

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

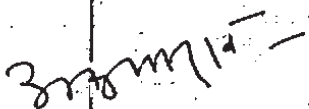
the States. It suggested that this situation need to be changed. Similarly the 13th FC desired that the State Governments need to ensure that the recommendations of SFCs are implemented without delay and that the Action Taken Reports placed promptly before legislature (Para 10.129). **There is a need 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.**

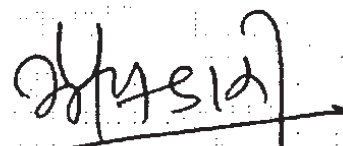
20.4 In Para 3.21 of this report, we have commented about the presentation of SFC dispensation in the budget. Presently, it is difficult to relate provision of grants made in the budget for PRIs and ULBs with the devolution recommended by the SFC and accepted by the State Govt. As we have mentioned in 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 GOL. 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.



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List of Annexures

Chapter 1:	Introduction	Page
Annex 1.1	District-wise profile of the State- geographical area, population, sex ratio and literacy rate.	219
Annex 1.2	Notification reg. constitution of second SFC.	220
Annex 1.3	Notification reg. extension of award period of first SFC and revisions in award period of second SFC.	221-222
Annex 1.4	Notification reg. extension of tenure of second SFC.	223
Annex 1.5	List of senior officials of State Govt. with whom discussion held by SFC	224
Annex 1.6	PRIs covered by NGOs for micro level study.	225
Annex 1.7	Division level meetings- List of Participants.	
Annex 1.8	Advertisement in newspapers soliciting suggestions from individuals and groups.	226-227
Annex 1.9	List of representatives of industries who participated in meetings.	228
Annex 1.10	List of participants in seminar on PRIs and on ULBs.	229
Annex 1.11	Suggestions received from the Deptt. of Panchayat and Rural Development, and Deptt. of Urban Administration and Development.	230-238
Annex 1.12	Interim Report.	239-250
Chapter 5:	Panchayats in Chhattisgarh	
Annex 5.1	Profile of the State: Population and number of Panchayats district-wise.	251
Chapter 6:	Panchayats: Functional Devolution	
Annex 6.1	Panchayats: Activity mapping.	252-273
Annex 6.2	Financial provision made to PRIs by line departments for execution of functions devolved to them	274-275
Chapter 7:	Panchayat Finances: Internal Resources Mobilization	
Annex 7.1	Percentage share of Tax Revenue in total receipts of SGPs: Annual Averages 2006-07 to 2010-11.	276
Annex 7.2	Percentage share of non-tax revenues in total receipts of SGPs: Annual Averages 2006-07 to 2010-11.	277
Annex 7.3	Annual average per capita IRM, total receipts and total expenditure of SGPs 2006-07 to 2010-11.	278
Annex 7.4	Contribution of components of IRM, total receipts and component wise per capita revenue of GPs	279