

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 them 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 overlapping 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 work out 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 arrears 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. [Para 11.11]

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 detrimental 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 should also monitor utilization of funds recommended for transfer to local bodies by this Commission. [Para 18.21 & 20.5]