri |
| | Gopalpur |
| | Kanchanpur |
| | Bhithidih |
| Sarguja (8) | Dhorpur |
| | Aasandi |
| | Karra |
| | Gagoli |
| | Podi |
| | Lahpatra |
| | Kunni |
| | Kunwarpur |
| Bastar (8) | Darba |
| | Chandragiri |
| | Badekarma |
| | Neganar |
| | Karmari |
| | Kungerpal |
| | Mundgaon |
| | Sonrapal |
| Total- 32 GPs | |

**Pradhan**

| District | Gram Panchayat |
|---|---|
| Bilaspur (8) | Lalati |
| | Tikarkhurd |
| | Dhanouli |
| | Bhaisajhar |
| | Semra |
| | Mirtunavagaon |
| | Jhavar |
| | Khargahna |
| Dhamtari (8) | Aroud |
| | Singpur |
| | Mudpar |
| | Keregaon |
| | Chanagaon |
| | Jijamgaon |
| | Hardi |
| | Gattasilli |
| Kanker (8) | Masulpani |
| | Bhansuli |
| | Tarandul |
| | Parvi |
| | Konde |
| | Lohattar |
| | Sambalpur |
| | Bulavand |
| Raigarh (8) | Barlia |
| | Khadgaon |
| | Urba |
| | Bhendimuda |
| | Charkhapara |
| | Gopalpur |
| | Khedama |
| | Dhourabhata |
| Total- 32 GPs | |

## Annexure-1.7
## Division Level Meetings-List of Participants

**15.05.2012 Raipur Division**

**Panchayat Officials**

Collector- Raipur
C.E.O. Zila Panchayat Raipur, Mahasamund
C.E.O. Janpad Panchayat-23

**Panchayat elected representatives**

President Janpad Panchayat - 4
Members Zila Panchayat - 10
Sarpanch - 27

**16.05.2012 Distt. Bemetara**

**Panchayat Officials**

Dy. Director Panchayat, Distt. Bemetara
C.E.O. Janpad Panchayat-06

**Panchayat elected representatives**

President Janpad Panchayat - 1
Members Janpad Panchayat- 4
Panchayat Secretaries-5
Sarpanch - 6

**17.05.2012 Durg Division**

**Panchayat Officials**

Dy. Director Panchayat, Distt. Balod
C.E.O. Janpad panchayat-18

**Panchayat elected representatives**

President Janpad panchayat - 8
Sarpanch - 27

**22.05.2012 Bilaspur Division**

**Panchayat Officials**

C.E.O. Zila panchayat Janjgeer champa, Korba
C.E.O. Janpad panchayat-24

**Panchayat elected representatives**

President Janpad panchayat - 1
Members zila panchayat - 13
Sarpanch - 8

**24.05.2012 Sarguja Division**

**Panchayat Officials**

Dy. Director Panchayat, Distt. Sarguja
Asstt. Director Panchayat
C.E.O. Janpad panchayat-21
Panchayat Secretaries- 45

**Urban Deptt. Officials**

Commissioner- M.C. Ambikapur
Joint Director Urban deptt. Sarjuga
C.M.O.s- 16
Asstt. Engineer- 1

**02.06.2012 Bilaspur Division**

**Urban Deptt. Officials**

Collector- Bilaspur

Commissioner- M.C. Bilaspur
Joint Director Urban deptt. Bilaspur
C.M.O.s- 30

**Urban Bodies elected representatives**

President- Municipal Council -Kharasia and Janjgeer Naila
Sabhapati -Municipal Cor. Raigarh
President -Nagar Panchayat- 18
Elderman- Nagar Panchayat- Saria

**07.06.2012 Bastar Division**

**Panchayat Officials and representatives**

President-Zila Panchayat Jagadalpur

Members-Zila Panchayat- 29

President-Janpad Panchayat- 12

Sarpanch- 22

**Urban Deptt. Officials and representatives**

Commissioner, M.C. Jagadalpur

President- Mun. council- 8

Vice Presidents- Municipal Bodies- 4

Joint Dir. Urban deptt. Jagadalpur

C.M.O.s- 10

**15.06.2012 Raipur Division**

**Urban deptt. Officials**

Commissioner, M.C. Bhilai and Durg

Joint Dir. Urban deptt. Raipur

Dy. Dir. Urban deptt. Raipur

C.M.O.s - 36

**Urban bodies elected representatives**

Mayor, M.C.- Raipur

President-Mun. Council /Nagar Panchayat- 22

**09.07.2012 Sarguja Division**

**Panchayat elected representatives**

President -Zila Panchayat Sarguja

President -Janpad Panchayat- 16

Members- Zila Panchayat- 23

Sarpanch- 25

Dy Dir. Panchayat distt. Surajpur

C.E.O. Janpad Panchayat- 3

**Urban bodies elected representatives**

Mayor- M.C. Ambikapur

Sabhapati- 3

President- Nagar Panchayat- 12

Vice President-Mun. council

Annexure 1.8

# छत्तीसगढ़ राज्य वित्त आयोग

सी-52, शैलेन्द्र नगर, रायपुर-492001

## सार्वजनिक सूचना

संवैधानिक व्यवस्था के अनुरूप छत्तीसगढ़ में द्वितीय राज्य वित्त आयोग का गठन किया गया है. भारत के संविधान के अनुच्छेद 243-झ तथा 243-म के अनुसार राज्य वित्त आयोग, राज्य की पंचायतों तथा नगर पालिकाओं की वित्तीय स्थिति की समीक्षा करेगा तथा राज्यपाल को निम्नलिखित बिन्दुओं पर अनुशंसा देगा-

(एक) राज्य द्वारा उद्ग्रहणीय करों, शुल्कों, पथकरों तथा फीसों के शुद्ध आगमों के राज्य तथा पंचायतों और नगरपालिकाओं के बीच वितरण जो संविधान के अधीन उनके बीच विभाजित किए जा सकें तथा समस्त स्तरों पर ऐसे आगमों के उनके अपने-अपने अंशों का उक्त निकायों के बीच आबंटन.

(दो) करों, शुल्कों, पथकरों तथा फीसों का निर्धारण जो पंचायतों और नगर पालिकाओं का समनुदेशित या विनियोजित की जा सकेंगी.

(तीन) राज्य की संचित निधि में से पंचायतों और नगरपालिकाओं को सहायता अनुदान.

(चार) पंचायतों और नगर पालिकाओं की वित्तीय स्थिति को सुधारने के आवश्यक उपायों सहित उपलब्ध संसाधनों के प्रबंधन में सुधार करने हेतु एवं लागतों की वसूली (प्रयोक्ता-प्रभारों) के लिए आवश्यक उपाय.

अनुशंसायें पांच वर्ष तक लागू रहेंगी. राज्य वित्त आयोग आम जनता, संस्थाओं, संगठनों, विशेषज्ञों, बुद्धिजीवियों, राजनीतिक दलों के प्रतिनिधियों एवं स्थानीय निकायों के प्रतिनिधियों से उपर्युक्त बिन्दुओं पर सुझाव आमंत्रित करता है.

समस्त सुझाव छत्तीसगढ़ राज्य वित्त आयोग, सी-52, शैलेन्द्र नगर, रायपुर के पते पर डाक/व्यक्तिगत रूप से अथवा ई-मेल c.g.state.fin.com@gmail.com द्वारा प्रकाशन तिथि से एक माह के भीतर भेजे जा सकते हैं.

(आर.एस. विश्वकर्मा)
सचिव

संवाद-43727

## Annexure 1.9

**14.6.2012- Discussion with representatives of Industries**

1. C.G Federation of Industries
2. Urla Industries Association
3. C.G Udyog Mahasangh
4. Laghu Udyog Bharti
5. FICCI
6. PHD Chamber of Commerce

## Annexure 1.10

**Seminar conducted on Panchayat Raj Institutions**

Dated. 4 Aug. 2012, Venue- Thakur Pyarelal Panchayat Training Centre, Nimora

**Participants**

1. Hon'ble Chairman, Chhattisgarh State Finance Commission, Mr. Ajay Chandrakar
2. Member, Chhattisgarh State Finance Commission, Dr. Ashok Kumar Parakh
3. Advisor, Chhattisgarh State Finance Commission, Mr. S.K. Misra
4. Prof. V. N. Alok (Indian Institute of Public Administration, Delhi)
5. Prof. Bhagwat Patro
6. Dr. Ashok Choubey, SIRD
7. Dr. Ashok Jaiswal, SIRD
8. Representatives of NGOs- Samarthan and Pradan

**Seminar conducted on Urban Local Bodies**

Dated 01. Sep. 2012

**Participants**

1. Hon'ble Chairman, Chhattisgarh State Finance Commission, Mr. Ajay Chandrakar
2. Member, Chhattisgarh State Finance Commission, Dr. Ashok Parakh
3. Advisor, Chhattisgarh State Finance Commission Mr. S.K. Misra
4. Principal Secretary, Urban Admn and Development Deptt, Mr. Ajay Singh
5. Mr. B.N. Lohani (Ex Chief Sec. M.P.) A.I.I.L.S.G, Bhopal
6. Mr. Mukesh Mathur
7. Prof. Ravindra Prasad (ASCI, Hydrabad)
8. Prof. Srinivas Chari (C.E.E.U.I. Hydrabad)
9. Mr. Rohit Yadav, Director, Urban Administration
10. A few Commissioners from Municipal Corporations.

परिशिष्ट - 1.11 (½)

**छत्तीसगढ़ शासन**
**पंचायत एवं ग्रामीण विकास विभाग,**
**दाऊ कल्याण सिंह भवन, मंत्रालय परिसर, रायपुर**

क./पंचा./पंग्राविवि/2012/826 रायपुर दिनांक 3-9-2012

प्रति,

**सचिव,**
छत्तीसगढ़, राज्य वित्त आयोग,
शैलेन्द्र नगर, रायपुर

**विषय :-** **त्रिस्तरीय पंचायतों की वित्तीय स्थिति सुदृढ़ बनाने हेतु सुझाव।**

**संदर्भ :-** **श्री एस.के. मिश्र, सलाहकर का अर्धशासकीय पत्र कमांक 733, दिनांक 12.06.2012.**

—00—

संदर्भित अर्धशासकीय पत्र की कंडिका कमांक दो द्वारा

1. त्रिस्तरीय पंचायतीराज संस्थाओं की वित्तीय स्थिति सुदृढ़ करने एवं
2. ग्रामीण जनता के प्रति अधिक जवाबदेह बनाने हेतु सुझाव चाहे गये है।

विभाग की ओर से उपरोक्त बिन्दुओं पर सुझाव सह अभिमत संलग्न कर प्रेषित है।

**संलग्न :-** **उपरोक्तानुसार।**

सचिव
छत्तीसगढ़ शासन
पंचायत एवं ग्रामीण विकास विभाग

# पंचायतराज संस्थाओं की वित्तीय स्थिति सुदृढ़ बनाने हेतु सुझाव

1. शासन को रोड टैक्स, स्टाम्प शुल्क, आबकारी शुल्क, कृषि उपज की बिक्री पर उपकर, वनोपज पर उपकर, गौण खनिज रायल्टी आदि से प्राप्त होने वाली राशि में से एक निश्चित दर से राशि त्रिस्तरीय पंचायतों को दी जाय।
2. पंचायत क्षेत्र में स्थापित उद्योगों से होनी वाली आय का निश्चित प्रतिशत पंचायतों को दिया जावें।
3. 2000 से अधिक जनसंख्या वाली ग्राम पंचायतों तथा सभी जनपद पंचायतों को व्यावसायिक काम्पलेक्स निर्माण हेतु राशि उपलब्ध कराई जावें, ताकि भवन किराये के रूप में स्थायी आय का स्त्रोत विकसित हो सके।
4. मछली पालन के लिये दिये जाने वाले तालाबों की प्रारंभिक लीज राशि में वृद्धि की जावे तथा लीज राशि में 10 प्रतिशत वृद्धि (चक्रवृद्धि दर पर) प्रतिवर्ष की जावें। लीज राशि का निर्धारण औसत जल क्षेत्र मछली की उत्पादकता के आधार पर किया जावें।
5. जन समस्या निवारण शिविर, ग्राम संपर्क अभियान, कृषि रथ यात्रा, लोकार्पण, भूमिपूजन आदि नियमित कार्यक्रमों के लिये व्यय की सीमा निर्धारित कर संबंधित ग्राम/जनपद पंचायत को शासन द्वारा राशि उपलब्ध कराई जावे, ताकि इन कार्यो पर विकास कार्य के लिये प्राप्त राशि के व्यय को रोका जा सके।
6. शासन द्वारा जिस प्रकार नगरीय निकाय, अशासकीय शिक्षण संस्थानों आदि के कर्मचारियों के वेतन भत्ते एवं अन्य प्रशासकीय व्यय हेतु अनुदान राशि दी जाती है, उसी प्रकार त्रिस्तरीय पंचायतराज संस्थाओं के कर्मचारियों के वेतन भत्ते एवं अन्य प्रशासकीय व्यय हेतु अनुदान राशि उपलब्ध कराई जावें।
7. त्रिस्तरीय पंचायतों को विभिन्न विभागों के कार्यो का उत्तरदायित्व सौंपा गया है। संबंधित विभाग के इन कार्य को सुचारू रूप से संचालित किये जाने हेतु प्रतिवर्ष निश्चित राशि ग्राम/जनपद एवं जिला पंचायतों को राशि उपलब्ध कराई जावें।

सचिव
छत्तीसगढ़ शासन
पंचायत एवं ग्रामीण विकास विभाग

## ग्रामीण क्षेत्रों में मूलभूत सुविधा उलपब्ध कराने तथा पंचायतों को जनता के प्रति जवाबदेह बनाने हेतु सुझाव

1. राज्य वित्त आयोग की अनुशंसा पर त्रिस्तरीय पंचायतों को मिलने वाली राशि दो किस्त (प्रथम किस्त अप्रैल में तथा द्वितीय किस्त अक्टूबर में) अनिवार्यतः प्राप्त हो जावें।
2. लोक स्वास्थ्य यांत्रिकी विभाग द्वारा नल–जल योजना संधारित करने ग्राम पंचायतों को राशि उपलब्ध कराई जाती है। इस राशि का प्रतिवर्ष पुनरीक्षण किया जावें तथा राशि वर्ष में एक बार न देते हुए प्रति त्रैमास दी जावें।
3. पूर्व वर्षो में पंचायत द्वारा बनाये गये भवन, सड़क, नाली, हैण्ड पंप आदि के मरम्मत के लिये प्रतिवर्ष निश्चित राशि उपलब्ध कराई जावें, ताकि इन भवन आदि का आवश्यकतानुसार संधारण होता रहे।
4. पंचायत क्षेत्र के किसी भी विभाग के रू. दस लाख से कम राशि के निर्माण कार्य पंचायतों के माध्यम से तथा रू. पचास लाख से कम राशि के निर्माण कार्य जनपद पंचायतों के माध्यम से कराये जावें।
5. प्रत्येक ग्राम पंचायत को इंटरनेट से जोड़ते हुए कम्प्यूटर तथा कम्प्यूटर ऑपरेटर उपलब्ध कराया जावे। योजना का कियान्वयन सामुदायिक विकासखण्डों से प्रारंभ किया जावें।
6. प्रत्येक जनपद पंचायत में कम्प्यूटर ऑपरेटर के पद (दो–पद) निर्मित किये जावे।

सचिव
छत्तीसगढ़ शासन
पंचायत एवं ग्रामीण विकास विभाग

परिशिष्ट – 1.11 (2/2)

छत्तीसगढ़ शासन
नगरीय प्रशासन एवं विकास विभाग
मंत्रालय
दाऊ कल्याण सिंह भवन रायपुर

क्रमांक : 10022/862/18/2010 रायपुर, दिनांक 17 अक्टूबर 2012

प्रति,

**सचिव,**
छत्तीसगढ़ राज्य वित्त आयोग,
रायपुर।

विषय :– **नगरीय निकायों को सुदृढ़ एवं आत्मनिर्भर बनाने के लिए सुझावों को वित्त आयोग के प्रतिवेदन में शामिल किए जाने बाबत् ज्ञापन।**

—000—

राज्य के 168 नगरीय निकायों को आर्थिक रूप से सुदृढ़ एवं आत्मनिर्भर बनाने के लिए विभाग द्वारा तैयार सुझावों को वित्त आयोग के प्रतिवेदन में शामिल करने हेतु ज्ञापन संलग्न प्रेषित है।

कृपया तद्नुसार आवश्यक कार्यवाही करने का कष्ट करें।

संलग्न :– उपरोक्तानुसार।।

17-10-12
(एम.एम. मिंज)
उप सचिव
छत्तीसगढ़ शासन
नगरीय प्रशासन एवं विकास विभाग

## नगरीय निकायों को सुदृढ़ एवं आत्मनिर्भर बनाने के लिए सुझावों को वित्त आयोग के प्रतिवेदन में शामिल किए जाने बाबत् ज्ञापन ।

---

राज्य में 10 नगर निगम, 32 नगरपालिकाएं एवं 126 नगर पंचायतें अस्तित्व में हैं । इन निकायों को आर्थिक रूप से सुदृढ़ एवं आत्मनिर्भर बनाने के लिए निम्नानुसार कार्यवाही किया जाना सर्वथा उपयुक्त होगा :–

1. राज्य की संचित निधि में से नगर पालिकाओं की सहायता हेतु अनुदान के आधारों के संदर्भ में उल्लेखनीय है कि छत्तीसगढ़ राज्य के प्रथम राज्य वित्त आयोग द्वारा अपने प्रतिवेदन में राज्य के स्वयं के शुद्ध राजस्व कर 8.827 प्रतिशत अवधि 2005–06 से 2009–10 तक स्थानीय निकायों के हिस्से में अंतरित करने की अनुशंसा की गई थी । जिसका विभाजन जनसंख्या के आधार पर उनके पारस्परिक अनुपात के आधार पर किये जाने की बात थी । विगत जनगणना में ग्रामीण जनसंख्या का प्रतिशत 79.91 एवं नगरीय जनसंख्या का प्रतिशत 20.09 था, जिसके आधार पर राजस्व अंतरण का प्रतिशत ग्रामीण हेतु 6.62 एवं नगरीय हेतु 1.659 अनुशंसित की गई थी ।

   जिस पर विचारोपरांत राज्य शासन द्वारा शुद्ध राजस्व कर के 6 प्रतिशत स्थानीय निकायों को अंतरित किया जाना मान्य किया गया तथा जनसंख्या के आधार पर 4.79 प्रतिशत ग्रामीण निकायों को तथा 1.21 प्रतिशत शहरी निकायों को अंतरित किया जाना मान्य किया गया है ।

   नगरीय निकायों की संख्या में बढ़ोत्तरी के उपरांत वर्ष 2001 की जनसंख्या के आधार पर नगरीय क्षेत्र की जनसंख्या 22.70 प्रतिशत हो गई । जिसके आधार पर स्थानीय निकायों को अंतरित किये जाने वाले मान्य 6 प्रतिशत भाग का 1.21 प्रतिशत के स्थान पर 1.36 प्रतिशत भाग नगरीय निकायों को अंतरित किये जाने का प्रस्ताव किया गया था ।

नगरीय जनसंख्या 2011 के अनुसार 23.24 प्रतिशत है साथ ही ग्रामीण तथा नगरीय निकायों की जिम्मेदारी तथा कार्यक्षेत्र में उत्तरोत्तर वृद्धि हो रही है । अतः राज्य शासन के स्वयं के शुद्ध कर राजस्व का 15 प्रतिशत स्थानीय निकायों के हिस्से में अंतरित होना चाहिए । जिसका विभाजन 2011 की जनसंख्या के आधार पर ग्रामीण जनसंख्या प्रतिशत 76.76 एवं नगरीय जनसंख्या प्रतिशत 23.24 के आधार पर राजस्व अंतरण का प्रतिशत ग्रामीण स्थानीय निकायों के लिए 11.514 प्रतिशत नगरीय स्थानीय निकायों के लिए 3.486 प्रतिशत होना चाहिए ।

नगरीय स्थानीय निकायों के बीच आबंटन के मापदण्ड हेतु प्रथम राज्य वित्त आयोग द्वारा मापदण्ड भार प्रतिशत जनसंख्या पर 80 प्रतिशत क्षेत्रफल पर 10 तथा नगरीय स्थानीय निकायों की गंदी बस्ती जनसंख्या पर 10 अनुशंसित किया गया था, जिस पर राज्य शासन द्वारा मापदण्ड निर्धारित करते हुए अंतरण हेतु जनसंख्या पर 70 प्रतिशत क्षेत्रफल पर 10 प्रतिशत गंदी बस्ती पर 10 प्रतिशत तथा राजस्व प्रयास पर 10 प्रतिशत का मापदण्ड भार प्रतिशत मान्य किया गया है ।

वर्तमान में भी राज्य शासन द्वारा अंतर विभाजन हेतु प्रचलित मापदण्ड भार प्रतिशत को जारी रखा जाना उचित रहेगा ।

2. शहरी स्थानीय निकायों की वित्तीय स्थिति को मजबूत करने के लिए प्रथम राज्य वित्त आयोग द्वारा सामान्य उद्देशीय अनुदान प्रतिवर्ष राशि रूपये 16 करोड़ का आबंटन दिया जाना तथा प्रतिवर्ष 1 करोड़ बढ़ाया जाना अनुशंसित किया गया था, जिसे राज्य शासन द्वारा मान्य किया गया है । वर्तमान परिस्थिति में महंगाई की वृद्धि दर तथा राज्य शासन के आय में हुई वृद्धि को देखते हुए सामान्य उद्देशीय अनुदान की राशि प्रतिवर्ष न्यूनतम 200 करोड़ का आबंटन किया जाना तथा प्रतिवर्ष 15 प्रतिशत राशि की बढ़ोत्तरी किया जाना आवश्यक है ।

आधुनिक वित्तीय प्रबंधन के माध्यम से वित्तीय संसाधन स्थानीय निकायों को उपलब्ध कराने हेतु राज्य स्तर पर वित्तीय प्रबंधन एवं परियोजना सलाहकार संस्था स्थाई रूप से स्थापित किया जाना भी एक सकारात्मक कार्य रहेगा ।

स्थानीय नगरीय निकायों का कार्य मूलभूत नागरिक सुविधा उपलब्ध कराना होता है जो राजस्व की प्राप्ति पर निर्भर करता है । राज्य में काफी छोटे छोटे निकाय हैं जिनके आय स्त्रोत सीमित होने से नगर का विकास कार्य प्रभावित होता है । वर्तमान में प्रति व्यक्ति 26/– की दर से चुंगी क्षतिपूर्ति के रूप में राशि निकायों को प्रदान की जाती है, जो वेतन भत्तों के लिए भी कम हो जाता है । अतः शहरी स्थानीय निकायों की वित्तीय स्थिति को मजबूत करने के लिए राज्य शासन के बजट में से नगरीय निकायों के लिए विकास अनुदान दिया जाना चाहिए तथा वर्तमान में प्रदाय की जाने वाली चुंगीक्षतिपूर्ति की राशि को दुगुना किया जाना चाहिए ।

3. स्थानीय नगरीय निकायों द्वारा नागरिकों के हितों की सुरक्षा के लिए तथा उपभोक्ता प्रभार एवं अन्य नगरपालिक राजस्व के संग्रहण तथा उससे संबद्ध अथवा आनुषंगिक विषयों के सुव्यवस्थापन एवं विनियमन के लिए एक विनियामक आयोग स्थापित करने हेतु विधेयक छत्तीसगढ़ विधानसभा द्वारा पारित कर छत्तीसगढ़ राजपत्र दिनांक 30.03.11 में प्रकाशित किया गया है । छत्तीसगढ़ नगरपालिक राजस्व विनियामक आयोग के गठन की कार्यवाही प्रक्रियाधीन है । उक्त विधेयक में विनियामक आयोग के कृत्य वर्णित है । आयोग के कार्यक्षेत्र में विस्तार किया जाना उपयुक्त होगा ।

4. राज्य शासन द्वारा नगर पंचायत गठन के लिए 5 हजार से अधिक परन्तु 20 हजार से कम, नगर पालिका गठन हेतु 20 हजार से अधिक परन्तु 1 लाख से कम तथा नगर निगम के गठन हेतु एक लाख या इससे अधिक की आबादी का मापदण्ड निर्धारित किया गया है । इससे छोटे–छोटे कस्बे भी नगर का स्वरूप ले रही है । विभाग का मत है कि व्यवहारिक कठिनाईयों को दूर करने के लिए नगर पंचायत गठन हेतु 10 हजार से 50 हजार, नगर पालिका गठन हेतु 50 हजार से 1 लाख की आबादी का मापदण्ड निर्धारित किया जाना चाहिए । नगर निगम गठन के लिए पूर्व निर्धारित मापदण्ड़ उपयुक्त प्रतीत होता है ।

5. शहरी स्थानीय निकायों की वित्तीय स्थिति को मजबूत तथा आत्मनिर्भर करने के लिए स्थानीय निकायों के स्वयं के द्वारा अर्जित किये जाने वाले राजस्व की वृद्धि के लिए आधुनिक प्रबंधन प्रणाली का विकास किया जाना आवश्यक है । इस दिशा में नगरीय निकायों के कार्य कौशलता में वृद्धि हेतु नगरीय प्रशासन के लिए प्रशिक्षण एवं शोध संस्थान की स्थापना किया जाना भी आवश्यक है । नगरीय निकायों को अपनी स्वयं की संपत्ति के व्यवसायिक उपयोग के माध्यम से नियमित आय में वृद्धि किये जाने का प्रयास करना होगा साथ ही उपभोक्ता प्रभारों तथा संचालन संधारण व्यय के मध्य संतुलन स्थापित किया जाना भी जरूरी है । इसके लिए अनावश्यक स्थापना व्यय में कमी एवं नगरीय निकायों की अति आवश्यक सेवाओं तथा सुविधाओं पर व्यय तथा गैर जरूरी नगरीय निकायों के खर्चो की पहचान तथा प्राथमिकता निर्धारण की प्रणालीगत् व्यवस्था का विकास किया जाना चाहिए ।

6. राज्य शासन द्वारा नागरिकों की आवश्यकता के अनुरूप योजनाएं बनाई जाकर उनके क्रियान्वयन हेतु धनराशि उपलब्ध कराई जाती है किंतु तकनीकी मार्गदर्शन के अभाव में कभी कभी योजना बनाने के उद्देश्य की पूर्ति नहीं हो पाती । निकायों में तकनीकी अमले की कमी के कारण भी कार्य प्रभावित होता है । अतः नगरीय निकाय में बड़े प्रोजेक्टर्स के क्रियान्वयन हेतु संचालनालय स्तर पर प्रोजेक्ट प्लानिंग बोर्ड का गठन किया जाना चाहिए।

7. नगरीय निकाय द्वारा जनआवश्यकता के अनुरूप बस स्टैण्ड, मुक्तिधाम, सार्वजनिक उद्यान, शॉपिंग काम्पलेक्स आदि का निर्माण कराया जाता है किंतु भूमि के अभाव में उक्त महत्वपूर्ण योजनाओं का क्रियान्वयन बाधित होता है । राज्य शासन द्वारा अपने अतिमहत्वाकांक्षी योजना के लिए स्वीकृति दे दी जाती है किन्तु नगर में निकाय की स्वामित्व की भूमि नहीं होने से उसका क्रियान्वयन अथवा कार्य का कराया जाना संभव नहीं हो पाता । अतः समस्त प्रकार की शहरी भूमि निकाय को हस्तांतरित की जानी चाहिए तथा निवेश क्षेत्र में विकास करने वाली संस्था/प्राधिकरण संबंधित नगरीय निकाय के अधीन होना चाहिए ।

8. राज्य के अधिकांश नगरीय निकायों की वित्तीय स्थिति ठीक नहीं है । अतः नगरीय निकाय की भूमियों का व्यवसायिक प्रबंधन किए जाने का प्रावधान होना चाहिए ताकि निकाय की वित्तीय स्थिति सुदृढ़ करने की दिशा में प्रयास हो सके ।

कृपया उपरोक्त बिन्दुओं पर विचार करते हुए वित्त आयोग के प्रतिवेदन में इन सुझावों को शामिल कराने का कष्ट करें ।

प्र. संचालक २-१०१११२

नगरीय प्रशासन एवं विकास

छत्तीसगढ़ रायपुर

## Annexure 1.12

## INTERIM REPORT

(For the Year 2012-13)

**I. Introduction:**

**1.1** The second State Finance Commission (SSFC) has been constituted by the State Govt. in the Finance Deptt. Notification No. 1086/L-8-9/2011/Fin/B-4, dated 23rd July, 2011, in terms of Article 243 I read with Section 3 of the Chhattisgarh Rajya Vitta Aayog Adhiniyam 1994, as amended in 2003. The terms of reference of the Commission were notified vide Finance Deptt. Notification No. 1373/L-8-9/2011/Fin/B-4, dated- 13/09/2012. As per this notification, the Commission was required to submit its recommendations, covering a period of five years, commencing on the first day of the April, 2011, by 31st July 2012. Since the report of the first State Finance Commission (FSFC) covered the period 2007-11, the award period of the Commission was 2011-2016. However, there was some delay in identifying necessary accommodation for the Commission, and getting requisite staff. The Commission became operational only by January, 2012. It was not possible for the Commission to collect, collate and analyse necessary information and data and arrive at any conclusion, in terms of its terms of reference, by July 2012. Under the circumstances, on the recommendations of the Commission, the award of the first SFC has been extended by the State Govt. by one year, to cover 2011-12, and the award period of the second SFC has been revised to 2012-17, by Notification No. 998/680/2012/Estt./Four, dated- 15/06/2012 and Notification No.- 1000/680/2012/Estt./Four, of the same date, respectively. The Commission is now required to submit its recommendations to the Hon'ble Governor by 31st March, 2013.

**1.2** The Commission is required to review the financial position of the Panchayats and Municipalities in the State and make recommendations in terms of its mandate in Article 243 I and Article 243 Y. The Commission has had wide ranging consultations and discussions with both the elected office bearers and officials of the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). It has had detailed discussions with the officers of the concerned Departments and with the Ministers and P&RD and UA&D Departments and with the Hon'ble Chief Minister who holds the Finance portfolio. It has obtained data, on the basis of detailed questionnaires, from the PRIs and ULBs. The data which had been received from 5,427 Gram Panchayats (more than 50% of total number), 18 Zila Panchayats and 109 Janpad Panchayats and 100 urban local bodies are being analyzed. The Commission has enlisted the services of reputed consultants to analyze the data and assist the Commission in preparing its report. The concerned Departments of the State Govt. i.e. Finance Deptt., Deptt. of Panchayat and Rural Development are yet to submit their memorandum to Commission; only the Deptt. of Urban Affairs has submitted a brief memorandum. In view of this position, it may not be possible for the

Commission to submit its final report before March 2013. The local bodies in the State have been deprived of the revised award of the Commission for the year 2011-12. We are already halfway through the current financial year. Unless the Commission's award of the year 2012-13 is submitted very urgently, it may not find place even in the last supplementary to the current year's Budget and the local bodies will not have the benefit of the award of this Commission during the current year also. It is in consideration of this position that the Commission decided on submission of an interim report covering only the year 2012-13.

## II Approach to Revenue Sharing:

2.1 The Commission has been mandated to review the financial position of the local bodies and recommend the principles which should govern the transfer of the net proceeds of the taxes, duties, tolls and fees leviable by the State to the local bodies; and their allocation to the local bodies at all levels. The Commission is also mandated to recommend the taxes, duties, etc, the proceeds of which may be assigned to the PRIs and ULBs; and also the grants-in-aid to them from the Consolidated Fund of the State. An important task of the Commission is to recommend measures to improve the financial position of the local bodies. In this interim report for one year, we have recommended the share of the net tax revenues of the State which may be transferred to the PRIs and ULBs; and have briefly touched upon assignment of tax revenues and also some measures to improve their finances, which should be included in the current year's budget. Measures to improve the financial position as also the functioning of the PRIs and the ULBs will be dealt with more comprehensively in the final report.

2.2 Despite the fact that Chhattisgarh has made rapid economic development since it became a separate State (November, 2000), it continues to have a high poverty ratio, with 40.92% of the population being below poverty line. It is a predominantly rural State with 76.8% of the population living in rural area and dependent largely on agriculture. A large part of the State is under forest (44%). It has a substantial tribal population (32.8%) The density of population at 189 (2011 census) is quite low. Because of dispersal of population, the per capita cost of both infrastructure and civic services is high in the State.

2.3 There are 9,734 Gram Panchayats (GP) in the State, 146 Janpad Panchayats (JP) and 18 Zila Panchayats (ZP). Of these 4,607 GPs, nearly half the total number, in 85 JPs, is in Schedule V area and PESA is applicable to them. Of the 169 ULBs in the State, 10 are Nagar Nigams, 32 Nagar Palikas and 127 Nagar Panchayats. Many of the Nagar Panchayat almost totally lack urban facilities. In order to function as per their Constitutional mandate and the statutes governing them, the local bodies will require more financial resources than they have at present. The Commission is acutely conscious of the fact that the state of basic services provided by the PRIs, as also most ULBs, is poor. The local bodies in the State suffer from the twin limitations of severe lack of capacity and very limited base for raising own revenues. They do not recover maintenance cost of even the limited services provided.

2.4 Secondly, Gram Panchayats are the main stay of the Panchayati Raj system and rural governance. Presently, the institutional capacity of most of them is very limited. The position of the Panchayats in the Scheduled area is worse. While the Commission proposes to make detailed recommendations regarding capacity development of the GPs in the final report, augmentation of their financial resources is an urgent necessity.

2.5 Similar is the situation with regard to Nagar Panchayats in the States. Most of them are not 'Nagar', while they are no longer Panchayats. There being no population and other criteria for declaring Nagar Panchayats. In many cases, these are villages cobbled together as Nagar Panchayat. They are more or less villages but deprived of the large funds available under Central and State schemes meant for rural areas. We are of the view that they require differential treatment in devolution of financial resources, if they have to provide a modicum of civic services to the citizens. Governance is a major issue in other ULBs.

2.6 These are issues which shall be dealt with in detail in the Commission's final report, but which have been taken into account in our recommendation for devolution of funds in the current year.

## III. Principles of Devolution:

3.1 The Commission has taken only the **net tax revenues** of the State, for the year 2012-13, as the divisible pool. Since the budget for this year has already been passed by the State legislature, the State's own tax revenues (SOTR) as given in the budget has been taken into consideration. The net tax revenue has been arrived at by deducting from the SOTR, the three taxes, i.e. 0029-Land Revenue, 0042- Tax on Goods and Passengers, 0045-other taxes on Commodity and Services, the proceeds on which are transferred in full to the local bodies; and the expenditure incurred in the collection of the remaining taxes. The net SOTR of **Rs 10,829 crore** which has been treated as the **divisible pool** for the year and has been calculated as under:

| | | | |
|---|---|---|---|
| 1. | SOTR for the year (2012-13) | | Rs. 12,175.59cr. |
| 2. | Less: | Transfer of proceeds of three taxes as above | Rs 1,087.82cr. |
| 3. | Less: | Total expenditure on collection | Rs 258.31cr. |
| | **Net SOTR** | | Rs 10,829.46cr. |

The expenditure on collection of taxes, as reflected in the budget, comes to 2.1% of the total taxes collected, which appears to be reasonable and in line with expenditure incurred in the past five years.

3.2 The first SFC had recommended sharing of 8.287% of the net SOTR of the State with the local bodies. The State Govt., however, agreed to only 6%. We are of the considered that 6% will not be adequate to meet the needs of the local bodies for upgradation of services and of infrastructure in their areas. More than devolution of various functions, upgradation of identified urban and rural infrastructure and provision of basic services are what are likely to establish these institutions firmly on the ground and earn the confidence of the people. The local bodies in the State are weak in both the areas and none of the Central and State Govt. schemes adequately cater to these two basic functions which the people expect from the local bodies. The Commission is in favour of the local bodies raising their own internal resources and we propose to deal with this in detail in the main report. We also believe that there is scope for substantially raising the present level of internal resource mobilization. But in view of the present physical and functional capacity of the local bodies, we are of the view that nothing but a higher devolution will help. The Commission has also noted that the State Govt. has provided more than 6% during the last five years. Despite that their situation, in most cases, remain unchanged. **The Commission, therefore, recommends that the share of the local bodies should be 8% of the net SOTR of the State.** Eight percent of the net SOTR of **Rs. 10,829.46 cr** comes to **Rs 866.36cr.**

3.3 Generally, the total funds to be devolved are distributed between the PRIs and ULBs in proportion to their population. As per the 2011 census, the rural population in the State is 76.8% and urban population 23.2%. In the distribution of funds, therefore, the **share of PRI will be 6.15%,** while that of **ULBs 1.85%.** Accordingly, the respective share of PRIs and ULBs works out as under:

| S.No | Particulars | Devolution for the year 2012 -13 (Rs in crore) |
|---|---|---|
| 1. | Panchayati Raj Institution (6.15%) | 666.01 (or 666.00) |
| 2. | ULBs (1.85%) | 200.35 |
| | **Total-8%** | **866.36** |

## V Allocation to PRIs:

4.1 So far as the PRIs are concerned, the district-wise allocation of funds is recommended to be made on the following basis:

1) Population (2011 Census)- weightage 60%
2) Area – weightage 20%
3) SC/ST Population- weightage 10%
4) Households below poverty line- weightage 10%

The number of households below poverty line has to be as per the survey conducted in 2002. We understand that a fresh socio-economic survey to identify households below poverty line is underway in the State. Once the results of this survey are available, the revised number of households below poverty line should be considered. The first SFC had given 10% weightage to per capita Internal Revenue Mobilization (IRM). After having gone through the data received from more than 50% of the Gram Panchayats in the State and the field surveys the Commission conducted through consultants, we are of the view that any weightage to IRM in transfer of funds may not be very realistic. In its place we have suggested weightage to number of households below poverty line. This we consider will be more relevant to a State like Chhattisgarh. Internal revenue mobilization by Gram Panchayats should no doubt be incentivised. We will consider incentivising optimization of internal revenue mobilization in some other way. On the basis of these criteria the district-wise allocation has been worked out and is given in the table below:

**Table -1**

**DISTRICT WISE ALLOCATION TO PRIs**

| S.NO. | DISTRICTS | PERCENTAGE | AMOUNT (Crores) |
|---|---|---|---|
| 1. | BALOD * | 3.27 | 21.76 |
| 2. | BALODABAZAR * | 5.16 | 34.39 |
| 3. | BALRAMPUR * | 3.83 | 25.48 |
| 4. | BASTAR | 4.01 | 26.72 |
| 5. | BEMETARA * | 3.32 | 22.11 |
| 6. | BIJAPUR | 2.07 | 13.77 |
| 7. | BILASPUR | 6.52 | 43.43 |
| 8. | DANTEWADA | 1.46 | 9.73 |
| 9. | DHAMTARI | 2.90 | 19.33 |
| 10. | DURG | 2.77 | 18.44 |
| 11. | GARIABAND * | 2.91 | 19.36 |
| 12. | JANJGIR CHAMPA | 6.18 | 41.16 |
| 13. | JASHPUR | 4.33 | 28.81 |
| 14. | KABIRDHAM | 3.53 | 23.53 |
| 15. | KANKER | 3.83 | 25.48 |
| 16. | KONDAGAON * | 3.10 | 20.65 |
| 17. | KORBA | 4.19 | 27.89 |
| 18. | KORIYA | 2.49 | 16.61 |
| 19. | MAHASAMUND | 4.59 | 30.59 |
| 20. | MUNGELI * | 2.87 | 19.09 |
| 21. | NARAYANPUR | 0.71 | 4.71 |
| 22. | RAIGARH | 6.43 | 42.83 |
| 23. | RAIPUR | 4.01 | 26.68 |
| 24. | RAJNANDGAON | 6.29 | 41.91 |
| 25. | SUKMA * | 1.77 | 11.80 |
| 26. | SURAJPUR * | 3.64 | 24.25 |
| 27. | SURGUJA | 3.83 | 25.51 |
| | **TOTAL** | **100.00** | **666.00** |

* Allocation of 3% to ZPs of these of new 9 new districts shall be added to the allocation ZPs to which these are presently affiliated

4.2 We have recommended the distribution of the 6.15% share as above of the PRIs among the three tiers of Panchayat Raj institutions, viz Zila Panchayats, Janpad Panchayats and Gram Panchayats, broadly on the basis of their statutory and other responsibilities. Gram Panchayats continue to be at a centre of the Panchayat system and it is the most important institution of the rural self governance. To some extent the Janpad Panchayats, and more definitely the Zila Panchayats, have been entrusted with responsibilities of financial sanction, co-ordination and supervision. The DRDA has been merged in Zila Panchayat adding to its responsibilities. We propose allocation of funds among the three-tier PRIs as under:

| | | | | | |
|---|---|---|---|---|---|
| 1. | Zila Panchayats - | 3% | About | Rs. | 20.00 cr |
| 2. | Janpad Panchayats- | 12% | About | Rs. | 80.00 cr |
| 3. | Gram Panchayats- | 85% | About | Rs. | 566.00 cr |
| | **Total** | **100%** | | **Rs.** | **666.00 cr** |

4.3 There are presently 18 Zila Panchayats, though the number of districts has increased to 27 recently. The 3% to ZPs will be 3% of allocation to their respective districts. The allocation of 3% of ZPs of 9 new districts where there are no ZPs at present shall go to the ZPs to which they are presently affiliated.

4.4 The 12% allocation to JPs and 85% to GPs in a district shall be distributed among them inter se on the population basis. However, out of the total allocation to GP, we recommend allocation of Rs 2 lakh each to the 4,607 GPs in Schedule V Blocks. The average population of a GP in Scheduled area being about 1900 the additionality will be about Rs. 100 per capita. The net availability for distribution to all GPs, including those in Schedule V Blocks, shall then be Rs. 473.86 crore (Rs. 566.00 crore – Rs. 92.14 crore for PESA Blocks). Thus the allocation to GP on an average will be about Rs. 4.9 lakh. With an additionality of Rs. 2 lakh, per GP, the GP in Scheduled areas shall get on an average about Rs.6.9 lakh each. We hope that the additional support will be utilized for provision of better basic services in the Scheduled areas.

4.5 In view of the fact that the two higher tiers of PRIs, have primarily, supervisory functions, the proposed allocation to JPs and ZPs may appear quite large. We recommend that the JPs utilize this amount inter alia for (i) For maintenance of JP and GP assets and (ii) providing technical support to GPs in construction works.

4.6 So far as ZPs are concerned, in our meetings with members and chairpersons and members of ZPs, there was a vociferous demand for availability of some funds with ZPs for sanction of such works which they consider essential and which cover and benefit more than one GP. The ZPs may utilize their share of funds for such works. The ZPs may also utilize these funds for holding seminars on the working of Panchayats and holding awareness camps of Panchs and Sarpanchas. One important component of this should be publication of a compilation of all rural development, rural employment and other Central and State Govt. schemes. This should be in simple language as may be easily comprehended by the officials and elected representatives at Panchayat level, and distributed among all GPs. These funds should also be utilized for creation of computerized data bank on all GPs in the district, to include village-wise data, information on assets of the GPs, the schemes being implemented by them, their budget of the last 3 years as also their accounts, the status of audit of their accounts, etc. We would like this data bank to be as comprehensive as possible.

**V Allocation to ULBs :**

**5.1** The share of the ULBs comes to 1.85% (Para 3.3). The first SFC had made inter se allocation among the ULBs, at all the three levels, on the following basis:

1. Population (2011 Census)- weightage 80%.
2. Area- weightage 10%
3. Slum Population- weightage 10%

However, the State Govt. reduced weightage to population to 70% and added a fourth criteria of 'revenue effort' and assigned a weightage of 10% to it. We do not wish to change these criteria for allocation, at least for the current year. The weightage for slum population shall be higher with larger slum population and lower with less such population. This is to provide some cushion for better facilities for people living in slums. The weightage for revenue effort is meant to incentivize IRM and shall be based on consistent improvement of at least 10% every year in the last three years by the ULB.

**VI Transfer of Funds by the Government:**

**6.1** The transfer of funds to the local bodies, recommended by first SFC has been made by the State Govt. largely through various schemes sponsored by the Govt. Channelization of funds through Govt. schemes may have its own merit, but it does not provide any autonomy to local bodies to meet local needs and for better provision of services. Such a practice also does not ensure certainty and predictability of fund flows and inhibits local planning. This militates against the principles of devolution of funds to local bodies. So far as the PRIs are concerned, the State Govt. has made four schemes, viz (i) Mukhyamantri Gram Utkarsh Yojna, (ii) Chhattisgarh Gramin Nirman,(iii) Gram Gaurav, and (iv) Gram Vikas Yojna to be funded by the funds devolved on Panchayats by the FSFC. As per the information furnished by the Finance Deptt,. of the total of Rs 1620.16 crore allocated to PRIs, during the five year period 2007-2011, as much as about Rs 600 crore have been provided in the budget for these schemes. We find that the objectives and purposes for which funds are provided under these schemes are overlapping and no scheme really provides for basic services. The Commission's recommends that channelization of funds recommended by SFC through these schemes should be discontinued with effect from the current year (2012-13). **The entire amount meant for Gram Panchayats should be untied, meant primarily for provision of basic services in the villages** such as drinking water supply, street lights, sanitation and cleanliness of the villages and disposal of solid wastes, etc.

6.2 We have noticed that all expenditure of whatever nature incurred on, or for, PRIs is booked to devolution by the SFC. This includes a large amount (Rs 234.28crore) as PRI related charges (Scheme Code 2474) We have been informed by the Finance Department that the expenditure towards salary of Panchayat auditors, who are employees of State Govt., are also booked under this head. Salary of Govt. employees cannot be treated as part of devolution of funds to Panchayats. The State Govt. should appropriately bear this expenditure.

6.3 So far as ULBs are concerned, the total amount provided during the last five years is reported to be Rs 648.21crore as against SFC's award of Rs 405.04crore. The funds provided by the State Govt., as grants under various heads are no doubt adequate, but the allocation of funds particularly for urban infrastructure, has been largely on ad hoc basis and on demand basis. **We recommend that the share of the ULBs should be untied and used only for provision of basic services and for urban infrastructure.** The State Govt. may, however, issue guidelines regarding the works and services for which these funds may be utilized. That will provide certainty and predictability to the flow of funds to the local bodies which is presently lacking.

**VII Assigned Revenues:**

7.1 We are not making any recommendation regarding assignment of tax revenues of the State Govt. to the local bodies in this interim report. This will be discussed in detail in the final report. The revenues from taxes which are to be transferred to the PRIs and ULBs, as per the budget for 2012-13, are as under:

**Table-2**

**Assigned Revenues**

| **A. Transfer to PRIs** | **Budget Provisions 2012-13 (Rs in crore)** |
|---|---|
| Land Revenue (0029) | 275.00 |
| Stamps and Registration Fees (4610)* | 45.00 |
| Minor Mineral Royalty Grant (6299) | 110.00 |
| Entertainment Tax Grant (8879) | 1.90 |
| **Total** | **431.90** |
| **B. Transfer to ULBs** | |
| Entry tax (Octroi) Grant (8018) | 668.25 |
| Passenger Grant Tax (9436) | 8.00 |
| FL License Fees Grant (5061) | 15.50 |
| Stamp & Registration fees (4035) | 36.16 |
| Entertainment Tax Grant (8850) | 7.76 |
| **Total** | **735.67** |

*Scheme code in budget.

## VIII Grants-in-aid of Local Bodies:

The Commission has also been mandated to recommend Grants-in-aid to Panchayats and Municipalities from the Consolidated Funds of the State. This has been dealt with in detail in the final report. For the current year we would like to make the following recommendations:

8.1 In order to incentivise internal resource mobilization by Gram Panchayats, it is recommended that when a Gram Panchayat improves its revenue collection in a year by at least 10% over the last year, matching grant, equivalent to the incremental own revenue collected, should be given by the State Govt. The P&RD Deptt. should frame a scheme to give effect to this incentive scheme.

8.2 We have already mentioned about the unsatisfactory fiscal position of the Nagar Panchayats among the ULBs. The Commission recommends that a one time grant of Rs. 1 crore each to all Nagar Panchayats, except the five mentioned in para 8.3 below, should be provided with the condition that 50% of this money may be spent on infrastructure and the other 50% on identified basic services. Suitable guidelines may be issued by the Deptt. of Urban Administration & Development.

8.3 There are five Nagar Panchayats which are now headquarters of five new districts, viz, Gariaband, Sukma, Narayanpur, Bijapur and Balrampur. As districts headquarters these towns need far better infrastructure than other NPs. We recommend that a one time grant of Rs. 2 crore be given to these NPs. This amount may be utilized for infrastructure (50%) and for provision of identified basic services (50%).

## IX Measures for Improving IRM of local bodies:

9.1 The first SFC had made some very useful suggestions for augmenting the internal revenues of the local bodies. Most of these were accepted by the State Govt, but no action has been taken so far for giving effect to them. The Commission is convinced that the potential of the tax and other revenue sources are not being fully exploited by the local bodies, both rural and urban. We believe that if the present sources are optimised, the internal financial resources of the local bodies will grow substantially and reduce their dependence on the State Govt. We will deal with this in detail in the final report. In the mean time, the Commission recommends urgent action in respect of the following:

9.2 The rates of property tax, animal registration fees, market fees, etc leviable by Gram Panchayats were fixed way back in the 1960s. The FSFC had recommended their comprehensive revision. The State Govt. vide Panchayat and Rural Development order No. Panchayat/76/P&RD/2011 dated 16/12/2011 has appointed a committee, under the chairmanship of Director, Panchayat, to go through the suggestions of the FSFC and recommend appropriate action to the State Govt. The Commission is aware that this committee is nowhere near submission of its recommendations. In view of the importance of this committee to Panchayat Raj institutions, we strongly urge the Govt. to activate the committee and fix a time limit of 3 months for submission of its recommendations.

9.3 While, the responsibilities of GPs as also the quantum the finances handled by them have gone up substantially over the years, lack of trained manpower has become a big handicap. With one Panchayat Sachiv neither functional nor financial accountability can be enforced. The tasks are very clearly too many for one person to handle. Recently, the Govt. of India has launched a new Central Scheme named RG Rashtriya Panchayat Shashaktikaran Abhiyan which inter alia provides for additional manpower for GPs. We urge that the State Govt. take full advantage of this scheme under which the State's liabilities is limited to the 20% of the cost and provide for atleast one assistant and one accountant cum computer operator in each GP.

9.4 A very significant step taken by the State Govt. in the interest of urban local bodies and the citizens is the enactment of Chhattisgarh Municipal Revenue (Establishment Constitution of the Regulatory Commission) Act. The Act provides for the Regulatory Commission to be set up within a period of six months after the Act becoming law. The Act came into effect on 3/05 /2011, but the Regulatory Commission has not yet been constituted. The State Govt. should constitute the Commission without further loss of time.

9.5 Presently, there is no head under which the transfer of funds as recommended by the SFC is shown in the budget, except for the provision for the basic grant for Panchayats, which can be related to the recommendation of the SFC, there is no other functional classification in the budget to indicate that the provision relate to the recommendations of the SFC. The State Govt. may ensure proper classification of the devolution to local bodies on the basis of recommendations of the SFC in the budget. This is necessary because, apart from other things, to assess the impact of such devolution on State Govt. finances. The Central Finance Commission is required to take this account in their recommendation.

**X. Summary of Recommendations:**

(1) In this interim report for one year (2012-13) the Commission has dealt largely with devolution of funds to local bodies to enable their provision in the current year's budget. (Para1.2)

(2) Only the net tax revenues of the State for the year 2012-13, shall constitute the divisible pool. The net SOTR for sharing with the local bodies has been worked out as Rs 10,829.46 cr. (Para 3.1)

(3) We are recommending the share of the local bodies to be 8% of the net SOTR of the State, which comes to Rs 866.36 cr. (Para 3.2)

(4) The funds to be devolved will be distributed between the PRIs and the ULBs in proportion to their population. Hence the share of PRIs will be 6.15% and of ULBs 1.85%, which comes to Rs 666 cr and Rs 200.35 cr respectively. (Para 3.3)

(5) District-wise allocation to PRIs shall be made on the basis of population (60% weightage), area (20%), SC/ST population (10%), households below poverty line (10%). On this basis we have worked out the share of each of the 27 districts of the State in the report. (Table -1) (Para 4.1)

(6) The share of the three tier Panchayat Raj institutions in the funds earmarked for the PRIs shall be: Zila Panchayats- 3%, Janpad Panchayt-12% and Gram Panchayat-85%.(Para 4.2)

(7) The funds for ZPs of 9 new districts, which presently do not have ZPs, shall go the ZPs to which they are presently affiliated.

(8) The distribution 12% and 85% of funds of a district shall be distributed among JP and GPs respectively on population basis. (Para 4.3)

(9) To strengthen the basic services of GPs in Schedule V Blocks (4607 GPs), we have recommended a special allocation of Rs 2 lakh to each of them as an additionality. This allocation Rs 92.14 cr shall be out of the share of funds earmarked for GPs. Thus the allocation to GPs on an average will be about Rs. 4.9 lakh and for GPs in Scheduled area Rs. 6.9 lakh each. (Para 4.4)

(10) The allocation to ULBs shall be on the basis of: population(weightage-70%), area (10%), slum population (10%), and revenue effort (10%). (Para 5.1)

(11) We recommend that the total amount allocated to the GPs should be untied and channelization of funds through various State Govt. schemes, as being done at present, should be discontinued with effect from the current year. The entire amount may be used by the GPs for provision of basic services in the village, such as drinking water supply, street lights, sanitation and cleanliness of the villages and disposal of solid wastes, etc. (Para 6.1)

(12) Payment to salary to Panchayat Auditors is presently booked as 'PRI related charges' and forms part of the share of the funds of PRIs. The Panchayat Auditors are Govt. employees and the State Govt. should appropriately bear the expenditure on their salaries. (Para 6.2)

(13) The allocation of funds to ULBs appears to be made by the Govt. largely on ad hoc basis and on demand basis. We recommend that the allocation of ULBs should be untied and should be used only for provision of basic services and for urban infrastructure. The State Govt. may, however, frame suitable guidelines. (Para 6.3)

(14) With a view to incentivize IRM, the Commission recommends that a matching grant equivalent to the incremental own revenue collected over last year (which should be at least 10%) should be given by the Govt. to each GP. Out of the Consolidated Fund of the State. (Para 8.1)

(15) The other grants-in-aid to local bodies recommended is a one time grant of Rs. 1cr each to all Nagar Panchayats except five mentioned below, which are generally in a bad shape in the State. The conditionality is that 50% of this money may be spent on

infrastructure and other 50% on indentified basic services. Suitable guidelines may be issued by the Deptt. UA & D. (Para 8.2)

(16) There are five Nagar Panchayats which have since become headquarters of five new districts. These are Gariaband, Sukma, Narayanpur, Bijapur and Balrampur. They need better urban facilities. It is recommended that a one time grant of Rs. 2 crore be given to them. (Para 8.3)

(17) The committee appointed by the State Govt. in the Panchayat and RD Deptt. to look into the various taxes which GPs are presently empowered to impose, and suggest comprehensive revision, should be activized and a time limit of three months fixed for submission of its recommendations. (Para 9.2)

(18) A GP should have at least two additional staff i.e. an assistant and an accountant cum computer operator. The State Govt. may take advantage of the RG Panchayat Shashktikaran Abhiyan a Central Scheme introduced recently. (Para 9.3)

(19) The Chhattisgarh Municipal Revenue Regulatory Commission should be constituted as early as possible. (Para 9.4)

(20) (20) The State Govt. budget should clearly reflect for the allocations made to local bodies on the basis of recommendations of the SFC. (Para 9.5)

**(Dr. Ashok Kumar Parakh)**
**Member**

**(Ajay Chandrakar)**
**Chairman**

## Annexure 5.1

### Profile of Chhattisgarh: Population and Panchayats: District- wise

| Sl. No. | District | Population (2011) | | % of Rural to Total Popu-lation | No. of Panchayats | | | No. of Panchayats under scheduled area | | | Average Population | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Rural (Pro-visional) | | ZP | JP | GP | ZP | JP | GP | JP | GP |
| 1. | Balod | 826019 | 720697 | 87.25 | - | 5 | 393 | - | 1 | 55 | 144139 | 1834 |
| 2. | Baloda Bazar | 1304881 | 1138729 | 87.27 | - | 6 | 499 | - | - | - | 189788 | 2282 |
| 3. | Balrampur | 730275 | 695579 | 95.25 | - | 6 | 340 | 1 | 6 | 340 | 115930 | 2046 |
| 4. | Bastar | 833318 | 697934 | 83.75 | 1 | 7 | 317 | 1 | 7 | 317 | 99705 | 2202 |
| 5. | Bemetara | 795334 | 721077 | 90.66 | - | 4 | 334 | - | - | - | 180269 | 2159 |
| 6. | Bijapur | 255180 | 225591 | 88.40 | 1 | 4 | 157 | 1 | 4 | 157 | 56398 | 1437 |
| 7. | Bilaspur | 1960466 | 1347093 | 68.71 | 1 | 7 | 557 | - | 3 | 142 | 192442 | 2418 |
| 8. | Dantewada | 282803 | 214830 | 75.96 | 1 | 4 | 114 | 1 | 4 | 114 | 53708 | 1884 |
| 9. | Dhamtari | 799199 | 650045 | 81.34 | 1 | 4 | 333 | - | 1 | 86 | 162511 | 1952 |
| 10. | Durg | 1721726 | 617184 | 35.85 | 1 | 3 | 267 | - | - | - | 205728 | 2312 |
| 11. | Gariaband | 597399 | 556967 | 93.23 | - | 5 | 308 | - | 3 | 190 | 111393 | 1808 |
| 12. | Janjgir champa | 1620632 | 1395433 | 86.10 | 1 | 9 | 576 | - | - | - | 155048 | 2423 |
| 13. | Jashpur | 852043 | 776017 | 91.08 | 1 | 8 | 411 | 1 | 8 | 411 | 97002 | 1888 |
| 15. | Kanker | 748593 | 671834 | 89.75 | 1 | 7 | 386 | 1 | 7 | 386 | 95976 | 1741 |
| 14. | Kawardha | 822239 | 734894 | 89.38 | 1 | 4 | 367 | - | - | - | 183724 | 2002 |
| 16. | Kondagaon | 578326 | 520382 | 89.98 | - | 5 | 263 | 1 | 5 | 263 | 104076 | 1979 |
| 17. | Korba | 1206563 | 760360 | 63.02 | 1 | 5 | 352 | 1 | 5 | 352 | 152072 | 2160 |
| 18. | Koriya | 659039 | 453476 | 68.81 | 1 | 5 | 236 | 1 | 5 | 236 | 90695 | 1922 |
| 19. | Mahasamund | 1032275 | 912166 | 88.36 | 1 | 5 | 491 | - | - | - | 182433 | 1858 |
| 20. | Mungeli | 701611 | 636162 | 90.67 | - | 3 | 301 | - | - | - | 212054 | 2113 |
| 21. | Narayanpur | 140206 | 118087 | 84.22 | 1 | 2 | 69 | 1 | 2 | 69 | 59044 | 1711 |
| 22. | Raigarh | 1493627 | 1247346 | 83.51 | 1 | 9 | 702 | - | 5 | 349 | 138594 | 1777 |
| 23. | Raipur | 2159880 | 884237 | 40.94 | 1 | 4 | 390 | - | - | - | 221059 | 2267 |
| 24. | Rajnandgaon | 1537520 | 1264980 | 82.27 | 1 | 9 | 692 | - | 3 | 161 | 140553 | 1828 |
| 25. | Sarguja | 842085 | 703294 | 83.52 | 1 | 7 | 355 | 1 | 7 | 355 | 100471 | 1981 |
| 26. | Sukma | 249988 | 221825 | 88.73 | - | 3 | 132 | 1 | 3 | 132 | 73942 | 1680 |
| 27. | Surajpur | 788969 | 717439 | 90.93 | - | 6 | 392 | 1 | 6 | 392 | 119573 | 1830 |
| | **Grand Total** | **25540196** | **19603658** | **76.76** | **18** | **146** | **9734** | **13** | **85** | **4507** | **134272** | **2014** |

**Annexure 6.1**

# PRI ACTIVITY MAPPING

## Devolution of Powers, Activities, Staff & Budget

## on

## 3-Tier Panchayat Raj Institutions

## by

## Various Departments of Government of Chhattisgarh

## 2006-2007

---

**Names of Department,**

1. School Education Department
2. SC & ST Development Department
3. Women & Child Development Department
4. Mineral Resource Department
5. Village Industries Department :
   - (i) Handloom
   - (ii) Silk
   - (iii) Handicrafts
   - (iv) Chhattisgarh Khadi & Village Industries Board
6. Agriculture Department
7. Animal Husbandry Department
8. Fisheries Department
9. Public Health Engineering Department
10. Food & Civil Supply and Consumer Protection Department
11. Sports and Youth Welfare Department
12. Energy Department
13. Water Resource Department
14. Rural Road Development Agency (Panchayat & Rural Development Deptt)
15. Labour Department

# 1. School Education Department
## (Order No. F-1-117/2A5/20 dated 15.09.2006)

1. **Activity of the State:**

   i) Recognition of Schools; ii) Prescribing Course and Books; iii) Conducting of examinations; iv) Assessment of educational status of the students; v) Preparation of Annual Education Calendar; vi) Permission to start new subjects in the schools, vii) All departmental and state level course activities; viii) New system in the existing activities in schools, ix) Collection of educational statistics and related works; x) Supervision and monitoring of central and centrally sponsored programmes; xi) Responsibility of training of teachers and staff, institutions of training of teachers like DIET, BTI, etc. xii) Powers of taking decisions regarding opening of new schools and building constructions or extension from amount received from State Govt. District planning Committee will be full incharge of above activities as per the policy of the State Govt.

2. **Zila Panchayat:**

   1) Supervision of all schemes of the district,
   2) Appointment of shikshakarmis grade 02 and grade 03;
   3) Control and management of cadre,
   4) Preparation of District Education Plan and submission to Government;
   5) Supervision of education related activities of GPs and JPs.

3. **Janpad Panchayat:**

   1) Maintenance and white washing of upper primary Schools;
   2) Management of Book Banks and Library;
   3) Inspection of primary and upper middle schools;
   4) Collection of GP level, education level information and preparation of JP level activities;
   5) Appointment of Shikshakarmis Grade-03 and complete control over them and cadre provision.

4. **Gram Panchayat:**

   1) Construction of primary school buildings with separate toilets of boys and girls as prescribed by the Govt.
   2) Ensuring opportunities of primary level education to each boy and girl of Gram Panchayat. In this connection necessary steps, such as door to door survey, organizing group meetings, conducting motivational and encouragement related programmes.
   3) Arrangement of maintenance and colour & paint of primary school buildings.

4) Ensuring supply and utilization of all types of educational material, text books, equipments, furniture, blackboard, tat-patti, toys, sports material facilities to primary school children such sanction and distribution of scholarships.

5) Distribution of uniforms and text books.

6) Management and supervision of mid-day meals scheme.

7) Supervision of attendance of teachers and staff of primary schools and payment of their salaries.

8) Compulsory brining handicapped and girls into fold of primary education.

9) Preparation of Annual action plan of primary education keeping in view the above points.

10) Conducting "Sarva Shiksha Abhiyan (Total Literacy Drive) and other new programmes related to primary education.

**5. Staff:**

1) Janpad level staff will be under control of Janpad Panchayats Administration.

2) District level staff will be controlled by ZP administration.

**6. Budget:**

1) Allocation of all budget of school education Department to ZPs and JPs

2) Allocation of all district level budget of department received from State Govt. To ZP.

## 2. SC & ST Development Department

## (Letter No. F-11-33/2005/24-2 AJAKA dated 19/07/2006)

**1. Activity of State Sector**

1 ) Assessment of Students Educational Level; 2) Preparation of Annual Education Calendar; 3) Approval of new subjects in schools, 4) All divisional and State Level extra-curricular activities; 5) Educational Statistics : Compilation and all works relating to assembly; 6) Responsibility of Training teachers and employees, institution of Teachers Training like DITE, BTI and control over its staff; 7) Supervising and monitoring of the implementation of Central and Centrally sponsored schemes; 8) Creation of new posts in schools or offices; 9) Making new provisions and framing rules and their implementation for the institutions.

**2. Zila Panchayat**

1) Making wide publicity of provisions of SC, ST Atrocities Act and organizing seminars for awareness;
2) Supervision of middle schools, High schools, and Higher Secondary Schools;
3) Ensuring Supply and utilization of material facilities in primary and middle schools, such as all educational material, equipments, furniture, Black board, toys, sports material, etc.
4) Ensuring implementation and review of all welfare schemes of the department.
5) District Standing Committee will be responsible for opening of new schools, construction of buildings or implementation of decisions of state govt. etc.

**3. Janpad Panchayat**

1) Inspection and supervision of running Ashrams/ Hostels, Schools; Review in sub-committee meeting of Janpad Panchayat; Making necessary arrangement for better management of education.
2) Supervision and inspection of running aided non-governmental institutions;
3) Involvement for ensuring implementation of all welfare schemes of Govt.

**4. Gram Panchayat**

1) Presenting Information regarding schemes relating to department and beneficiaries selected under schemes in Gram Sabha once in a year;
2) Effective Action for preventing social discrimination and atrocities against scheduled castes and scheduled tribes; Working towards eradication of un-touchability;
3) Distribution of scholarships to SC & ST class 3 to 5 students
4) Supervision of primary schools, Ashrams and hostels run by the Deptt.
5) Providing opportunities of primary level education to each boy and girl of GP area. In this connection taking necessary steps e.g. Door to door survey,

Organizing Group meetings, Organizing motivational and encouragement programmes )

6) Arrangement of annual general and special repairs/maintenance/white washing of departmental building, amount up to Rs. 50,000/-.

7) Management of Mid-day meals scheme.

5. **Staff**

1 ) Full control over Govt. staff.

2) Selection and recommendation for appointment of class IV emplyees on sanctioned posts on Collector rate / part- time /contingency basis for schools, ashrams and hostels;

3) Administrative control over Shiksha Karmi Gr. 02 and Gr. 03 appointed in schools;

4) Administrative control over Shiksha Karmi Gr. 01.

6. **Budget :**

Allocation and transfer of departmental budget to Zila panchayat and Janpad panchayat as per their requirement. Ensuring utilization of budget received under Demand No. 15 and 82.

## 3. Women & Child Development Department
## (Letter No. 673/MBV/samanvaya/07 dated 26/5/2007)

1. **Activity of State Sector**

Government Institutions and schemes relating to welfare of women and children run by the Department :

Ayushmati Scheme, Integrated Child Development Service Project, CG Nirdhan Kanya Samuhik Vivah Yojna, CG Mahila Kosh, Dattak Putri Shiksha Yojna, Grant-in-aid to Non-governmental Institutions.

2. **Zila Panchayat**

1) Providing family environment to orphaned children.
2) Creches for children
3) Mobile crèches
4) Women Awareness camp
5) Guidance and study tours
6) CG Mahila Kosh (Fund)
7) Inspection / Supervision of Anganwadi Centres

3. **Janpad Panchayat**

1) Powers to appoint Anganwadi workers and assistants
2) Inspection / Supervision of Anganwadi centres

4. **Gram Panchayat**

1) Working arrangements locally for nutrition food programmes
2) Selection of Villages for Establishing Anganwadi
3) Construction of building
4) Inspection / Supervision of Anganwadi Centres

5. **Staff**

1) Anganwadi Worker & Assistant
2) Integrated Women & Chid Extension Officer
3) Powers of appointing Supervisor is with Zila / Janpad Panchayat.

6. **Budget Provision**

Under Deptt. Demand No. 41 & 64 Allocation of Budget to Panchayats for running the schemes Mobile Creches, Women Awareness Camps, Nutritional Food programmes in tribal areas, Cradle House institutions in Child welfare areas and family environment to orphaned children.

## 4. Mineral Resource Department

**(Letter No. 2903/2283/2006/12 dated 7/9/2006)**

1. **Activity of State Sector**

   i) Exploration of mineral / Survey, and ii) Mineral Administration

2. **Zila Panchayat**

   Under CG Minor Minerals Rules 1986 :

   i) Rule (1) rule (13) : Powers of checking documents and records relating to mines. ii) Rules 30 (15), (16), (17), (18), (19) : Powers of imposing fine, acquisition and confiscation of illegal transportation of minerals. iii) Rules 30 (23) (1) : Powers of entrance for inspection purpose, iv) Rule 53 (2) : Powers of acquisition of equipments and vehicles used in illegal extraction of minor minerals, v) Rule 53 (5) : Powers of imposing fines on illegal extraction of minor minerals

3. **Janpad Panchayat**

   Under CG Minor Minerals Rules 1986 :

   i) Rule (1) rule (13) : Powers of checking documents and records relating to mines. ii) Rules 30 (15), (16), (17), (18), (19) : Powers of imposing fine, acquisition and confiscation of illegal transportation of minerals. iii) Rules 30 (23) (1) : Powers of entrance for inspection purpose, iv) Under Rule 53 (2) : Powers of acquisition of equipments and vehicles used in illegal extraction of minor minerals, v) Under Rule 53 (5) : Powers of imposing fines on illegal extraction of minor minerals vi) Under Rule 56: Powers of getting grant from mineral revenue vii) Under CG Minor minerals : Sand & Sand extraction & business directions 2006 : Powers of managing mines of minor minerals of a annual royalty value below Rs. 5.00 lakh.

4. **Gram Panchayat**

   CG Minor Minerals Rules 1986

   i) Rule 3 (1) : Powers to identify mine area
   ii) Rule 18 (2) : Opinion of GP is necessary for granting license /Extraction lease
   iii) Rule 30 (13) : Power to check documents / records related to mines,
   iv) Rules 30 (15), (16), (17), (18), (19) : Powers of imposing fine, acquisition and confiscation of illegal transportation of minerals
   v) Rules 30 (23) (1) : Powers of entry for inspection purpose,
   vi) Under Rule 53 (2) : Powers of acquisition of equipments and vehicles used in illegal extraction of minor minerals
   vii) Rule 53 (5) : Powers of imposing fines on illegal extraction of minor minerals
   viii) Rule 56: Powers of getting grant from mineral revenue

   CG Mineral Rules (Sand & Sand extraction & business directions) 2006 : Powers of managing mines of minor minerals of a annual royalty value below Rs. 5.00 lakh.

5. **Staff** ..... Nil

6. **Budget** .....Nil

# 5. Village Industries Department :

## (i) Handloom

## (Letter No. F.3-59/04/6(52) dated 09/11/2006)

1. **Activity of State Sector**

   i) Different types of Rural Industries, Handloom, Silk, Leather Development, Handicrafts and techniques related to Khadi; (ii) Marketing and Technical Assistance to Rural Industries and units at district level

2. **Zila Panchayat**

   i) Supervision of progress of cottage industries
   ii) According sanction of opening of training centre.
   iii) Arranging stipend to the trainees.
   iv) Arranging marketing system at the district level.
   v) Coordination of insurance related activities
   vi) Selection of voluntary Institution/organization

3. **Janpad Panchayat**

   i) Preparation of action plan after exploring & assessing activities of Khadi & Village industries, Cottage industries Silk and Handicrafts.
   ii) Training to selected Swarozgaris (beneficiaries)
   iii) Supply of raw material, equipments and other material.
   iv) Coordination with the Line departments.

4. **Gram Panchayat**

   i) Selection of beneficiaries through the Gram Sabha
   ii) Motivating selected beneficiaries / Groups to use locally available raw material and getting insured.
   iii) Construction of community workshop
   iv) Cooperation for marketing arrangement and assisting the Swarozgarees (beneficiaries) to obtain loan for their cottage Industries.

5. **Staff**

   i) All Janpad level staff under administrative control of Janpad Panchayat
   ii) All District level staff under administrative control of Zila Panchayat.

6. **Budget**

   i) All budget from Zila Panchayat to Janpad panchayat related to department.
   ii) All District level budget of department received from the State Govt.

---

## 5. Village Industries Department :
## (ii) Sericulture
## (Letter No. F.3-59/04/6(52) dated 09/11/2006)

1. **Activity of State Sector**
   - i) Different types of Rural Industries, Handloom, Sericulture, Leather Development, Handicrafts and techniques related to Khadi; (ii) Marketing and Technical Assistance to Rural Industries and units at district level
2. **Zila Panchayat**
   - i) Supervision of progress of cottage industries
   - ii) According sanction of opening of training centre.
   - i) Arrangement of stipend to trainees.
   - ii) Arrangement of marketing at the district level.
   - iii) Coordination of insurance related activities
3. **Janpad Panchayat**
   - i) Preparation of action plan after exploring and assessing activities.
   - ii) Cooperation for allotment of land to encourage silk industry activities
   - iii) Training to selected Swarozgaris
   - iv) Supply of raw material, equipments and other material.
4. **Gram Panchayat**
   - i) Selection of beneficiaries through the Gram Sabha
   - ii) Arrangement of land for encouragement of silk industry activities
   - iii) Motivating selected beneficiaries /Groups to use locally available raw material and getting them insured.
   - iv) Construction of community workshop
   - v) Cooperation for marketing arrangement.
6. **Staff**
   - i) All Janpad level staff will be under administrative control of the Janpad Panchayat.
   - ii) All District level staff will be under administrative control of Zila Panchayat.
7. **Budget**
   - i) Transfer of allocated all budget of department from Zila Panchayat to Janpad panchayat.
   - ii) Transfer of district level all budget of department received from the State Government to the panchayats.

---

## 5. Village Industries Department :
## (iii) Handicrafts
## ( Letter No. F.3-59/04/6(52) dt. 09/11/2006)

1. **Activity of State Sector**
   - i) Different types of Rural Industries, Handloom, Silk, Leather Development, Handicrafts and techniques related to Khadi. (ii) Marketing and Technical Assistance to Rural Industries and units at district level
2. **Zila Panchayat**
   - i) Supervision of progress
   - ii) Arrangement of tools & implements to the artisans of the districts
   - iii) Arrangement of Marketing system at the district level
   - iv) Management of schemes by extending necessary cooperation to Line department at the district level
3. **Janpad Panchayat**
   - i) Preparation of action plan after assessing activities.
   - ii) Assistance for the survey of handicrafts craftsman.
   - iii) Cooperation for the supply of raw material, tools & implements and other material
   - iv) Coordination with the Line department
4. **Gram Panchayat**
   - i) Inclusion in GP of authorized member in beneficiary selection committee
   - ii) Fixation of venue for the training
   - iii) Distribution of certificates after completion of training
   - iv) Inspection of the running of training centres
   - v) Presence of Chairman GP or authorized member of GP at the time of distribution of scholarships,
   - vi) Distribution of tools in the presence of GP representative
   - vii) Certificate by GP representative for the workshop grants
5. **Staff** : No staff
6. **Budget** : No budget

---

## 5. Village Industries Department :
## (iv) Chhattisgarh Khadi & Village Industries Board
## (Letter No. F.3-59/04/6(52) dated 09/11/2006)

1. **Activity of State Sector**

   i) Different types of Rural Industries, Handloom, Silk, Leather Development, Handicrafts and techniques related to Khadi. ii) Marketing and Technical Assistance to Rural Industries and units at district level.

2. Zila Panchayat

   - Supervision of progress of the cottage industries.
   - According sanction to open the training centres.
   - Arranging stipend to the trainees
   - Marketing arrangement at the district level
   - Coordination of insurance related activities

3. **Janpad Panchayat**

   - Preparation of Action Plan after assessing activities of Khadi & village, Cottage industries, Silk and handicrafts activities.
   - Imparting training to the Swarozgaris (beneficiaries) selected.
   - Supply of raw material, tools & implements and other material.
   - Coordination with the Line department

4. **Gram Panchayat**

   - Selection of beneficiaries through the Gram Sabha
   - Motivation to selected beneficiaries / Groups to use locally available raw material and getting them insured.
   - Construction of Community workshop.
   - Cooperation for marketing arrangement and helping the Swarozgarees (beneficiaries) to obtain loan for their cottage Industries.

5. **Staff**

   i) All Janpad level staff under administrative control of Janpad Panchayat

   ii) All District level staff under administrative control of Zila Panchayat.

6. **Budget**

   i) All budget from Zila Panchayat to Janpad panchayat related to department.

   ii) District level all Budget of department s to Zila panchayat received from the State Govt.

# 6. Agriculture Department

## No( Letter . 2610/B-3/23/2006 dated 27/06/2006)

1. **Activity of State Sector**

**Institutions, Bodies and Schemes Under Department :**

1) All laboratories; 2) All training centres 3) All Govt. Farms 4) All horticulture nurseries 5) Corporations, Boards, Institutes, Agriculture University, Agricultural Engineering workshops; 6) Activities run and controlled under Department : All State schemes, Central schemes, Centrally sponsored schemes, International Agencies assisted schemes handed over to the Department implemented under directions and guidance of the Department; 7) Quality control of agricultural inputs

2. **Zila Panchayat**

**Propagation of methods to increase agricultural production at district level :**

1. Organizing agriculture fairs and exhibitions
2. Publicity and propagation of agriculture related schemes
3. Approval of Kharif and Rabi program annual action plan prepared by JP in the Agriculture Standing Committee of ZP and directing officers to work accordingly. Management of inputs in accordance with crop programme.
4. Approval and Review of Annual Action Plan by Agriculture Standing Committee of ZP.
5. Distribution and necessary amendments of targets of different schemes of district among blocks of the district. In special cases, selection of beneficiaries and approval by Agriculture Standing Committee of ZP.
6. Review and Monitoring of progress of Crop Insurance Scheme.
7. Administrative approval of upto Rs. 10.00 lakh for construction of irrigation tank for irrigation upto 40 hectares under departmental scheme of JP.
8. Relief arrangement for the farmers in case of natural calamity.

3. **Janpad Panchayat**

**Promotion and development of agriculture at Janpad level :**

1) Organizing agriculture fairs, farmers seminars, training and demonstration
2) Publicity and propagation of agriculture related activities.
3) Forwarding crop programmes collected from GP and approved by the Agriculture Standing Committee of JP to ZP through the officers of department.
4) Forwarding Assessment and Demand of inputs required as per crop programmes collected from GPs and approved by the Agriculture Standing Committee of JP to ZP through departmental officers.
5) Distribution and supervision of district targets of different schemes among blocks of the district.
6) Publicity and propagation of Crop Insurance Scheme.

7) Encouraging farmers Nadep, Bio-gas, Vermi compost preparation for promotion of Bio-fertilizers in Janpad panchayat area and selection of beneficiaries with the help of departmental officials.

8) Administrative approval of upto Rs. 5.00 lakh for construction of irrigation tank for irrigation upto 40 hectares under departmental scheme of JP.

9) Conducting training programmes related to advance agriculture and fruit-preservation.

**4. Gram Panchayat**

Development of agriculture activities at Gram Panchayat level :

i) Organizing agriculture fairs, farmers seminars, training and demonstration

ii) Publicity and propagation of agriculture related schemes

iii) Approval of suitable Kharif and Rabi programme framed keeping in view the quality of land and available resources in the villages under gram panchayat.

iv) Submission of assessment of inputs requirement for the approved crop programme to the senior agriculture officer.

iv) Selection and approval of beneficiaries eligible for distribution of grants for crop demonstration, seed mini-kit, advance agriculture equipments, sprinkler set, plant protection machines under different departmental schemes.

vi) Publicity and *propagation of Crops insurance Scheme* and necessary cooperation to farmers.

vii) Encouraging farmers Nadep, Bio-gas, Vermi compost preparation for promotion of Bio-fertilizers in Janpad panchayat area and selection of beneficiaries with the help of departmental officials.

viii) Selection of site for construction work under GP and sending to Janpad panchayat through departmental officers. Maintenance of entrusted structure.

ix) Sending samples of soil of low production areas for testing to laboratories through departmental officers.

x) In the conditions of natural calamity, sending assessment of crops conditions to high level officers through departmental officers.

**5. Staff**

i) Control over Deputy Director, Agriculture and its subordinate staff engaged in extension and land conservation, agriculture and horticulture areas.

ii) Control of ZP subordinate staff of schemes and Assistant Horticulture at district level under Directorate.

**6. Budget**

Plan related budget of the district will be allocated to District level officers which will be spent by the departmental officers after approval of Agriculture Standing Committee of ZP. Panchayat Budget: head – 80, 82 and 15 will be under control of ZP.

## 7. Animal Husbandry Department
## (Letter No. 1285/35/1184/P.R./06 dated 26/06/2006)

1. **Activity of State Sector**

1) State Veterinary hospitals; 2) Mobile Veterinary hospitals; 3) All Disease Research laboratories; 4) Chicken Pox Eradication Scheme; 5) Assistant Veterinary Area Officer Training Centre; 6) Artificial Insemination Training centre; 7) Poultry Training Centre 8) Poultry project/Poultry live stock/Hatcheries; 9) Central Semen Laboratory 10) Institute of Animal Health and Biological production, 11) Liquid Nitrogen Plant 12) Muhkhuri Broad Unit; 13) Animal disease survey scheme; 14) Poultry Research Area 15) All types of animal breeding/poultry/piggery/goat/duck area; 16) Projects receiving foreign aid; 17) Centrally Sponsored Schemes; 18) Coordination with Veterinary Council 19) Coordination with Gou Seva Ayog

2. **Zila Panchayat**

1. Preparation of district level Integrated Action Plan combining development of animal husbandry, Poultry farming and dairying.
2. According sanction to Janpad level dispensaries.
3. Constitution of Cooperative federations for collection of milk, transport and promotion of dairying.
4. Identification and development of new milk demands.
5. Organizing milk promotion and animal husbandry training at district level.
6. According sanction to open new Veterinary dispensaries / hospitals. Arrangement of buildings and maintenance of buildings of veterinary hospitals.

3. **Janpad Panchayat**

- Control and supervision of veterinary hospitals
- Distribution of improved variety of fodder seeds
- Conducting training to farmers to apprise new techniques of animal husbandry
- Ensuring correct and timely payment to members of milk cooperative societies.
- Sanction of schemes related to development of grazing land
- Sanction of artificial breeding centres and veterinary hospitals
- Cooperation in the control of epidemic and infectious diseases.

4. **Gram Panchayat**

- Development programmes of live stock, poultry and other animal husbandry.
- Preparation of Action Plan of animal husbandry related schemes and selection of beneficiaries
- Construction and maintenance of artificial breeding centre

- Development of grazing land. Prevention of encroachment and misuse of grazing land.
- Arrangement of cattle fodder at the time of natural calamity
- Supervision of animal vaccination programme. Informing cattle owners and apprising to Janpad Panchayat about epidemics.
- Cooperation to small milk producers

5. **Staff**

- JP level all staff will function under control and administration of JP.
- District level all staff will function under control and administration of ZP.

6. **Budget**

- All Budget related to departments from ZP to JP.
- All Budget related to departments from State Government to ZP.

# 8. Fisheries Department
## (Letter No. 908/36/MP/PR/06 dated 30/11/2006)

1. **Activity of State Sector**

   1) Research work; 2) Training of Staff; 3) All activities related to Fish seed production; 4) Administration and Management of Fisheries and Fisheries Science Centre; 5) Implementation of Centre area and Centrally sponsored programmes receiving aid from Govt. Of India (except Fish Farmers Agency)

2. **Zila Panchayat**

   - Development and Managment of Water resources : Giving lease for fish development in ponds with an average area of more than 100 hectares to 200 hectares.
   - Sanction of loans and grants to Fishermen Cooperative Societies conducting fish culture training for fishermen
   - Organizing Study tour and training to apprise new techniques to fish farmers.
   - Under Fisheries Extension programme providing grants to SC & ST fishermen for ornamental fisheries and Jhinga culture
   - Implementation of schemes being implemented by Fish Farmers Development Agency.

3. **Janpad Panchayat**

   - Granting lease for fisheries in tanks with an average water spread of up to 10 hectares.
   - Collection of demand for fish seed and supply of fish seed.
   - Cooperation to Fishermen Cooperatives and individual fishermen for fish seed production and promotion.

4. **Gram Panchayat**

   - Granting lease for fisheries in tanks with an average water spread of up to 10 hectares.
   - Selection of beneficiaries for beneficiary oriented schemes and sending their names to Gram Panchayat.
   - Selection of beneficiaries for insurance and sending their names to department.

5. **Staff**

   - Janpad level all staff will be under administrative control of JP.
   - District level all staff will be under administrative control of ZP.

6. **Budget**

   - The programmes/projects has been transferred to PRIs hence their budget has been transferred under Budget head 80, 82 and 19.

## 9. Public Health Engineering Department
## (Letter No. 2125/F-1/06/34-2/04 dated 17/08/2006)

1. **Activity of State Sector**

   1) Selection of new borewells, 2) Construction of Piped Water Supply Schemes 3) Concept of hand pump water schemes; 4) Monitoring of Total Sanitation Drive and Swajaldhara; (4) Preparation and implementation of ground water promotion schemes.

2. **Zila Panchayat**

   i) Construction of wells and small water tanks

   ii) Construction of clean latrines.

   iii) Implementation of Total Sanitation Campaign

   iv) Construction of Sanitation campus in schools and Anganbadi centres

   v) Renovation of traditional water sources and purification, management of solid waste and drainage

3. **Janpad Panchayat**

   i) Identification of habitations having shortage of water. Identification of places on priority basis for exploration of water in the villages.

   ii) Collection of samples of drinking water and sending to laboratories for testing.

   i) Arrangement of transportation of water as per requirement in the villages.

   iv) Renovation of traditional water sources and purification of water.

   v) Management of Solid waste and drainage.

4. **Gram Panchayat**

   i) Identification of places for exploitation of drinking water, assessing expenditure and preparation of village level drinking water project and proposing in Gram Sabha.

   ii) Proposing large schemes for drinking water in rural areas.

   iii) Publicity and promotion of ground water and surface water management.

   iv) Time to time guidance to JP and GP in Total Sanitation Campaign.

5. **Staff**: Nil

6. **Budget**

   i) All budget from Zila Panchayat to Janpad panchayat.

   ii) District level budget received from State Govt. To Zila Panchayat.

## 10. Food & Civil Supply and Consumer Protection Deptt (Letter No. 1794/Khadya/2006 dated 13/06/2006)

1. **Activity of the State**

All works except the activities entrusted to gram panchyats.

2. **Zila Panchayat**

1) Review of public distribution system through vigilance committees
2) Printing of A.P.L. Ration cards and supplying to GP for distribution
3) Preparation of district level action plan.
4) Providing funds to JPs for allotment of working capital to identified agencies for running fair price shops.
5) Hearing of janpad level unresolved problems related to public distribution system through Vigilance committees and getting them resolved.
6) Sending unresolved cases to Food Department for resolving

3. **Janpad Panchayat**

1) Review of public distribution system through Vigilance committee
2) Public hearing of GP level unresolved problems related to public distribution system through Vigilance committee.
3) Allocation of working capital funds to identified agencies for running the fair price shops.
4) Compilation and Review of action plan received from GPs and preparation of Janpad level action plan.

3. **Gram Panchayat**

1) Assessing the requirement of fair price shops in the village and submitting proposal to competent officer.
2) Management of operation of fair price shops where the responsibility of running has been given to gram panchayat.
3) Supervision of operating fair price through vigilance committees. Identification of beneficiaries for beneficiary oriented schemes through Vigilance committees and ensuring benefits of the schemes to them.
4) Preparation and distribution of A.P.L. ration cards.
5) Distribution of B.P.L., Antodaya foodgrain schemes and Annapoorna scheme ration cards printed by Food department and issued by officer authorized by the Collector for distribution among eligible beneficiaries.
6) Annual eligibility checking of A.P.L., B.P.L. Antodaya food grain, and Annapoorna scheme ration cards through Gram Sabha.
7) Collection of applications related to the problems of fair price ration shops and resolving them through Vigilance Committees.
8) Establishment and management of Grain Banks.
9) Publicity and promotion of Consumer rights.
10) Formation of Consumer clubs in the schools.

5. **Staff :** Nil

6. **Budget**

1) The amount of working capital provided to run the fair price shops of the district is transferred to Zila Panchayat.
2) Providing amount (received) of working capital to fair price shops.

## 11. Sports & Youth Welfare Department
## (Letter No. 915/960/06/9 dated 27/11/2006)

1. **Activity of State Sector**

   i) To participate in Regional and State level sports competition and All India sports competition; ii) To participate in Regional and State level women sports competition and All India level Sports competition; (iii) To Conduct Regional and State level Khel Pratibha Khoj. ( Sports Talent Search) ; (iv) To coordinate the Regional and State training centres; v) All other departmental activities belonging to State sector.

2. **Zila Panchayat**
   - i) To conduct district level sports and games competitions,
   - ii) To promote new sports and athletes
   - iii) To conduct district level sports talent search and sending team in regional competitions.

3. **Janpad panchayat**
   - 1) To conduct block level rural sports and games *competitions*; Selection of sportsmen and sending them district level meet.
   - 2) To assess needs related to janpad level sports training and submission to ZP.

4. **Gram Panchayat**
   - 1) Development and maintenance of play ground.
   - 2) Organizing sports related programmes in the village.
   - 3) Preparation and implementation of action plan for increasing facilities for sports.

5. **Staff**

   District level staff to be under executive control of ZP for implementation of activites and programmes.

6. **Budget**

   JP and ZP level sanctioned budgets of schemes.

# 12. Energy Department

## (Letter No. 1614/13/ED/manchitran/2006 dated 07/07/2006)

1. **Activity of State Sector**
   - Rural Electricity and Energy

2. **Zila Panchayat**

   Collection of information relating to low voltage /power cut from Janpad Panchayat and presenting case to resolve before Electricity department.

3. **Janpad Panchayat**
   1) Collection of information relating to low voltage / power cut in agriculture season and sending it to Zila Panchayat for solution.
   2) Selection of land not suitable for cultivation for Jatrofa – sponge and plantation through beneficiaries

4. **Gram Panchayat**
   1) Assessment of requirement of electric pole and electric line for street light and submission of proposals to Electricity Board.
   2) Collection of application forms for connection of domestic use and forwarding them to Electricity Deptt.
   3) Information to the department about illegal connection and theft of electricity and efforts to check them.
   4) Information to Janpad Panchayat about low voltage and power cut in the villages in agriculture season.
   5) Involving participation of village people in the publicity & promotion of non-conventional energy sources organized by CREDA.
   6) CREDA sets up Solar power plant in villages for community light system. Helping CREDA to this regard.
   7) Publicity and promotion of CREDA scheme of Jetrofa plantation under which 500 plants are freely made available from CREDA Nursery.

5. **Staff** : Nil

6. **Budget** : Nil

## 13. Water Resources Department
## (Letter No. 4335/B-6/2997/Stha/31/06 dated 02/08/2007)

| Activity of State Sector | Details |
|---|---|
| 1. Minor Irrigation Schemes | Maintenance and management of minor irrigation projects below 40 hectares capacity handed over to Gram Panchayats. |
| 2. Water Management | Participatory Irrigation Management (PIM) Act 2006 has been enforced in the State.<br>Water Consumer bodies have been formed to ensure participation of farmers in water management.<br>Regular elections of water consumer bodies are held.<br>Water Consumer Bodies will look after management of irrigation in their respective areas. |

## 14. Panchayat & Rural Development Department
## (Rural RoadDevelopment Agency
## (Letter No. 12197/CGGRASVA/dated 20/10/2007)

1. **Activity of State**

   Development of Rural Roads.

2. **Zila Panchayat**
   1) Janpad level Rural Road schemes.
   2) District level Rural Road Scheme
   3) Core Network of Rural roads;
   4) Prioritisation of list of new road connectivity;
   5) Prioritisation of upgradation of roads.
   6) Preparation of Plan proposals;
   7) Fixation of alignment after selection of roads

3. **Janpad** : Nil
4. **Gram Panchayat** : Nil
5. **Staff** : Nil
6. **Budget** : Nil

# 15. Labour Department

## (Letter No. 222/73/2006/16 dated 28/1/2006)

**Activity of State**

Enforcement of Labour laws (Minimum Wages Act) and inspection of establishment.

**Gram Panchayat :**

Under the Minimum Wage Act 1948 all gram panchayat are appointed as inspectors regarding following scheduled employment ....

ii) Following is to be added in addition to serial no. 1 to 5 (tobacco factory, construction, brick furnace, cement tiles, stone cutting)

# Annexure 6.2

## Financial Provision made to PRIs by Line Departments for execution of functions devolved to them: 2008-09 to 2012-13

| Sl. No. | Line Department | Year | Demand No.80 | | | Demand No.820TSP & No.41 | Demand No.150SCP & No.64 | Grand Total (6+7+8) |
|---|---|---|---|---|---|---|---|---|
| | | | Non-Plan | Plan | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 | School Education | 2008-09 | 0 | 4500 | 4500 | 1 | 61 | 4562 |
| | | 2009-10 | 9550 | 11645 | 21195 | 0 | 95 | 21290 |
| | | 2010-11 | 15500 | 26672 | 42171.5 | 0 | 95 | 42266.5 |
| | | **Sub-Total** | **25050** | **42817** | 67866.5 | **1** | **251** | 68118.5 |
| | | 2011-12 | 29500 | 33150 | 62650 | 0 | 0 | 62650 |
| | | 2012-13 | 34000 | 40400 | 74400 | 0 | 0 | 74400 |
| 2 | Public Health & Family Welfare (Demand No.19 from 2011-12) | 2008-09 | 633 | 0 | 633 | 0 | 0 | 633 |
| | | 2009-10 | 698 | 0 | 698 | 0 | 0 | 698 |
| | | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | **Sub-Total** | **1331** | **0** | 1331 | **0** | 0 | 1331 |
| | | 2011-12 | 18579 | 7360 | 25939 | 11009 | 3044 | 39992 |
| | | 2012-13 | 19909 | 8964 | 28873 | 11616 | 3176 | 43665 |
| 3 | Public Health Engineering | 2008-09 | 955 | 850 | 1805 | 310 | 177.5 | 2292.5 |
| | | 2009-10 | 1050 | 1100 | 2150 | 382.5 | 222 | 2754.5 |
| | | 2010-11 | 700 | 1100 | 1800 | 497 | 222 | 2519 |
| | | **Sub-Total** | **2705** | **3050** | 5755 | **1189.5** | **621.5** | 7566 |
| | | 2011-12 | 1000 | 940 | 1940 | 495 | 222 | 2657 |
| | | 2012-13 | 1000 | 500 | 1500 | 65 | 0 | 1565 |
| 4 | Social Welfare | 2008-09 | 8800 | 3100 | 11900 | 2356 | 744 | 15000 |
| | | 2009-10 | 8800 | 5000 | 13800 | 3504 | 1170 | 18474 |
| | | 2010-11 | 10127.94 | 8090 | 18217.94 | 4370 | 1555.5 | 24143.44 |
| | | **Sub-Total** | **27727.94** | **16190** | 43917.94 | **10230** | **3469.5** | 57617.44 |
| | | 2011-12 | 15103 | 12273 | 27376 | 7191 | 2816 | 37383 |
| | | 2012-13 | 16000 | 11682 | 27682 | 6118 | 1997 | 35797 |
| 5 | Women & Child Welfare | 2008-09 | 8.72 | 100 | 108.72 | 11 | 31.47 | 151.19 |
| | | 2009-10 | 7.5 | 102.5 | 110 | 13 | 37.7 | 160.7 |
| | | 2010-11 | 7.5 | 103 | 110.5 | 13 | 37.7 | 161.2 |
| | | **Sub-Total** | **23.72** | **305.5** | 329.22 | **37** | **106.87** | 473.09 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Agriculture | 2008-09 | 0 | 0 | 0 | 695 | 730 | 1425 |
| | | 2009-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | **Sub-Total** | **0** | **0** | 0 | **695** | **730** | 1425 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 7 | Animal Husbandry | 2008-09 | 142 | 100 | 242 | 116.3 | 12 | 370.3 |
| | | 2009-10 | 142 | 125.5 | 267.5 | 67.5 | 12 | 347 |
| | | 2010-11 | 135 | 125.5 | 260.5 | 70 | 12 | 342.5 |
| | | **Sub-Total** | **419** | **351** | 770 | **253.8** | **36** | 1059.8 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | Fisheries | 2008-09 | 155 | 222.4 | 377.4 | 96.35 | 90.32 | 564.07 |
| | | 2009-10 | 158 | 397.4 | 555.4 | 145 | 190.45 | 890.85 |
| | | 2010-11 | 165 | 538.5 | 703.5 | 150.75 | 371.07 | 1225.32 |
| | | **Sub-Total** | **478** | **1158.3** | 1636.3 | **392.1** | **651.84** | 2680.24 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Village Industries | 2008-09 | 131 | 50 | 181 | 5.5 | 2 | 188.5 |
| | | 2009-10 | 141.25 | 47 | 188.25 | 0 | 0 | 188.25 |
| | | 2010-11 | 180.6 | 47 | 227.6 | 0 | 0 | 227.6 |
| | | **Sub-Total** | **452.85** | **144** | 596.85 | **5.5** | **2** | 604.35 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Tribal Welfare | 2008-09 | 0 | 0 | 0 | 18670.95 | 1716.95 | 20387.9 |
| | | 2009-10 | 0 | 0 | 0 | 35525 | 1896 | 37421 |
| | | 2010-11 | 0 | 0 | 0 | 48222 | 2076 | 50298 |
| | | **Sub-Total** | 0 | 0 | 0 | **102417.95** | **5688.95** | 108106.9 |
| | | 2011-12 | 0 | 0 | 0 | 39500 | 130 | 39630 |
| | | 2012-13 | 0 | 0 | 0 | 48000 | 115 | 48115 |
| 11 | Minerals | 2008-09 | 0 | 3862 | 3862 | 0 | 0 | 3862 |
| | | 2009-10 | 0 | 5775 | 5775 | 0 | 0 | 5775 |
| | | 2010-11 | 0 | 3163 | 3163 | 0 | 0 | 3163 |
| | | **Sub-Total** | 0 | **12800** | 12800 | 0 | 0 | 12800 |
| | | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | Panchayats & RD | 2008-09 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2009-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | **Sub-Total** | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2011-12 | 58154 | 28350 | 86504 | 41106 | 5402 | 133012 |
| | | 2012-13 | 65168 | 33100 | 98268 | 40992 | 5343 | 144603 |
| | **Grand Total** | **2008-09** | **10824.72** | **12784** | **23609.12** | **22262.1** | **3565.24** | **49436.46** |
| | | **2009-10** | **20546.75** | **24192** | **44739.15** | **39637** | **3623.15** | **87999.3** |
| | | **2010-11** | **26816.04** | **39839** | **66654.54** | **53322.75** | **4369.27** | **124346.6** |
| | | **Sub-Total** | **58187.51** | **76815** | **135002.8** | **115221.85** | **11557.66** | **261782.3** |
| | | **2011-12** | **122336** | **82073** | **204409** | **99301** | **11614** | **315324** |
| | | **2012-13** | **136077** | **94646** | **230723** | **106791** | **10631** | **348145** |

**Note :**

1) This Table does not cover the Centrally sponsored schemes being released by R. D. Department

# Annexure -7.1

## Percentage Share of Tax Revenue in the Total Receipts of SGPs : Annual Average - 2006-07 to 2010-11

| Sl. No. | District | Property Tax | | Tax on Pvt. Latrines | | Lighting Tax | | Profession Tax | | Water Rate | | Drainage Rate | | Vehicle Tax | | Scavenging Tax | | Others | | Total of Obligatory Taxes | | Total of Optional Taxes | | Grand Total | | Per Capita Tax Revenue (Rs.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | A | B | |
| 1 | Balod | 1741 | 0.16 | - | - | 2791 | 0.26 | 240 | 0.02 | 4919 | 0.45 | - | - | - | - | 15 | - | 14109 | 1.29 | 4772 | 0.44 | 19043 | 1.75 | 23815 | 2.19 | 12.99 |
| 2 | Balodabazar | 2313 | 0.25 | 33 | - | 191 | 0.02 | 271 | 0.03 | 1082 | 0.11 | - | - | 18 | - | - | - | 995 | 0.11 | 2808 | 0.29 | 2115 | 0.22 | 4923 | 0.51 | 2.16 |
| 3 | Balrampur | 7261 | 1.18 | 76 | 0.01 | 3 | - | 98 | 0.02 | - | - | 238 | 0.04 | 74 | 0.01 | 6 | - | - | - | 3437 | 1.21 | 318 | 0.05 | 3755 | 1.26 | 1.84 |
| 4 | Bastar | 4787 | 0.54 | - | - | - | - | 297 | 0.03 | 2743 | 0.31 | 876 | 0.1 | 48 | 0.01 | 2 | - | 1 | - | 5084 | 0.58 | 3669 | 0.42 | 8753 | .1 | 3.98 |
| 5 | Bemetara | 659 | 0.08 | 68 | 0.01 | 4080 | 0.52 | 33 | - | 967 | 0.12 | 116 | 0.01 | - | - | 22 | - | 320 | 0.04 | 4841 | 0.61 | 1425 | 0.18 | 6266 | 0.79 | 2.9 |
| 6 | Bijapur | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Bilaspur | 7279 | 0.67 | - | - | - | - | 155 | 0.01 | 568 | 0.05 | 1414 | 0.13 | - | - | - | - | 408 | 0.04 | 7435 | 0.69 | 2390 | 0.22 | 9825 | 0.91 | 4.1 |
| 8 | Dantewada | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Dhamtri | 1723 | 0.12 | 32 | - | 1566 | 0.11 | 449 | 0.03 | 5210 | 0.37 | - | - | - | - | 16 | - | 1862 | 0.13 | 3770 | 0.27 | 7088 | 0.5 | 10858 | 0.77 | 5.56 |
| 10 | Durg | 2 | - | - | - | 58 | - | 481 | 0.04 | 1061 | 0.09 | 82 | 0.01 | 27 | - | 140 | 0.01 | 2875 | 0.23 | 541 | 0.05 | 4185 | 0.34 | 4726 | 0.39 | 2.04 |
| 11 | Gariyaband | 2269 | 0.23 | 646 | 0.07 | 1951 | 0.2 | 824 | 0.08 | 3086 | 0.31 | 123 | 0.01 | - | - | 84 | 0.01 | 1846 | 0.19 | 5689 | 0.58 | 5139 | 0.52 | 10828 | 1.1 | 5.98 |
| 12 | Janjgir-Champa | 256 | 0.02 | - | - | - | - | 772 | 0.06 | 1111 | 0.09 | - | - | - | - | 89 | 0.01 | 11989 | 0.93 | 1027 | 0.08 | 13189 | 1.03 | 14216 | 1.11 | 5.87 |
| 13 | Jashpur | 2767 | 0.4 | 8 | - | 61 | 0.01 | 259 | 0.04 | | - | - | - | - | - | 16 | - | 12 | - | 3096 | 0.44 | 36 | 0.01 | 3132 | 0.45 | 1.66 |
| 14 | Kanker | 1815 | 0.09 | - | - | 3539 | 0.17 | 502 | 0.02 | 6569 | 0.32 | - | - | - | - | - | - | 302 | 0.01 | 5856 | 0.29 | 6871 | 0.34 | 12727 | 0.63 | 7.31 |
| 15 | Kawardha | 31 | - | - | - | 1 | - | 229 | 0.02 | 825 | 0.09 | - | - | - | - | - | - | 445 | 0.05 | 261 | 0.03 | 1270 | 0.14 | 1531 | 0.17 | 0.77 |
| 16 | Kondagoan | 6 | - | - | - | 27 | - | - | - | 240 | 0.01 | - | - | - | - | - | - | - | - | 6 | - | 240 | 0.01 | 246 | 0.01 | 0.12 |
| 17 | Korba | 21 | - | - | - | - | - | 125 | 0.01 | 63 | 0.01 | - | - | - | - | - | - | 135 | 0.02 | 173 | 0.02 | 198 | 0.02 | 371 | 0.04 | 0.17 |
| 18 | Koria | 45 | - | - | - | 332 | - | 1948 | 0.2 | 1156 | 0.12 | - | - | 7 | - | - | - | 363 | 0.04 | 1993 | 0.21 | 1526 | 0.16 | 3519 | 0.37 | 1.83 |
| 19 | Mahasamund | 1389 | 0.17 | 18 | - | 98 | 0.05 | 385 | 0.05 | 1668 | 0.2 | 20 | - | - | - | 1 | - | 1682 | 0.2 | 2125 | 0.25 | 3371 | 0.4 | 5496 | 0.65 | 2.96 |
| 20 | Mungeli | 1589 | 0.12 | 4357 | 0.32 | - | - | 63 | - | 1054 | 0.08 | 141 | - | 17 | - | 101 | 0.01 | 1384 | 0.1 | 6107 | 0.45 | 2570 | 0.19 | 8677 | 0.64 | 4.11 |
| 21 | Narayanapur | - | - | - | - | 29 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 22 | Raigarh | 2105 | 0.19 | 26 | - | 867 | - | 95 | 0.01 | 615 | 0.06 | 16 | - | - | - | 26 | - | 127 | 0.01 | 2255 | 0.2 | 784 | 0.07 | 3039 | 0.27 | 1.71 |
| 23 | Raipur | 1042 | 0.09 | 16 | - | 327 | 0.14 | 588 | 0.05 | 3162 | 0.27 | 19 | - | - | - | 90 | 0.01 | 39206 | 3.35 | 2513 | 0.22 | 42476 | 3.63 | 44989 | 3.85 | 19.85 |
| 24 | Rajnandgaon | 197 | 0.03 | 254 | 0.03 | - | - | 131 | 0.02 | 1780 | 0.23 | 3 | - | 96 | 0.01 | 2 | - | 1037 | 0.14 | 908 | 0.12 | 2919 | 0.38 | 3827 | 0.5 | 2.09 |
| 25 | Sarguja | 211 | 0.02 | 9 | - | - | - | - | - | 191 | 0.02 | - | - | - | - | - | - | 18 | - | 220 | 0.03 | 209 | 0.02 | 429 | 0.05 | 0.22 |
| 26 | Sukma | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | - |
| 27 | Surajpur | 73 | 0.01 | - | - | - | - | 368 | 0.03 | 1970 | 0.19 | - | - | - | - | - | - | 75 | 0.01 | 440 | 0.04 | 2045 | 0.19 | 2485 | 0.23 | 1.14 |
| | Total | 1712 | 0.16 | 185 | 0.02 | 605 | 0.06 | 314 | 0.03 | 1611 | 0.15 | 132 | 0.01 | 13 | - | 23 | - | 3398 | 0.32 | 2816 | 0.27 | 5178 | 0.48 | 7994 | 0.75 | 3.97 |

A: Annual Average Revenue per Sample GP (SGP) in Rupees.
B: Percentage Share in Total Receipts. Percentages may not always add up to 100 due to rounding error.
C: Tax on Persons Carrying on the profession of purchaser, agent, commission agent, etc. is however included in 'Others'

# Annexure -7.2

## Percentage Share of Non-Tax Revenue in the Total Receipts of SGPs: Annual Averages: 2006-07 to 2010-11

| Sl. No. | District | SGPs | | AAR per SGP | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. | Average Population | Market Fees | Reg. fee on Animals Sold | Rents | License Fees | Kanji House | Interest Receipts | Others | AAR per SGP | % |
| 1 | Balod | 79 | 1834 | 29604 | 478 | 1441 | - | - | 225 | 18506 | 50254 | 4.61 |
| 2 | Balodabazar | 100 | 2282 | 4999 | 3911 | 456 | - | 1033 | 182 | 5694 | 16275 | 1.73 |
| 3 | Balrampur | 68 | 2046 | 23 | 289 | 275 | 119 | 412 | 1446 | 1284 | 3849 | 0.62 |
| 4 | Bastar | 63 | 2202 | 26 | 10 | 96 | 96 | 265 | 9280 | 269 | 10042 | 1.13 |
| 5 | Bemethra | 67 | 2159 | 3872 | 203 | 353 | 14 | 1009 | 802 | 9239 | 5492 | 1.99 |
| 6 | Bijapur | 31 | 1437 | 217 | - | - | - | - | - | - | 217 | 0.03 |
| 7 | Bilaspur | 111 | 2418 | 1138 | 344 | 1198 | 62 | 418 | 209 | 2014 | 5383 | 0.5 |
| 8 | Dantewada | 23 | 1884 | - | - | - | - | - | - | - | - | - |
| 9 | Dhamtri | 67 | 1952 | 1940 | 468 | 627 | 4 | 295 | 707 | 5808 | 9849 | 0.69 |
| 10 | Durg | 53 | 2312 | 147 | 292 | 570 | 1387 | 1551 | 2175 | 9421 | 15548 | 1.24 |
| 11 | Gariyaband | 62 | 1808 | 1594 | 2521 | 84 | 7 | 193 | 251 | 6010 | 10659 | 1.09 |
| 12 | Jangir-Champa | 115 | 2423 | 13125 | 107 | 1792 | 31 | 447 | 1461 | 12805 | 29768 | 2.31 |
| 13 | Jashpur | 82 | 1888 | 1226 | 127 | 639 | 10 | 62 | 271 | 1332 | 3667 | 0.53 |
| 14 | Kanker | 77 | 1741 | 19 | 611 | 707 | 3213 | 554 | 1248 | 2525 | 8877 | 0.43 |
| 15 | Kawardha | 74 | 2002 | 4849 | 1374 | 12 | 275 | 1007 | 2597 | 2519 | 12633 | 1.36 |
| 16 | Kondagoan | 53 | 1979 | 76 | - | 68 | 13 | 38 | 2851 | 2823 | 5868 | 0.3 |
| 17 | Korba | 70 | 2160 | 7990 | 432 | 51 | 49 | 59 | 771 | 5284 | 14636 | 1.75 |
| 18 | Koria | 47 | 1922 | 24 | 219 | 74 | 34 | 232 | 1151 | 522 | 2256 | # |
| 19 | Mahasamund | 98 | 1858 | 1463 | 2564 | 97 | 13 | 469 | 1757 | 3998 | 10361 | 1.24 |
| 20 | Mungeli | 60 | 2113 | 16 | 374 | 423 | - | 821 | 995 | 1167 | 3796 | 0.28 |
| 21 | Narayanapur | 14 | 1711 | 1371 | - | - | - | - | - | - | 1371 | 0.08 |
| 22 | Raigarh | 140 | 1777 | 6932 | 116 | 514 | - | 109 | 1506 | 1384 | 10561 | 0.95 |
| 23 | Raipur | 78 | 2267 | 49996 | 5885 | 11382 | 335 | 622 | 543 | 16641 | 85405 | 7.29 |
| 24 | Rajnandgaon | 138 | 1828 | 15358 | 299 | 848 | 38 | 83 | 197 | 10070 | 26893 | 3.53 |
| 25 | Sarguja | 71 | 1981 | 28 | 1 | 37 | # | 68 | 195 | 243 | 615 | # |
| 26 | Sukma | 26 | 1680 | - | - | - | - | - | - | - | - | - |
| 27 | Surajpur | 78 | 1830 | 1858 | 2958 | 518 | 79 | 342 | 3781 | 4292 | 13828 | 1.32 |
| | **Total** | **1945** | **2014** | **6841** | **996** | **976** | **214** | **395** | **1302** | **5368** | **16092** | **1.5** |

Note:

AAR per SGP: Annual Average Revenue per Sample Gram Panchayat in Rupees.

%: Percentage share in Total Receipts. Percentages may not always add up to 100 due to rounding error.

# Annexure 7.3

## Annual Average Per Capita IRM, Total Receipts and Total Expenditure of SGPs : 2006-07 to 2010-11

| | | | | | Annual Average IRM of a SGP | | Annual Average Receipts of a SGP | | Annual Average Expenditure of a SGP | |
|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No | District | No. of SGPs | Average Population of a GP (2011) | Total Population of SGPs (2011) | Amount (Rs) | Per Capita (Rs.) | Amount (Rs.Lac) | Per Capita (Rs.) | Amount (Rs.Lac) | Per Capita (Rs.) |
| 1 | Balod | 79 | 1834 | 144886 | 74069 | 40.39 | 10.9 | 594 | 7.39 | 403 |
| 2 | Balodabazar | 100 | 2282 | 228200 | 21198 | 9.29 | 9.42 | 413 | 4.87 | 213 |
| 3 | Balrampur | 68 | 2046 | 139128 | 11603 | 6.75 | 6.17 | 302 | 6.75 | 330 |
| 4 | Bastar | 63 | 2202 | 138726 | 18795 | 8.54 | 8.8 | 400 | 4.33 | 197 |
| 5 | Bemethra | 67 | 2159 | 144653 | 21757 | 10.08 | 7.8 | 361 | 4.45 | 206 |
| 6 | Bijapur | 31 | 1437 | 44547 | 217 | 0.15 | 8.66 | 603 | 3.22 | 224 |
| 7 | Bilaspur | 111 | 2418 | 268398 | 15208 | 6.29 | 10.88 | 450 | 5.8 | 240 |
| 8 | Dantewada | 23 | 1884 | 43332 | 0 | 0 | 12.21 | 648 | 2.06 | 109 |
| 9 | Dhamtri | 67 | 1952 | 130784 | 20707 | 10.61 | 14.18 | 726 | 34.06 | 1745 |
| 10 | Durg | 53 | 2312 | 122536 | 20269 | 8.77 | 12.44 | 538 | 10.64 | 460 |
| 11 | Gariyaband | 62 | 1808 | 112096 | 21487 | 11.88 | 9.83 | 544 | 8.11 | 449 |
| 12 | Jangir-Champa | 115 | 2423 | 278645 | 43984 | 18.15 | 12.84 | 530 | 8.14 | 336 |
| 13 | Jashpur | 82 | 1888 | 154816 | 6798 | 3.6 | 6.97 | 369 | 3.22 | 171 |
| 14 | Kanker | 77 | 1741 | 134057 | 21604 | 12.41 | 20.3 | 1166 | 11.99 | 689 |
| 15 | Kawardha | 74 | 2002 | 148148 | 14164 | 7.07 | 9.31 | 465 | 5.49 | 274 |
| 16 | Kondagoan | 53 | 1979 | 104887 | 6114 | 3.09 | 19.06 | 963 | 10.59 | 535 |
| 17 | Korba | 70 | 2160 | 151200 | 15007 | 6.95 | 8.39 | 388 | 22.84 | 10574 |
| 18 | Koria | 47 | 1922 | 90334 | 5774 | 3 | 9.74 | 507 | 3.57 | 186 |
| 19 | Mahasamund | 98 | 1858 | 182084 | 15856 | 8.53 | 8.38 | 451 | 5.99 | 322 |
| 20 | Mungeli | 60 | 2113 | 126780 | 12473 | 5.9 | 13.62 | 644 | 2.3 | 109 |
| 21 | Narayanapur | 14 | 1711 | 23954 | 1371 | 0.8 | 16.57 | 969 | 3.6 | 210 |
| 22 | Raigarh | 140 | 1777 | 248780 | 13600 | 7.65 | 11.15 | 627 | 9.84 | 554 |
| 23 | Raipur | 78 | 2267 | 176826 | 130394 | 57.52 | 11.71 | 516 | 5.03 | 222 |
| 24 | Rajnandgaon | 138 | 1828 | 252264 | 30721 | 16.81 | 7.61 | 416 | 4.63 | 253 |
| 25 | Sarguja | 71 | 1981 | 140651 | 1044 | 0.53 | 8.91 | 450 | 0.84 | 42 |
| 26 | Sukma | 26 | 1680 | 43680 | 0 | 0 | 11.69 | 696 | 7.09 | 422 |
| 27 | Surajpur | 78 | 1830 | 142740 | 16314 | 8.91 | 10.6 | 579 | 5.71 | 312 |
| | **Total** | **1945** | **2014** | **39,17,230** | **24085** | **11.96** | **10.69** | **531** | **7.78** | **386** |

# Annexure 7.4
## Contribution of Components of IRM to Tax Revenue, IRM, Total Receipts and Component wise Per Capita Revenue of GPs

| SL No. | Component of IRM | Annual Average Revenue per SGP | | | | Annual Average Revenue for all GPs in the State | | | | Per Capita (Rs.) (2011 Rural Population) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount (Rs.) | % in Total Tax / Non-Tax Revenue | % in Total IRM | % in Total Receipts | Amount (Rs. Lakh) | % in Total Tax / Non-Tax Revenue | % in Total IRM | % in Total Receipts | |
| I | TAX REVENUE | | | | | | | | | |
| A | Obligatory Taxes | | | | | | | | | |
| 1 | Property Tax | 1712 | 21.42 | 7.11 | 0.16 | 166.65 | 21.42 | 7.11 | 0.16 | 0.85 |
| 2 | Tax on Private Latrines | 185 | 2.31 | 0.77 | 0.02 | 18.01 | 2.31 | 0.77 | 0.02 | 0.09 |
| 3 | Lighting Tax | 605 | 7.57 | 2.51 | 0.06 | 58.89 | 7.57 | 2.51 | 0.06 | 0.3 |
| 4 | Profession Tax | 314 | 3.93 | 1.3 | 0.03 | 30.56 | 3.93 | 1.3 | 0.03 | 0.16 |
| | **Sub-Total : I-A** | **2816** | **35.23** | **11.69** | **0.27** | **274.11** | **35.23** | **11.69** | **0.27** | **1.4** |
| B | Optional Taxes | | | | | | | | | |
| 5 | Water Rate | 1611 | 20.16 | 6.69 | 0.15 | 156.81 | 20.16 | 6.69 | 0.15 | 0.8 |
| 6 | Drainage Rate | 132 | 1.65 | 0.55 | 0.01 | 12.85 | 1.65 | 0.55 | 0.01 | 0.07 |
| 7 | Vehicle Tax | 13 | 0.16 | 0.05 | t | 1.27 | 0.15 | 0.05 | T | t |
| 8 | Scavenging Tax | 23 | 0.29 | 0.1 | t | 2.24 | 0.29 | 0.1 | T | 0.01 |
| 9 | Others | 3398 | 42.51 | 14.11 | 0.32 | 330.76 | 42.51 | 14.11 | 0.32 | 1.69 |
| | **Sub-Total : I-B** | **5177** | **64.77** | **21.5** | **0.48** | **503.93** | **64.77** | **21.5** | **0.48** | **2.57** |
| | **Total Tax Revenue** | **7993** | **100** | **33.19** | **0.75** | **778.04** | **100** | **33.19** | **0.75** | **3.97** |
| II | NON-TAX REVENUE | | | | | | | | | |
| A | Obligatory Non-taxes | | | | | | | | | |
| 1 | Market Fees | 6841 | 42.51 | 28.4 | 0.64 | 665.9 | 42.51 | 28.4 | 0.64 | 3.4 |
| 2 | Registration of Animals | 996 | 6.19 | 4.14 | 0.09 | 96.95 | 6.19 | 4.14 | 0.09 | 0.49 |
| | **Sub-Total : II-A** | **7837** | **48.7** | **32.54** | **0.73** | **762.85** | **48.7** | **32.54** | **0.73** | **3.89** |
| B | Optional Non-taxes | | | | | | | | | |
| 3 | Rental Receipts | 976 | 6.07 | 4.05 | 0.09 | 95 | 6.07 | 4.05 | 0.09 | 0.48 |
| 4 | Licence Fees | 214 | 1.33 | 0.89 | 0.02 | 20.83 | 1.33 | 0.89 | 0.02 | 0.1 |
| 5 | Kanji House Penalties | 395 | 2.45 | 1.64 | 0.04 | 38.45 | 2.45 | 1.64 | 0.04 | 0.2 |
| 6 | Interest Receipts | 1302 | 8.09 | 5.4 | 0.12 | 126.74 | 8.09 | 5.4 | 0.12 | 0.65 |
| 7 | Others | 5368 | 33.36 | 22.29 | 0.5 | 522.52 | 33.36 | 22.29 | 0.5 | 2.67 |
| | **Sub-Total : II-B** | **8255** | **51.3** | **34.27** | **0.77** | **803.54** | **51.3** | **34.27** | **0.77** | **4.1** |
| | **Total Non-Tax Revenue** | **16092** | **100** | **66.81** | **1.5** | **1566.39** | **100** | **66.81** | **1.5** | **7.99** |
| | **Grand Total of IRM** | **24085** | **-** | **100** | **2.25** | **2344.43** | **-** | **100** | **2.25** | **11.96** |

**Note:** Percentage totals may not always add up to 100 due to rounding error

# Annexure 7.5

## Broad Components of Total Receipts of a Sample GP: Annual Averages for 2006-07 to 2010-11: District-wise

| Sl. No. | District | Internal Revenue Mobilisation (Rs.) | | | Total Assigned Revenues + State and Central Grants (Rs.) | Total Receipts (Rs. Lakh) |
|---|---|---|---|---|---|---|
| | | Tax | Non-Tax | Total | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Balod | 23815 | 50254 | 74069 | 1015931 | 10.9 |
| 2 | Balod Bazaar | 4923 | 16275 | 21198 | 920802 | 9.42 |
| 3 | Balrampur | 3755 | 3849 | 7604 | 609396 | 6.17 |
| 4 | Bastar | 8753 | 10042 | 18795 | 861205 | 8.8 |
| 5 | Bemetara | 6266 | 5492 | 11758 | 768242 | 7.8 |
| 6 | Bijapur | - | 217 | 217 | 865783 | 8.66 |
| 7 | Bilaspur | 9925 | 5383 | 15308 | 1072692 | 10.88 |
| 8 | Dantewada | - | - | - | 1221000 | 12.21 |
| 9 | Dhamtari | 10858 | 9849 | 20707 | 1397293 | 14.18 |
| 10 | Durg | 4726 | 15548 | 20274 | 1223726 | 12.44 |
| 11 | Gariyaband | 10828 | 10659 | 21487 | 961513 | 9.83 |
| 12 | Janjigir-Champa | 14216 | 29768 | 43984 | 1240016 | 12.84 |
| 13 | Jashpur | 3132 | 3667 | 6799 | 690201 | 6.97 |
| 14 | Kanker | 12727 | 8877 | 21604 | 2008396 | 20.3 |
| 15 | Kawardha | 1531 | 12633 | 14164 | 916836 | 9.31 |
| 16 | Kondagaon | 246 | 5868 | 6114 | 1899886 | 19.06 |
| 17 | Korba | 371 | 14636 | 15007 | 823993 | 8.39 |
| 18 | Koriya | 3519 | 2256 | 5775 | 968225 | 9.74 |
| 19 | Mahasamund | 5496 | 10361 | 15857 | 822143 | 8.38 |
| 20 | Mungeli | 8677 | 3796 | 12473 | 1349527 | 13.62 |
| 21 | Narayanapur | - | 1371 | 1371 | 1655629 | 16.57 |
| 22 | Raigarh | 3039 | 10561 | 13600 | 1101400 | 11.15 |
| 23 | Raipur | 44989 | 85405 | 130394 | 1040606 | 11.71 |
| 24 | Rajnandgaon | 3827 | 26893 | 30720 | 730280 | 7.61 |
| 25 | Sarguja | 429 | 615 | 1044 | 889956 | 8.91 |
| 26 | Sukma | - | - | - | 1169000 | 11.69 |
| 27 | Surajpur | 2085 | 13828 | 15913 | 1044087 | 10.6 |
| | Total Average | 7993 | 16092 | 24085 | 1044915 | 10.69 |
| | % | 0.75 | 1.5 | 2.25 | 97.75 | 100 |

**Note:** Percentage totals may not always add up to 100 due to rounding error.

# Annexure 7.6

## Broad Components of Total Receipts of 9734 GPs in Chhattisgarh: Projected Annual Averages for 2006-07 to 2010-11 : District-wise

| Sl. No. | District | Total No. of GPs | Internal Revenue Mobilisation ( Rs.Crore ) | | | | | | Assigned Revenue + Grants (Rs. Crore) | | Grand Total Receipts (Rs. Crore) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Tax | % | Non-Tax | % | Total | % | Total | % | Amount | % |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1 | Balod | 393 | 0.94 | 2.19 | 1.98 | 4.62 | 2.92 | 6.81 | 39.93 | 93.19 | 42.85 | 100 |
| 2 | Balod Bazaar | 499 | 0.25 | 0.53 | 0.81 | 1.72 | 1.06 | 2.25 | 45.95 | 97.75 | 47.01 | 100 |
| 3 | Balrampur | 340 | 0.13 | 0.62 | 0.13 | 0.62 | 0.26 | 1.24 | 20.72 | 98.76 | 20.98 | 100 |
| 4 | Bastar | 317 | 0.28 | 1 | 0.32 | 1.15 | 0.6 | 2.15 | 27.3 | 97.85 | 27.9 | 100 |
| 5 | Bemetara | 334 | 0.21 | 0.81 | 0.18 | 0.69 | 0.39 | 1.5 | 25.66 | 98.5 | 26.05 | 100 |
| 6 | Bijapur | 157 | - | - | - | - | - | - | 13.59 | 100 | 13.59 | 100 |
| 7 | Bilaspur | 557 | 0.55 | 0.91 | 0.3 | 0.49 | 0.85 | 1.4 | 59.75 | 98.6 | 60.6 | 100 |
| 8 | Dantewada | 114 | - | - | - | - | - | - | 13.92 | 100 | 13.92 | 100 |
| 9 | Dhamtari | 333 | 0.36 | 0.76 | 0.33 | 0.7 | 0.69 | 1.46 | 46.53 | 98.54 | 47.22 | 100 |
| 10 | Durg | 267 | 0.13 | 0.39 | 0.42 | 1.26 | 0.55 | 1.65 | 32.67 | 98.35 | 33.22 | 100 |
| 11 | Gariyaband | 308 | 0.33 | 1.09 | 0.33 | 1.09 | 0.66 | 2.18 | 29.61 | 97.82 | 30.27 | 100 |
| 12 | Janjgir-Champa | 576 | 0.82 | 1.11 | 1.72 | 2.32 | 2.54 | 3.43 | 71.42 | 96.57 | 73.96 | 100 |
| 13 | Jashpur | 411 | 0.13 | 0.45 | 0.15 | 0.52 | 0.28 | 0.97 | 28.37 | 99.03 | 28.65 | 100 |
| 14 | Kanker | 386 | 0.49 | 0.62 | 0.34 | 0.43 | 0.83 | 1.05 | 77.52 | 98.95 | 78.35 | 100 |
| 15 | Kawardha | 367 | 0.06 | 0.17 | 0.46 | 1.35 | 0.52 | 1.52 | 33.65 | 98.48 | 34.17 | 100 |
| 16 | Kondagaon | 263 | 0.01 | 0.02 | 0.15 | 0.3 | 0.16 | 0.32 | 49.97 | 99.68 | 50.13 | 100 |
| 17 | Korba | 352 | 0.01 | 0.03 | 0.52 | 1.76 | 0.53 | 1.79 | 29 | 98.21 | 29.53 | 100 |
| 18 | Koriya | 236 | 0.08 | 0.35 | 0.05 | 0.22 | 0.13 | 0.57 | 22.85 | 99.43 | 22.98 | 100 |
| 19 | Mahasamund | 491 | 0.27 | 0.66 | 0.51 | 1.24 | 0.78 | 1.9 | 40.37 | 98.1 | 41.15 | 100 |
| 20 | Mungeli | 301 | 0.26 | 0.63 | 0.11 | 0.27 | 0.37 | 0.9 | 40.62 | 99.1 | 40.99 | 100 |
| 21 | Narayanapur | 69 | - | - | 0.01 | 0.09 | 0.01 | 0.09 | 11.42 | 99.91 | 11.43 | 100 |
| 22 | Raigarh | 702 | 0.21 | 0.27 | 0.74 | 0.94 | 0.95 | 1.21 | 77.32 | 98.79 | 78.27 | 100 |
| 23 | Raipur | 390 | 1.76 | 3.85 | 3.33 | 7.29 | 5.09 | 11.14 | 40.58 | 88.86 | 45.67 | 100 |
| 24 | Rajnandgaon | 692 | 0.27 | 0.51 | 1.86 | 3.53 | 2.13 | 4.04 | 5054 | 95.96 | 52.67 | 100 |
| 25 | Sarguja | 355 | 0.02 | 0.06 | 0.02 | 0.06 | 0.04 | 0.12 | 31.59 | 99.88 | 31.63 | 100 |
| 26 | Sukma | 132 | - | - | - | - | - | - | 15.43 | 100 | 15.43 | 100 |
| 27 | Surajpur | 392 | 0.08 | 0.19 | 0.54 | 1.3 | 0.62 | 1.49 | 40.93 | 98.51 | 41.55 | 100 |
| | Total Average | 9734 | 7.78 | 0.75* | 15.66 | 1.50* | 23.44 | 2.25* | 1017.1 | 97.75 | 1040.56 | 100 |

*** All District Average**

**Note :** Percentage totals may not always add up to 100 due to rounding error

# Annexure 7.7

## Internal Revenue Mobilisation by Sample JPs: Annual Average for 2006-07 to 2010-11

(Revenue in Rs. lakh)

| Sl. No. | District | No. of SJPs | Population covered | | A.Average | Annual Average Non-Tax Revenue per SJP | | | | | | | Total IRM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | By a JP in the district | By the selected SJPs | Theatre Tax per SJP | License Fee | Income from JP Assets | Ferry Rents | Market Fees | Fairs | Others | Total Non-tax Revenue | (6+13) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 1. | Balod | 4 | 144139 | 576556 | - | - | 0.22 | - | - | - | 0.52 | 0.74 | 0.74 |
| 2. | Balod Bazaar | 6 | 189788 | 1138728 | 0.21 | - | 0.01 | 1.25 | - | 0.18 | 0.25 | 1.69 | 1.9 |
| 3. | Bastar | 5 | 99705 | 498525 | 0.06 | - | 0.18 | t | 0.03 | - | 0.04 | 0.25 | 0.31 |
| 4. | Bemethra | 1 | 180269 | 180269 | - | - | 1.16 | 0.15 | - | - | 0.27 | 1.58 | 1.58 |
| 5. | Bijapur | 2 | 56398 | 112796 | 0.02 | - | 1.27 | 0.3 | - | 0.01 | 0.05 | 1.63 | 1.65 |
| 6. | Dantewada | 1 | 53708 | 53708 | 1.4 | - | - | - | - | - | 0.24 | 0.24 | 1.64 |
| 7. | Dhamtari | 3 | 162511 | 487533 | 0.01 | - | - | 0.61 | 0.53 | - | 4.05 | 5.19 | 5.2 |
| 8. | Durg | 2 | 205728 | 411456 | - | - | - | 0.17 | - | 0.07 | 0.23 | 0.47 | 0.47 |
| 9. | Janjigir-Champa | 2 | 155048 | 310096 | - | - | - | 1.62 | - | 18.41 | 0.04 | 20.07 | 20.07 |
| 10. | Jashpur | 3 | 97002 | 291006 | - | - | - | - | - | 0.11 | 0.07 | 0.18 | 0.18 |
| 11. | Kanker | 5 | 95976 | 479880 | - | - | 0.15 | 0.02 | - | 0.14 | - | 0.31 | 0.31 |
| 12. | Kawardha | 2 | 183724 | 367448 | - | - | 4.37 | - | - | 0.03 | - | 4.4 | 4.4 |
| 13. | Kondagaon | 4 | 104076 | 416304 | 0.08 | 0.04 | 0.08 | - | 0.01 | 0.13 | 1 | 1.26 | 1.34 |
| 14. | Korba | 1 | 152072 | 152072 | - | - | - | - | - | - | 2.6 | 2.6 | 2.6 |
| 15. | Koriya | 5 | 90695 | 453475 | - | - | - | - | 0.52 | 0.04 | 0.18 | 0.74 | 0.74 |
| 16. | Mahasamund | 1 | 182433 | 182433 | - | - | - | 0.17 | - | 0.05 | - | 0.22 | 0.22 |
| 17. | Mungeli* | 2 | 212054 | 424108 | - | - | 0.29 | 0.26 | - | 0.16 | 0.55 | 1.26 | 1.26 |
| 18. | Raigarh | 1 | 138594 | 138594 | - | - | 0.11 | 0.44 | - | - | 0.04 | 0.59 | 0.59 |
| 19. | Raipur | 4 | 221059 | 884236 | - | - | - | 0.22 | - | 0.04 | 0.73 | 0.99 | 0.99 |
| 20. | Rajnandgaon | 5 | 140553 | 702765 | - | - | 0.42 | - | - | - | 0.89 | 1.31 | 1.31 |
| 21. | Sarguja | 3 | 100471 | 301413 | - | - | - | - | - | 0.01 | 10.77 | 10.78 | 10.78 |
| 22. | Surajpur | 4 | 119573 | 478292 | - | 0.09 | 0.01 | 0.06 | - | 0.01 | 0.07 | 0.24 | 0,24 |
| | Average per | 66 | 147682 | 9746976* | 0.05 | 0.01 | 0.28 | 0.24 | 0.07 | 0.61 | 1 | 2.2 | 2.25 |

* Total rural population covered by 66 SJPs (2011)

Note: 1. Districts of Balrampur, Bilaspur, Gariabad, Narayanapur and Sukma are not represented in this Table as the JPs did not furnish the details of their IRM. in the format prescribed / in properly classified manner.

2. Average figures do not always add up to Grand Total due to rounding error.

## Annexure 7.8

## Projection of Receipts of Obligatory Levies of the State

| | Property Tax | | Tax on Pvt. Latrines | | Lighting Tax | | Trade Tax | | Market Fees | | Reg. Fee on Animal Sold | | Total of Obligatory Levies |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | Per GPs |
| No. of GPs | 831 | 6296 | 34 | 2762 | 358 | 5446 | 342 | 3403 | 843 | 31045 | 656 | 9911 | **58,863** |
| Projection for 9734 GPs of the state | 9734 | 61289383 | 9734 | 26881682 | 9734 | 5.3E+07 | 9734 | 33124470 | 9734 | 3.02E+08 | 9734 | 96473892 | For 9734 GPs |
| Per. of SGPs imposing tax out of 5492 Sample Panchayats | 15.1 | | 0.6 | | 6.5 | | 6.2 | | 15.3 | | 11.9 | | **57,29,74,459** |
| Projected number of GPs out of 9734 GPs of the state who would have imposed particular tax | 1473 | | 60 | | 635 | | 606 | | 1494 | | 1163 | | |

**A: GPs who have imposed particular tax out of 5492 Sample Panchayats**
**B: Average Annual Yield**

# Annexure 8.1
## Grants received under Select Central Schemes Implemented by PRIs : 2008-09 to 2010-11

(Rs. Lakh)

| Year | MGNREGA | | | | SGSY | | | | IAY | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Centre | State | Total Funds Available* | Expenditure | Centre | State | Total Funds Available | Expenditure | Centre | State | Total Funds Available | Expenditure |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 2008-09 | 163217 | 18269 | 197352 | 143442 | 5304 | 1803 | 7545 | 6919 | 7640 | 2457 | 13187 | 12668 |
| 2009-10 | 81489 | 9140 | 161734 | 130374 | 6314 | 2111 | 8935 | 7977 | 20806 | 7932 | 32277 | 28748 |
| 2010-11 | 168505 | 18368 | 223309 | 163398 | 6012 | 2115 | 9101 | 8560 | 13200 | 3986 | 21974 | 19632 |
| **Total** | **413211** | **45777** | **582395** | **437214** | **17630** | **6029** | **25581** | **23456** | **41646** | **14375** | **67438** | **61048** |
| Annual Average | 137737 | 15259 | 194131.67 | 145738 | 5876.67 | 2009.67 | 8527 | 7818.67 | 13882 | 4791.67 | 22479.33 | 20349.33 |

Contd...

| Year | PMGSY | | | | RSVY / BRGF | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Centre | State | Total Funds Available | Expenditure | Centre | State | Total Funds Available | Expenditure | Centre | State | Total Funds Available* | Expenditure |
| 2008-09 | 93112 | - | 93112 | 86326 | 19245 | - | 19245 | 19245 | 288518 | 22529 | 330441 | 268600 |
| 2009-10 | 51012 | - | 51012 | 80455 | 20760 | - | 20760 | 20760 | 180381 | 19183 | 274718 | 268314 |
| 2010-11 | 67858 | - | 67858 | 30467 | 26336 | - | 26336 | 26336 | 281911 | 24469 | 348578 | 248393 |
| **Total** | **211982** | | **211982** | **197248** | **66341** | - | **66341** | **66341** | **750810** | **66181** | **653737** | **785307** |
| Annual Average | **70660.67** | - | **70660.67** | **65749.33** | **22113.67** | - | **22113.67** | **22113.67** | **250270** | **22060.33** | **217912.33** | **261769** |

* includes unspent funds available at the beginning of the fiscal year

**Note:** Data in respect of other CSS/ACA like CRSP, IAP, RGSY, Nal Jal Yojana, NSAP, etc., are not readily available.

# Annexure 9.1

## Composition of Total Expenditure of a SGP during 2006-07 to 2010-11: Annual Averages

(Rs. Lakh)

| Sl. No. | District | Establishment & Admn. | | Civic Services | | Maintenance of Assets | | State-Sponsored Schemes | | Centrally-sponsored schemes | | Welfare | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Amt. | % |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 1 | Balod | 0.16 | 2.72 | 1.09 | 18.54 | 0.3 | 5.1 | 0.12 | 2.04 | 2.39 | 40.65 | 1.19 | 20.24 | 0.63 | 10.71 | **5.88** | 100 |
| 2 | Balod Bazaar | 0.11 | 2.39 | 0.8 | 17.39 | 0.59 | 12.83 | 0.67 | 14.57 | 1.08 | 23.48 | 0.93 | 20.22 | 0.42 | 9.13 | **4.6** | 100 |
| 3 | Balrampur | 1.42 | 21.07 | 0.93 | 13.8 | 1.02 | 15.13 | 1.08 | 16.02 | 1.86 | 27.6 | 0.4 | 5.93 | 0.03 | 0.45 | **6.74** | 100 |
| 4 | Bastar | 0.06 | 1.39 | 0.99 | 22.97 | 0.82 | 19.03 | 1.02 | 23.67 | 0.93 | 21.58 | 0.32 | 7.42 | 0.17 | 3.94 | **4.31** | 100 |
| 5 | Bemetara | 0.58 | 14.25 | 1.09 | 26.78 | 0.29 | 7.13 | 0.23 | 5.65 | 0.78 | 19.16 | 0.67 | 16.46 | 0.43 | 10.57 | **4.07** | 100 |
| 6 | Bijapur | 0.2 | 7.94 | 1.7 | 67.46 | 0.07 | 2.78 | - | - | 0.55 | 21.83 | - | - | - | - | **2.52** | 100 |
| 7 | Bilaspur | 0.14 | 2.66 | 1 | 18.98 | 0.16 | 3.04 | 1.08 | 20.49 | 0.87 | 16.51 | 0.47 | 8.92 | 1.55 | 29.41 | **5.27** | 100 |
| 8 | Dantewada | 0.13 | 6.37 | 0.18 | 8.82 | 0.37 | 18.14 | - | - | 0.31 | 15.2 | 0.42 | 20.59 | 0.63 | 30.88 | **2.04** | 100 |
| 9 | Dhamtari | 0.19 | 0.66 | 24.7 | 85.59 | 0.15 | 0.52 | 0.37 | 1.28 | 2.38 | 8.25 | 0.92 | 3.19 | 0.15 | 0.52 | **28.86** | 100 |
| 10 | Durg | 0.09 | 1.48 | 1.51 | 24.79 | 0.57 | 9.36 | 0.87 | 14.29 | 1.02 | 16.75 | 1.87 | 30.71 | 0.16 | 2.63 | **6.09** | 100 |
| 11 | Gariyaband | 0.97 | 13.42 | 0.89 | 12.31 | 0.46 | 6.36 | 0.96 | 13.28 | 2.03 | 28.08 | 1.33 | 18.4 | 0.59 | 8.16 | **7.23** | 100 |
| 12 | Janjigir-Champa | 0.16 | 2.25 | 2.53 | 35.53 | 0.59 | 8.29 | 0.76 | 10.67 | 1.3 | 18.26 | 1.33 | 18.68 | 0.45 | 6.32 | **7.12** | 100 |
| 13 | Jashpur | 0.31 | 10.06 | 0.64 | 20.78 | 0.26 | 8.44 | 0.15 | 4.87 | 1.19 | 38.64 | 0.26 | 8.44 | 0.27 | 8.77 | **3.08** | 100 |
| 14 | Kanker | 0.11 | 0.92 | 0.86 | 7.18 | 0.53 | 4.43 | 1.25 | 10.44 | 2.57 | 21.47 | 6.5 | 54.3 | 0.15 | 1.25 | **11.97** | 100 |
| 15 | Kawardha | 0.08 | 1.53 | 0.82 | 15.65 | 0.75 | 14.31 | 1.15 | 21.95 | 1.18 | 22.52 | 0.49 | 9.35 | 0.77 | 14.69 | **5.24** | 100 |
| 16 | Kondagaon | 1.39 | 13.14 | 0.78 | 7.37 | 1.66 | 15.69 | 4.8 | 45.37 | 1.5 | 14.18 | 0.29 | 2.74 | 0.16 | 1.51 | **10.58** | 100 |
| 17 | Korba | 0.53 | 2.35 | 0.53 | 2.35 | 0.29 | 1.29 | 0.08 | 0.36 | 0.76 | 3.37 | 0.55 | 2.44 | 19.78 | 87.83 | **22.52** | 100 |
| 18 | Koriya | 0.21 | 5.9 | 0.35 | 9.83 | 0.15 | 4.21 | 1.07 | 30.06 | 1.68 | 47.19 | 0.07 | 1.97 | 0.03 | 0.84 | **3.56** | 100 |
| 19 | Mahasamund | 0.05 | 0.98 | 0.89 | 17.38 | 0.49 | 9.57 | 1.31 | 25.59 | 0.7 | 13.67 | 1.43 | 27.93 | 0.25 | 4.88 | **5.12** | 100 |
| 20 | Mungeli | 0.07 | 3.4 | 0.72 | 34.95 | 0.11 | 5.34 | 0.2 | 9.71 | 0.7 | 33.98 | 0.05 | 2.43 | 0.21 | 10.19 | **2.06** | 100 |
| 21 | Narayanapur | - | - | 2.08 | 62.65 | 0.7 | 21.08 | 0.03 | 0.9 | - | - | 0.46 | 13.86 | 0.05 | 1.51 | **3.32** | 100 |
| 22 | Raigarh | 0.06 | 1.37 | 1.13 | 25.86 | 0.54 | 12.36 | 0.18 | 4.12 | 1.07 | 24.49 | 0.8 | 18.31 | 0.59 | 13.5 | **4.37** | 100 |
| 23 | Raipur | 0.97 | 13.62 | 1.9 | 26.69 | 0.37 | 5.2 | 0.61 | 8.57 | 1.55 | 21.77 | 1.03 | 14.47 | 0.69 | 9.69 | **7.12** | 100 |
| 24 | Rajnandgaon | 0.32 | 8 | 0.82 | 20.5 | 0.25 | 6.25 | 0.2 | 5 | 1.17 | 29.25 | 0.63 | 15.75 | 0.61 | 15.25 | **4** | 100 |
| 25 | Sarguja | 0.02 | 2.35 | 0.27 | 31.76 | 0.34 | 40 | 0.06 | 7.06 | 0.14 | 16.47 | - | - | 0.02 | 2.35 | **0.85** | 100 |
| 26 | Sukma | 0.46 | 8.32 | 0.33 | 5.97 | 0.22 | 3.98 | - | - | 3.11 | 56.24 | 0.05 | 0.9 | 1.36 | 24.59 | **5.53** | 100 |
| 27 | Surajpur | 0.29 | 4.88 | 1.34 | 22.56 | 0.71 | 11.95 | 1.64 | 27.61 | 1.44 | 24.24 | 0.31 | 5.22 | 0.21 | 3.54 | **5.94** | 100 |
| | **Total** | **0.32** | **4.65** | **2** | **29.07** | **0.47** | **6.83** | **0.74** | **10.76** | **1.28** | **18.6** | **0.93** | **13.52** | **1.14** | **16.57** | **6.88** | **100** |

# Annexure 9.2

## Composition of Expenditure of a SGP on Basic Civic Services: Annual Averages for 2006-07 to 2010-11

**(Rs. Lakh)**

| Sl. No. | District | Water Supply | | | Street Lighting | | | Sanitation & Drainage | | | Solid Wast Disposal | | | Roads | | | Total Civic Expenditure | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | O&M | Capital | Total | O&M | Capital | Total | O&M | Capital | Total | O&M | Capital | Total | O&M | Capital | Total | O&M | Capital | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 1 | Balod | 0.16 | 0.14 | 0.3 | 0.21 | 0.12 | 0.33 | - | 0.06 | 0.06 | - | 0.06 | 0.06 | - | 0.34 | 0.34 | 0.37 | 0.72 | 1.09 |
| 2 | Balod Bazaar | 0.02 | 0.27 | 0.29 | 0.06 | 0.06 | 0.12 | 0.12 | 0.01 | 0.13 | - | 0.01 | 0.01 | - | 0.25 | 0.25 | 0.2 | 0.6 | 0.8 |
| 3 | Balrampur | 0.36 | 0.16 | 0.52 | 0.02 | - | 0.02 | 0.22 | 0.04 | 0.26 | 0.04 | - | 0.04 | - | 0.09 | 0.09 | 0.64 | 0.29 | 0.93 |
| 4 | Bastar | 0.16 | 0.06 | 0.22 | 0.01 | - | 0.01 | 0.32 | - | 0.32 | - | - | - | - | 0.44 | 0.44 | 0.49 | 0.5 | 0.99 |
| 5 | Bemetara | 0.17 | 0.11 | 0.28 | 0.08 | 0.04 | 0.12 | 0.16 | 0.04 | 0.2 | 0.34 | 0.03 | 0.37 | - | 0.12 | 0.12 | 0.75 | 0.34 | 1.09 |
| 6 | Bijapur | - | 0.7 | 0.7 | - | 0.28 | 0.28 | - | - | - | - | - | - | - | 0.72 | 0.72 | 0 | 1.7 | 1.7 |
| 7 | Bilaspur | 0.03 | 0.05 | 0.08 | 0.04 | 0.01 | 0.05 | 0.09 | 0.07 | 0.16 | 0.02 | 0.03 | 0.05 | - | 0.66 | 0.66 | 0.18 | 0.82 | 1 |
| 8 | Dantewada | 0.03 | 0.08 | 0.11 | - | - | - | - | - | - | - | - | - | - | 0.07 | 0.07 | 0.03 | 0.15 | 0.18 |
| 9 | Dhamtari | 0.32 | 22.94 | 23.26 | 0.23 | 0.14 | 0.37 | 0.14 | 0.23 | 0.37 | - | 0.01 | 0.01 | - | 0.69 | 0.69 | 0.69 | 24.01 | 24.7 |
| 10 | Durg | 0.38 | 0.07 | 0.45 | 0.14 | 0.01 | 0.15 | 0.64 | 0.03 | 0.67 | 0.06 | - | 0.06 | - | 0.18 | 0.18 | 1.22 | 0.29 | 1.51 |
| 11 | Gariyaband | 0.12 | 0.1 | 0.22 | 0.13 | 0.02 | 0.15 | 0.13 | 0.02 | 0.15 | 0.01 | 0.25 | 0.26 | - | 0.11 | 0.11 | 0.39 | 0.5 | 0.89 |
| 12 | Janjigir-Champa | 0.58 | 0.35 | 0.93 | 0.13 | 0.27 | 0.4 | 0.24 | 0.05 | 0.29 | 0.01 | 0.05 | 0.06 | - | 0.85 | 0.85 | 0.96 | 1.57 | 2.53 |
| 13 | Jashpur | 0.02 | 0.1 | 0.12 | 0.01 | - | 0.01 | 0.02 | 0.01 | 0.03 | - | 0.02 | 0.02 | - | 0.46 | 0.46 | 0.05 | 0.59 | 0.64 |
| 14 | Kanker | 0.15 | 0.08 | 0.23 | 0.02 | 0.02 | 0.04 | 0.48 | 0.01 | 0.49 | 0.01 | - | 0.01 | - | 0.09 | 0.09 | 0.66 | 0.2 | 0.86 |
| 15 | Kawardha | 0.17 | 0.21 | 0.38 | 0.02 | 0.01 | 0.03 | 0.17 | 0.02 | 0.19 | - | - | - | - | 0.22 | 0.22 | 0.36 | 0.46 | 0.82 |
| 16 | Kondagaon | 0.05 | 0.05 | 0.1 | 0.01 | - | 0.01 | 0.32 | - | 0.32 | - | - | - | - | 0.35 | 0.35 | 0.38 | 0.4 | 0.78 |
| 17 | Korba | - | 0.06 | 0.06 | 0.07 | 0.01 | 0.08 | 0.06 | 0.02 | 0.08 | - | 0.02 | 0.02 | - | 0.29 | 0.29 | 0.13 | 0.4 | 0.53 |
| 18 | Koriya | 0.03 | 0.03 | 0.06 | - | - | - | 0.07 | - | 0.07 | - | - | - | - | 0.22 | 0.22 | 0.1 | 0.25 | 0.35 |
| 19 | Maha samund | 0.22 | 0.07 | 0.29 | 0.07 | 0.01 | 0.08 | 0.16 | 0.01 | 0.17 | 0.01 | 0.21 | 0.22 | - | 0.13 | 0.13 | 0.46 | 0.43 | 0.89 |
| 20 | Mungeli | 0.14 | 0.02 | 0.16 | 0.01 | 0.02 | 0.03 | 0.06 | 0.01 | 0.07 | - | 0.05 | 0.05 | - | 0.41 | 0.41 | 0.21 | 0.51 | 0.72 |
| 21 | Narayana-pur | - | 0.24 | 0.24 | 0.5 | 0.24 | 0.74 | - | 0.36 | 0.36 | - | 0.23 | 0.23 | - | 0.51 | 0.51 | 0.5 | 1.58 | 2.08 |
| 22 | Raigarh | 0.21 | 0.08 | 0.29 | 0.15 | 0.03 | 0.18 | 0.07 | 0.01 | 0.08 | 0.01 | 0.01 | 0.02 | - | 0.56 | 0.56 | 0.44 | 0.69 | 1.13 |
| 23 | Raipur | 0.47 | 0.18 | 0.65 | 0.09 | 0.06 | 0.15 | 0.13 | 0.39 | 0.52 | - | 0.12 | 0.12 | - | 0.46 | 0.46 | 0.69 | 1.21 | 1.9 |
| 24 | Rajnandgaon | 0.16 | 0.14 | 0.3 | 0.05 | 0.05 | 0.1 | 0.09 | 0.04 | 0.13 | 0.01 | 0.04 | 0.05 | - | 0.24 | 0.24 | 0.31 | 0.51 | 0.82 |
| 25 | Sarguja | 0.07 | 0.01 | 0.08 | - | 0.01 | 0.01 | 0.11 | - | 0.11 | 0.02 | - | 0.02 | - | 0.05 | 0.05 | 0.2 | 0.07 | 0.27 |
| 26 | Sukma | 0.04 | 0.04 | 0.08 | - | - | - | - | - | - | - | - | - | - | 0.25 | 0.25 | 0.04 | 0.29 | 0.33 |
| 27 | Surajpur | 0.72 | 0.18 | 0.9 | 0.03 | - | 0.03 | 0.13 | - | 0.13 | 0.01 | 0.06 | 0.07 | - | 0.21 | 0.21 | 0.89 | 0.45 | 1.34 |
| | Total | 0.23 | 0.91 | 1.14 | 0.07 | 0.08 | 0.15 | 0.15 | 0.15 | 0.3 | 0.02 | 0.04 | 0.06 | - | 0.35 | 0.35 | 0.47 | 1.53 | 2 |
| | % in Total Expenditure | 48.9 | 59.5 | 57 | 14.9 | 5.2 | 7.5 | 31.9 | 9.8 | 15 | 4.3 | 2.6 | 3 | 0 | 22.9 | 17.5 | 100 | 100 | 100 |

Note : Percentage totals may not always add up to 100 due to rounding error.

# Annexure 9.3

## Total Expenditure and per capital expenditure of a Sample Gram Panchayat: Annual Average for 2006-07 to 2010-11

(Amount in Rs. lakh)

| Sl. No. | District | Avg. population per SGP | Revenue Expenditure | | Capital Expenditure | | Welfare Expenditure | | Grand Total | | Total Per Capita Expenditure (Rs.) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amt. | % | Amt. | % | Amt. | % | Amt. | % | RE | CE | WE | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 1 | Balod | 1834 | 3.98 | 53.78 | 2.23 | 30.14 | 1.19 | 16.08 | 7.4 | 100 | 217 | 122 | 65 | 404 |
| 2 | Balod Bazar | 2282 | 2.24 | 46 | 1.7 | 34.91 | 0.93 | 19.1 | 4.87 | 100 | 98 | 74 | 41 | 213 |
| 3 | Balrampur | 2046 | 6.05 | 89.63 | 0.3 | 4.44 | 0.4 | 5.93 | 6.75 | 100 | 296 | 15 | 20 | 331 |
| 4 | Bastar | 2202 | 3.5 | 80.83 | 0.51 | 11.78 | 0.32 | 7.39 | 4.33 | 100 | 159 | 23 | 15 | 197 |
| 5 | Bemetara | 2159 | 3.06 | 68.76 | 0.72 | 16.18 | 0.67 | 15.06 | 4.45 | 100 | 142 | 33 | 31 | 206 |
| 6 | Bijapur | 1437 | 0.83 | 25.78 | 2.39 | 74.22 | 0 | 0 | 3.22 | 100 | 58 | 166 | 0 | 224 |
| 7 | Bilaspur | 2418 | 4.25 | 73.28 | 1.08 | 18.62 | 0.47 | 8.1 | 5.8 | 100 | 176 | 45 | 19 | 240 |
| 8 | Dantewada | 1884 | 1.47 | 71.36 | 0.17 | 8.25 | 0.42 | 20.39 | 2.06 | 100 | 78 | 9 | 22 | 109 |
| 9 | Dhamtari | 1952 | 3.94 | 11.29 | 30.04 | 86.07 | 0.92 | 2.64 | 34.9 | 100 | 202 | 1539 | 47 | 1788 |
| 10 | Durg | 2312 | 3.94 | 37.03 | 4.83 | 45.39 | 1.87 | 17.58 | 10.64 | 100 | 170 | 209 | 81 | 460 |
| 11 | Gariyaband | 1808 | 5.38 | 66.34 | 1.4 | 17.26 | 1.33 | 16.4 | 8.11 | 100 | 298 | 77 | 74 | 449 |
| 12 | Janjigir-Champa | 2423 | 4.21 | 51.72 | 2.6 | 31.94 | 1.33 | 16.34 | 8.14 | 100 | 174 | 107 | 55 | 336 |
| 13 | Jashpur | 1888 | 2.23 | 69.25 | 0.73 | 22.67 | 0.26 | 8.07 | 3.22 | 100 | 118 | 39 | 14 | 171 |
| 14 | Kanker | 1741 | 5.27 | 43.95 | 0.22 | 1.83 | 6.5 | 54.21 | 11.99 | 100 | 303 | 13 | 373 | 689 |
| 15 | Kawardha | 2002 | 4.29 | 78.14 | 0.71 | 12.93 | 0.49 | 8.93 | 5.49 | 100 | 214 | 35 | 24 | 273 |
| 16 | Kondagaon | 1979 | 9.89 | 93.39 | 0.41 | 3.87 | 0.29 | 2.74 | 10.59 | 100 | 500 | 21 | 15 | 536 |
| 17 | Korba | 2160 | 21.58 | 94.48 | 0.71 | 3.11 | 0.55 | 2.41 | 22.84 | 100 | 999 | 33 | 25 | 1057 |
| 18 | Koriya | 1922 | 3.24 | 90.76 | 0.26 | 7.28 | 0.07 | 1.96 | 3.57 | 100 | 169 | 14 | 4 | 187 |
| 19 | Mahasamund | 1858 | 3.26 | 54.42 | 1.3 | 21.7 | 1.43 | 23.87 | 5.99 | 100 | 175 | 70 | 77 | 322 |
| 20 | Mungeli | 2113 | 1.57 | 66.53 | 0.74 | 31.36 | 0.05 | 2.12 | 2.36 | 100 | 74 | 35 | 2 | 111 |
| 21 | Narayanapur | 1711 | 1.27 | 35.28 | 1.87 | 51.94 | 0.46 | 12.78 | 3.6 | 100 | 74 | 109 | 27 | 210 |
| 22 | Raigarh | 1777 | 2.88 | 29.27 | 6.16 | 62.6 | 0.8 | 8.13 | 9.84 | 100 | 162 | 347 | 45 | 554 |
| 23 | Raipur | 2267 | 2.82 | 56.06 | 1.18 | 23.46 | 1.03 | 20.48 | 5.03 | 100 | 124 | 52 | 45 | 221 |
| 24 | Rajnandgaon | 1828 | 2.84 | 61.34 | 1.16 | 25.05 | 0.63 | 13.61 | 4.63 | 100 | 155 | 63 | 34 | 252 |
| 25 | Sarguja | 1981 | 0.78 | 92.86 | 0.06 | 7.14 | 0 | 0 | 0.84 | 100 | 39 | 3 | 0 | 42 |
| 26 | Sukma | 1680 | 5.2 | 73.34 | 1.84 | 25.95 | 0.05 | 0.71 | 7.09 | 100 | 310 | 110 | 3 | 423 |
| 27 | Surajpur | 1830 | 5.17 | 90.54 | 0.23 | 4.03 | 0.31 | 5.43 | 5.71 | 100 | 283 | 13 | 17 | 313 |
| | **Total** | **2014** | **4.33** | **55.66** | **2.52** | **32.39** | **0.93** | **11.95** | **7.78** | **100** | **215** | **125** | **46** | **386** |

## Annexure 9.4
## Composition of Aggregate Expenditure of PRIs: 2008-09 to 2010-11

(Rs.Lakh)

| Sl. No. | Item of Expenditure | 2008-09 | 2009-10 | 2010-11 | Total | Annual Average | % |
|---|---|---|---|---|---|---|---|
| I. | **IRM of PRIs** | 2673 | 2673 | 2673 | 8019 | 2673 | 0.7 |
| II. | **Assigned Revenues@** | | | | | | |
| 1 | Land Revenue & Land Cess | 35950 | 15969 | 24737 | 76656 | 25552 | 6.65 |
| 2 | Additional Stamp Duty | 2150 | 2400 | 2112 | 6662 | 2221 | 0.58 |
| 3 | Royalty on Minor Minerals | 3927 | 4055 | 4785 | 12767 | 4256 | 1.11 |
| | *Sub-Total: II* | *42027* | *22424* | *31634* | *96085* | *32028* | *8.33* |
| III. | **Grants-in-Aid** | | | | | | |
| A. | **State Government** | | | | | | |
| 1 | Normal Grants of Panchayat Deptt. | 3014 | 3296 | 5627 | 11937 | 3979 | 1.04 |
| 2 | State-sponsored schemes | 10650 | 9301 | 11983 | 31934 | 10645 | 2.77 |
| 3 | SFC Devolution | 13000 | 13000 | 15000 | 41000 | 13667 | 3.56 |
| 4 | Line Department Grants | 11851 | 16445 | 24237 | 52533 | 17511 | 4.55 |
| 5 | State's share for CSS | 22529 | 19183 | 24469 | 66181 | 22060 | 5.74 |
| | Sub-Total: III-A | 61044 | 61225 | 81316 | 203585 | 67862 | 17.66 |
| | | | | | | | |
| B. | **Union Government** | | | | | | |
| 1 | 12th / 13th Finance Commission Grants | 123000 | 12300 | 8621 | 33221 | 11074 | 2.89 |
| 2 | Grants under CSS/ACA: | | | | | | |
| | a) MGNREGS | 143442 | 130374 | 163398 | 437214 | 145738 | 37.93 |
| | b) PMGSY | 86326 | 80455 | 30467 | 197248 | 65749 | 17.1 |
| | c) IAY | 12668 | 28748 | 19632 | 61048 | 20349 | 5.29 |
| | d) SGSY | 6919 | 7977 | 8560 | 23456 | 7819 | 2.03 |
| | e) RSVY / BRGF | 20545 | 21646 | 51000 | 93191 | 31064 | 8.08 |
| | **Sub-Total: III.B** | 282200 | 281500 | 281678 | 845378 | 281793* | 73.32 |
| | **Total of II & III** | 385271 | 365149 | 394628 | 1145048 | 381683 | 99.3 |
| | **Grand Total (I to III)** | **387944** | **367822** | **397301** | **1153067** | **384356** | **100** |

* includes interest receipts and previous unspent balances

@ All transferred revenue is deemed to have been utilized

Note: % age Total may not added upto 100 due to rounding error.

# Annexure 9.5
## Aggregate Receipts and Expenditure of PRIs: Annual Average for 2008-09 to 2010-11

(Rs. Crore)

| Sl. No. | Item of Receipt / Expenditure | Annual Average Receipts | | Annual Average Expenditure | | Surplus / Deficit (+ / -) |
|---|---|---|---|---|---|---|
| | | Amount | % | Amount | % | Amount |
| I | Internal Resources | 26.73 | 0.73 | 26.73 | 0.7 | - |
| | a) Tax | 7.85 | 0.21 | 7.85 | 0.2 | - |
| | b) Non-Tax | 18.88 | 0.52 | 18.88 | 0.5 | - |
| II | Assigned Revenues from State Govt. | 320.28 | 8.74 | 320.28 | 8.33 | - |
| III | Grants-in-Aid | 3319.17 | 90.53 | 3496.55 | 90.97 | (-)177.38 |
| | a) State Government | 677.62 | 18.48 | 678.62 | 17.66 | (-) 1.00 |
| | b) Union Government | 2641.55 | 72.05 | 2817.93 | 73.32 | (-) 176.38 |
| | Grand Total | 3666.18 | 100 | 3843.56 | 100 | (-) 177.38 |

# Annexure 11.1
## District-wise number of ULBs

| Sl. No. | District | M.Corps | MCs | NPs | No. of ULBs | Census Towns | Total Cities/ Towns |
|---|---|---|---|---|---|---|---|
| | *State* | *10* | *32* | *127* | *169** | *14* | *182* |
| 1 | Balod | 0 | 1 | 4 | 5 | 0 | 5 |
| 2 | Baloda Bazar | 0 | 2 | 4 | 6 | 0 | 6 |
| 3 | Balrampur | 0 | 0 | 5 | 5 | 0 | 5 |
| 4 | Bastar | 1 | 0 | 2 | 3 | 0 | 3 |
| 5 | Bemetara | 0 | 1 | 4 | 5 | 0 | 5 |
| 6 | Bijapur | 0 | 0 | 3 | 3 | 0 | 3 |
| 7 | Bilaspur | 1 | 0 | 12 | 13 | 4 | 17 |
| 8 | Dantwada | 0 | 2 | 4 | 6 | 0 | 6 |
| 9 | Dhamtari | 0 | 1 | 5 | 6 | 0 | 6 |
| 10 | Durg | 2 | 4 | 9 | 15 | 0 | 15 |
| 11 | Gariyaband | 0 | 0 | 3 | 3 | 0 | 3 |
| 12 | Janjgir- Champa | 0 | 4 | 11 | 15 | 0 | 15 |
| 13 | Jashpur | 0 | 1 | 4 | 5* | 0 | 5 |
| 14 | Kanker | 0 | 1 | 5 | 6 | 0 | 6 |
| 15 | Kawardha | 0 | 1 | 5 | 6 | 0 | 6 |
| 16 | Kondagaon | 0 | 1 | 2 | 3 | 0 | 3 |
| 17 | Korba | 1 | 1 | 3 | 5 | 2 | 7 |
| 18 | Koriya | 1 | 3 | 3 | 7 | 1 | 8 |
| 19 | Mahasamund | 0 | 1 | 5 | 6 | 0 | 6 |
| 20 | Mungeli | 0 | 1 | 2 | 3 | 0 | 3 |
| 21 | Narayanpur | 0 | 0 | 1 | 1 | 0 | 1 |
| 22 | Raigarh | 1 | 1 | 8 | 10 | 0 | 10 |
| 23 | Raipur | 1 | 3 | 9 | 13 | 4 | 17 |
| 24 | Rajnandgaon | 1 | 2 | 5 | 8 | 0 | 8 |
| 25 | Sarguja | 1 | 0 | 5 | 6 | 2 | 8 |
| 26 | Sukma | 0 | 0 | 2 | 2 | 0 | 2 |
| 27 | Surajpur | 0 | 1 | 2 | 3 | 0 | 3 |

* Including Kunkuri in Jashpur district which was upgraded as NP in September, 2012

# Annexure 12.1
## Devolution of 12th Schedule Functions to ULBs under Municipal Acts

| Sl. No. | Function | Mandatory | Optional |
|---|---|---|---|
| 1 | a) Urban planning | | √ |
| | b) Town planning | | √ |
| 2 | a) Regulation of Land-use | | √ |
| | b) Regulation of building activity. | | √ |
| 3 | a) Planning economic development | | √ |
| | b) Planning social development. | | √ |
| 4 | a) Roads | | √ |
| | b) Bridges. | | √ |
| 5 | Water supply- | | |
| | a) Industrial, | √ | |
| | b)Commercial | √ | |
| | c)Domestic | √ | |
| 6 | a) Public health, | √ | |
| | b) Sanitation, | √ | |
| | c) Conservancy | √ | |
| | d) Solid waste management | √ | |
| 7 | Fire services | √ | |
| 8 | a) Urban forestry, | | √ |
| | b) Protection of environment | | √ |
| | c) Promotion of ecological aspects. | | √ |
| 9 | Safeguarding the interests of | | |
| | a) Weaker sections, | | √ |
| | b) Physically handicapped | | √ |
| | c) Mentally retarded. | | √ |
| 10 | Slum improvement and up-gradation. | | √ |
| 11 | Urban poverty alleviation. | | √ |
| 12 | Provision of urban amenities | | |
| | a) Parks, | | √ |
| | b) Gardens, | | √ |
| | c) Playgrounds and others | | √ |
| 13 | Promotion of | | |
| | a) Education, | √ | |
| | b) Aesthetics and others | | √ |

| | | | |
|---|---|---|---|
| 14 | a) Burial grounds, | √ | |
| | b) Cremations grounds | √ | |
| | c) Electric crematoria | √ | |
| 15 | a) Cattle ponds | √ | |
| | b) Prevention of cruelty to animals. | | √ |
| 16 | a) Vital statistics, | | √ |
| | b) Registration of births and deaths. | √ | |
| 17 | a) Public amenities | | √ |
| | b) Street lighting, | √ | |
| | c) Parking lots, | | √ |
| | d) Bus shelters, | | √ |
| | e) Public conveniences and others | | √ |
| 18 | Regulation of | | |
| | a) Slaughterhouses | √* | √ @ |
| | b) Tanneries. | | |

*In Chhattisgarh Municipal Corporations Act

@In Chhattisgarh Municipalities Act

## Annexure 12.2
## Status of Implementation of 12th Schedule Functions by ULBs

| Sl.no. | Function | Number of ULBs | | |
|---|---|---|---|---|
| | | Wholly | Partly | Never |
| 1 | a) Urban planning | - | 3 | 7 |
| | b) Town planning | - | 5 | 5 |
| 2 | a) Regulation of Land-use | - | 4 | 6 |
| | b) Regulation of building activity. | 1 | 8 | 1 |
| 3 | a) Planning economic development | 5 | 2 | 3 |
| | b) Planning social development. | 5 | 3 | 2 |
| 4 | a) Roads | 3 | 7 | - |
| | b) Bridges. | 3 | 4 | 3 |
| 5 | Water supply- | | | |
| | a) Industrial, | 7 | 2 | 1 |
| | b)Commercial | 8 | 2 | - |
| | c)Domestic | 7 | 3 | |
| 6 | a) Public health, | 6 | 4 | - |
| | b) Sanitation, | 8 | 2 | - |
| | c) Conservancy | 7 | 3 | - |
| | d) Solid waste management | 9 | 1 | - |
| 7 | Fire services | 5 | 2 | 3 |
| 8 | a) Urban forestry, | 4 | 4 | 2 |
| | b) Protection of environment | 4 | 3 | 3 |
| | c) Promotion of ecological aspects | 4 | 2 | 4 |
| 9 | Safeguarding the interests of | | | |
| | a) Weaker sections, | 7 | 2 | 1 |
| | b) Physically handicapped | 7 | 2 | 1 |
| | c) Mentally retarded. | 7 | 2 | 1 |
| 10 | Slum improvement and up-gradation. | 10 | - | - |
| 11 | Urban poverty alleviation. | 9 | 1 | - |
| 12 | Provision of urban amenities | | | |
| | a) Parks, | 7 | 2 | 1 |
| | b) Gardens, | 7 | 2 | 1 |
| | c) Playgrounds and others | 7 | 2 | 1 |
| 13 | Promotion of | | | |
| | a) Education, | - | 9 | 1 |
| | b) Aesthetics and others | 2 | 5 | 3 |
| 14 | a) Burial grounds, | 8 | 2 | - |
| | b) Cremations grounds | 8 | 2 | - |
| | c) Electric crematoria | 4 | 2 | 4 |
| | a) Cattle ponds | | | |

| | | | | |
|---|---|---|---|---|
| 15 | a) Cattle ponds | 9 | 1 | - |
| | b) Prevention of cruelty to animals. | 7 | 3 | - |
| 16 | a) Vital statistics, | 6 | 4 | - |
| | b) Registration of births and deaths. | 10 | - | - |
| 17 | a) Public amenities | 6 | 4 | - |
| | b) Street lighting, | 7 | 2 | 1 |
| | c) Parking lots, | 7 | 2 | 1 |
| | d) Bus shelters, | 7 | 2 | 1 |
| | e) Public conveniences and others | 7 | 1 | 2 |
| 18 | Regulation of | | | |
| | a) Slaughterhouses | 8 | - | 2 |
| | b) Tanneries. | 8 | - | 2 |
| | b) Tanneries. | 5 | - | 2 |

**Source: From field visits to seven ULBs**

# Annexure 13.1
## Service Level Benchmark Values under different Category

| WATER SUPPLY | A | B | C | D |
|---|---|---|---|---|
| Coverage | < = 25 | <=50, >25 | <=75, >50 | >75 |
| Per Capita | < = 35 | <=70, >35 | <=100, >70 | >100 |
| Metering | < = 25 | <=50, >25 | <=75, >50 | <75 |
| NRW | > =50 | <50, >=30 | <30, >=20 | <20 |
| Continuity | <=5 | <=10, >5 | <=20, >10 | >20 |
| Quality and treatment | <=40 | <=80, >40 | <100, >80 | 100 |
| Redressal of customer complaints | <=25 | <=50, >25 | <=80, >50 | >80 |
| Cost Recovery | <=25 | <=50, >25 | <=75, >50 | >75 |
| Efficiency in collection of charges | <=30 | <=60, >30 | <=90, >60 | >90 |
| **SEWERAGE** | | | | |
| Coverage of Toilets | <=35 | <=70, >35 | <=90, >70 | >90 |
| Coverage of sewerage network | 0 | <=40, >0 | <=70, >40 | >70 |
| Collection efficiency | 0 | <=40, >0 | <=70, >40 | >70 |
| Adequacy | 0 | <=40, >0 | <=70, >40 | >70 |
| Reuse and Recycle | 0 | <=10, >0 | <=20, >10 | >20 |
| Quality and treatment | <=40 | <=80, 40 | <100,>80 | 100 |
| Redressal of customer complaints | <=25 | <=50, >25 | <=80, >50 | >80 |
| Cost Recovery | 0 | <=30, >0 | <=60, >30 | >60 |
| Efficiency in collection of charges | 0 | <=30, >0 | <=60, >30 | >60 |
| **SOLID WASTE MANAGEMENT** | | | | |
| Household coverage | 0 | <=30, >0 | <=60, >30 | >60 |
| Efficiency in collection of MWS | <=50 | <=70, >50 | <=90, >70 | >90 |
| Segregation | 0 | <=25, >0 | <=50, >25 | >50 |
| Recovered | 0 | <=25, >0 | <=50, >25 | >50 |
| Scientific disposal | 0 | <=25, >0 | <=50, >25 | >50 |
| Cost Recovery | 0 | <=30, >0 | <=60, >30 | >60 |
| Efficiency in collection of charges | 0 | <=30, >0 | <=60, >30 | >60 |
| Redressal of customer complaints | <=25 | <=50, >25 | <=80, >50 | >80 |
| **SWD** | | | | |
| Coverage | <=25 | <=50, >25 | <=75, >50 | >75 |
| Incidence | >=100 | >=50, <100 | >=25, <50 | <25 |

# Annexure 13.2
# Gradation of ULBs based on Performance

| | A | | | B | | | C | | | D | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **WATER SUPPLY** | MCorp | MC | T | MCorp | MC | T | MCorp | MC | T | MCorp | MC | T |
| Coverage | 0 | 0 | 0 | 2 | 4 | 6 | 5 | 13 | 18 | 3 | 15 | 18 |
| Per Capita | 2 | 4 | 6 | 4 | 12 | 16 | 4 | 12 | 16 | 0 | 4 | 4 |
| Metering | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 9 | 32 | 41 |
| NRW | 1 | 3 | 4 | 1 | 4 | 5 | 3 | 6 | 9 | 5 | 19 | 24 |
| Continuity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 10 | 30 | 40 |
| Quality and treatment | 4 | 13 | 17 | 5 | 11 | 16 | 1 | 4 | 5 | 0 | 4 | 4 |
| Cost Recovery | 5 | 3 | 8 | 2 | 7 | 9 | 3 | 14 | 17 | 0 | 8 | 8 |
| Collection Efficiency | 0 | 5 | 5 | 5 | 13 | 18 | 3 | 10 | 13 | 2 | 4 | 6 |
| **SEWERAGE** | | | | | | | | | | | | |
| Coverage of Toilets | 1 | 0 | 1 | 9 | 19 | 28 | 0 | 13 | 13 | 0 | 0 | 0 |
| Coverage of sewerage network | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 2 | 7 | 5 | 30 | 35 |
| Collection efficiency waste water | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 32 | 42 |
| Adequacy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 32 | 42 |
| Reuse and Recycle | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 32 | 42 |
| Quality and treatment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 32 | 42 |
| Cost Recovery | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 9 | 32 | 41 |
| Collection Efficiency | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 9 | 32 | 41 |
| **SOLID WASTE MANAGEMENT** | | | | | | | | | | | | |
| Household coverage | 1 | 0 | 1 | 3 | 6 | 9 | 6 | 13 | 19 | 0 | 13 | 13 |
| Efficiency in collection of MWS | 3 | 13 | 16 | 7 | 14 | 21 | 0 | 5 | 5 | 0 | 0 | 0 |
| Segregation | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 5 | 8 | 29 | 37 |
| Recycled and recovered | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 5 | 8 | 29 | 37 |
| Scientific disposal | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 5 | 8 | 29 | 37 |
| Cost Recovery | 2 | 3 | 5 | 0 | 12 | 12 | 8 | 17 | 25 | 0 | 0 | 0 |
| Collection Efficiency | 2 | 12 | 14 | 6 | 16 | 22 | 2 | 4 | 6 | 0 | 0 | 0 |
| **STORM WATER DRAINAGE** | | | | | | | | | | | | |
| Coverage | 0 | 0 | 0 | 2 | 2 | 4 | 2 | 15 | 17 | 6 | 15 | 21 |

M.Corp –Municipal Corporation; MC – Municipal Council; T – Total

## Annexure 13.3
## Per capita investment norms for infrastructure and O&M

| Class wise | | 1B | 1C | II | III | IV |
|---|---|---|---|---|---|---|
| Water Supply | Capital | 4395 | 5924 | 4957 | 5901 | 5901 |
| | O&M | 613 | 491 | 491 | 368 | 245 |
| Sewerage | Capital | 3841 | 3411 | 5316 | 5649 | 6648 |
| | O&M | 373 | 290 | 290 | 207 | 145 |
| Storm Water Drainage | Capital | 4140 | 5175 | 2100 | 2800 | 2800 |
| | O&M | 62 | 78 | 32 | 42 | 42 |
| Roads | Capital | 23460 | 29325 | 16800 | 22400 | 22400 |
| | O&M | 421 | 527 | 276 | 368 | 368 |
| Street lights | Capital | 1606 | 1258 | 207 | 107 | 107 |
| | O&M | 55 | 54 | 4 | 3 | 3 |
| Solid Waste Management | Capital | 393 | 410 | 236 | 204 | 204 |
| | O&M | 189 | 135 | 113 | 113 | 113 |

Source: HPEC Report

## Annexure 14.1
## Status of Loans of ULBs

(Rs in lakh)

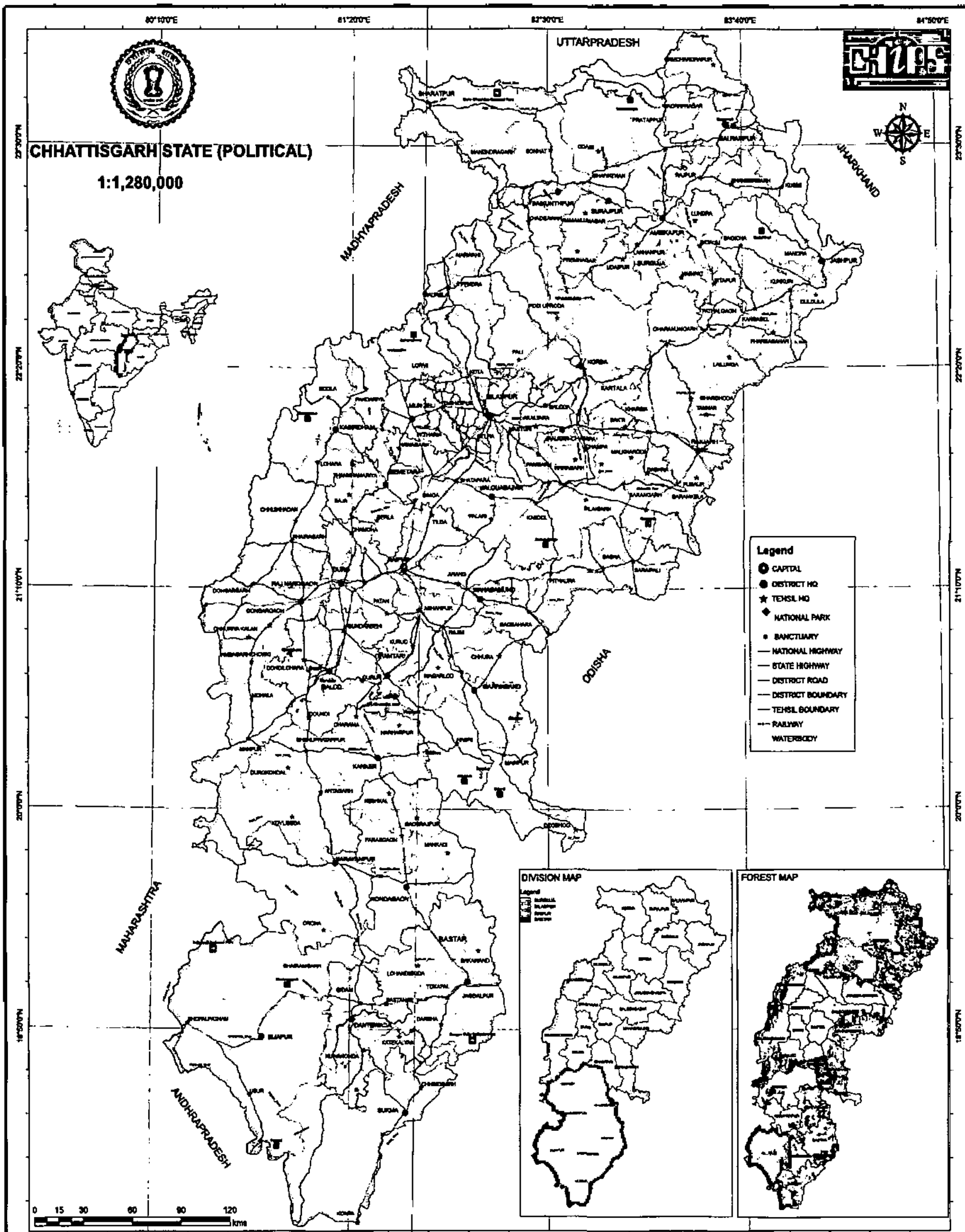
| Sl. No. | Name of ULB | Loan Amount | Principal Repaid | Interest Paid | Total Amount Paid | Unpaid Principal | Unpaid Interest | Total Due |
|---|---|---|---|---|---|---|---|---|
| 1 | Ambikapur | 133.49 | 111.24 | 47.47 | 158.71 | 22.25 | 1.08 | 23.33 |
| 2 | Bhilai | 94.2 | 78.5 | 42.81 | 121.31 | 15.7 | 0.98 | 16.68 |
| 3 | Bhilai Charoda | 581.18 | 484.32 | 206.68 | 691 | 96.86 | 4.72 | 101.58 |
| 4 | Bilaspur | 10326.2 | 542.65 | 570.97 | 1113.61 | 9783.53 | 3404.02 | 13187.55 |
| 5 | Dongargaon | 75 | 64.58 | 23.71 | 88.29 | 12.5 | 0.54 | 13.04 |
| 6 | Durg | 482.77 | 402.31 | 171.69 | 573.99 | 80.46 | 3.92 | 84.38 |
| 7 | Gobranavapara | 27.93 | 23.28 | 9.93 | 33.21 | 4.65 | 0.23 | 4.88 |
| 8 | Goraila | 58.12 | 48.43 | 18.37 | 66.81 | 9.69 | 0.42 | 10.11 |
| 9 | Jagdalpur | 240.82 | 203.87 | 91.82 | 295.69 | 36.95 | 1.8 | 38.75 |
| 10 | Kanker | 30 | 25 | 10.67 | 35.67 | 5 | 0.24 | 5.24 |
| 11 | Kawardha | 530.74 | 192.69 | 88.53 | 281.22 | 338.05 | 78.23 | 416.28 |
| 12 | Kharsia | 138 | 115 | 63.79 | 178.79 | 23 | 1.65 | 24.65 |
| 13 | Korba | 71.24 | 59.37 | 32.37 | 91.74 | 11.87 | 0.74 | 12.61 |
| 14 | Raigarh | 122.7 | 102.2 | 55.7 | 157.97 | 20.4 | 1.3 | 21.72 |
| 15 | Raipur | 5487.37 | 4626.64 | 2065.81 | 6692.45 | 860.73 | 42.19 | 902.92 |
| 16 | Rajnandgaon | 601.67 | 501.39 | 216.08 | 717.48 | 100.28 | 4.94 | 105.22 |
| 17 | Takhtapur | 38.12 | 31.77 | 13.56 | 45.32 | 6.35 | 0.31 | 6.66 |
| | **Total** | **19039.5** | **7613.26** | **3730** | **11343.26** | **11428.32** | **3547.3** | **14975.62** |

**Source:** Director of Municipal Administration

# Annexure 15.1
## Phasing of Investments required by ULBs

(Rs. in crore.)

| | Year | Capital Expenditure at Constant Prices - 2010-11 | | | | | O&M | |
|---|---|---|---|---|---|---|---|---|
| | | Required Estimates | | | | | | |
| | | Based on ULB Data | | With Growth Rate | | With 8percent Inflation | With 8.8percent Growth | With 8percent Inflation |
| | 2011-12 | | 451.56 | 11percent | 451.56 | | | |
| **12th Five Year Plan** | | | | | | | | |
| 1 | 2012-13 | | 501.23 | | 519.29 | 560.84 | 310 | 334.8 |
| 2 | 2013-14 | | 556.37 | | 597.19 | 644.96 | 337.28 | 364.26 |
| 3 | 2014-15 | 11percent | 617.57 | 15percent | 686.76 | 741.71 | 366.96 | 396.32 |
| 4 | 2015-16 | | 685.5 | | 789.78 | 852.96 | 399.25 | 431.19 |
| 5 | 2016-17 | | 760.9 | | 908.25 | 980.91 | 434.39 | 469.14 |
| | Sub - Total | | 3121.57 | | 3501.27 | 3781.37 | 1847.88 | 1995.71 |
| **13th Five Year Plan** | | | | | | | | |
| 6 | 2017-18 | | | | 1017.24 | 1098.62 | 472.61 | 510.42 |
| 7 | 2018-19 | | | | 1139.3 | 1230.45 | 514.2 | 555.34 |
| 8 | 2019-20 | | | 12percent | 1276.02 | 1378.1 | 559.45 | 604.21 |
| 9 | 2020-21 | | | | 1429.14 | 1543.48 | 608.69 | 657.38 |
| 10 | 2021-22 | | | | 1600.64 | 1728.69 | 662.25 | 715.23 |
| | Sub - Total | | | | 6462.35 | 6979.33 | 2817.21 | 3042.58 |
| **14th Five Year Plan** | | | | | | | | |
| 11 | 2022-23 | | | | 1728.69 | 1866.99 | 720.53 | 778.17 |
| 12 | 2023-24 | | | | 1866.99 | 2016.35 | 783.93 | 846.65 |
| 13 | 2024-25 | | | 8percent | 2016.35 | 2177.65 | 852.92 | 921.15 |
| 14 | 2025-26 | | | | 2177.65 | 2351.87 | 927.98 | 1002.22 |
| 15 | 2026-27 | | | | 2351.87 | 2540.02 | 1009.64 | 1090.41 |
| | Sub - Total | | | | 10141.55 | 10952.87 | 4295 | 4638.6 |
| **15th Five Year Plan** | | | | | | | | |
| 16 | 2027-28 | | | | 2540.016 | 2743.22 | 1098.49 | 1186.37 |
| 17 | 2028-29 | | | | 2743.217 | 2962.67 | 1195.15 | 1290.77 |
| 18 | 2029-30 | | | 8percent | 2962.675 | 3199.69 | 1300.33 | 1404.35 |
| 19 | 2030-30 | | | | 3199.689 | 3455.66 | 1414.76 | 1527.94 |
| 20 | 2031-32 | | | | 3455.664 | 3732.12 | 1539.26 | 1662.4 |
| | Sub - Total | | | | 14901.26 | 16093.36 | 6547.98 | 7071.82 |
| | **Total** | | | | **35006.43** | **37806.94** | **15508.07** | **16748.71** |




Chhattisgarh Samvad