

## **Chapter 13**

### **Summary of Recommendations**

### **List of Annexures**



## Summary of Recommendations

1. The Commission recommends that, “**to ensure timely action on the reports and recommendations of the State Finance Commission, an action taken report should be prepared by posting a competent level officer in the State Finance Commission Cell, constituted under the Finance Department and according to the Action Taken Report, the work of regular monitoring of the Action Taken by the concerned Departments on the accepted recommendations should be included in the responsibilities of the cell.**” (Paragraph 3.31)
2. State Finance Commission recommends that, “**the Finance Department should maintain the website of the State Finance Commission in its present form in a suitable manner till the formation of the next State Finance Commission, so that the information related to Chhattisgarh State Finance Commission be easily available for other SFCs and general researchers. This task should be assigned to the State Finance Commission Cell constituted under Finance Department.**” (Paragraph 3.33)
3. The recommendation of state finance commission, a **committee comprises of the secretaries of the Finance department. Panchayat and rural development department urban administration and development, revenue, minerals and mining and Commercial tax department should be formed in the Chairmanship of chief secretary. Provide secretarial office facilities to the state Finance Commission cell constituted under the Finance department.** (Paragraph 3.34)
4. The commission recommends that, “**the ‘Local Body and Panchayati Raj Accounts Committee’ of the Legislative Assembly should, among other things, also monitor the implementation of the Action Taken Report presented on the recommendation of the State Finance Commission.**” (Paragraph 3.35)
5. **Therefore, the commission recommends that in order to devolve the works related to 29 subjects included in the 11<sup>th</sup> schedule of the constitution to the Panchayati Raj Institutions. It is necessary that, first of all a detailed department-wise mapping of activities should be done including funds, functions and functionaries.** (Paragraph 5.18)
6. **Therefore, instead the Commission recommends that as per the recommendation (Paragraph 5.18) after identifying the funds, function and functionaries to be devolved to the Panchayati Raj Institutions in the activity mapping the process should be started with the devolution of minimum funds, functions and functionaries out of them. The works to be devolved should be clearly defined and if it is not possible to**

give complete control of the funds along with the personnel's related to the works, through lawful order/notification then initially partial control should be handed over to the Panchayats. (Paragraph 5.19)

7. The Commission recommends making a time bound action plan to fill these gaps. The financial arrangements for this has been recommended in chapter 12. (Paragraph 7.54)
8. The commission recommends that a provision be made in the upcoming budget to provide Rs. 181.53 Crore available in Land Revenue cess and Registration Fees and Rs. 30 crore available in Rural Development Fund to the Panchayats under the Reserve Fund of Public Account as shown in the State Budget Paper. It should be ensured that these funds are received by the Panchayats regularly in future. (Paragraph 8.6)
9. The Commission recommends that after calculating 10 percent surcharge on excise duty for local bodies from the year 2010, the government should distribute the remaining amount to the local bodies based on availability of its resources and necessary provisions should be made in the upcoming budget for its regular payment. (Paragraph 8.8)
10. Taxes or fees are being imposed by the Gram Panchayats on the basis of the rates prescribed in the Gram Panchayat Obligatory Taxes and Fees Rules, 1996. At present, based on the data collected by the Commission, the estimated income of the Gram Panchayats from their own sources is RS. 159.45 crore per year. The contribution of own revenue in the financial receipts of Gram Panchayats is only 3%, which needs to be increased, for this, the Commission has the following recommendations - (Paragraph 8.30)
  1. Efforts should be made by public representatives and administrative staff of Panchayats to create awareness among citizens regarding tax payments through continuous discussions.
  2. Revision of the tax rates prescribed in the Gram Panchayat obligatory Taxes and Fees Rules. 1996 should be considered and the optimal Possibilities for increasing the tax rates and rationalizing them as per the need should be explored.
  3. In the Gram Panchayat obligatory Taxes and Fees Rules, 1996, the rates have been determined on the basis of minimum and maximum limits on the basis of which the Gram Panchayats determine the amount of taxation under the prescribed procedure and then impose the prescribed tax or fee. Taxes or fees are not being imposed by 40 percent of the Gram Panchayats in the state. Therefore, a provision should be made in the above rule that "If the tax or fee is

**not determined by the Gram Panchayat then the minimum rate of tax or fee mentioned in the rule will be automatically imposed and its recovery will be mandatory".**

11. As of march 2022, the closing balance in rural Panchayati Raj Institutions is estimated to be Rs. 14559 crores. According to the data received from the Gram Panchayats, the contribution of the amount received from interest in non-tax revenue income is approximately so percent. **Therefore, the commission recommends that "rules should be made for the expenditure of interest amount received by Panchayati Raj Institutions. (Paragraph 8.56)**
12. Accounting and accounting maintenance in Panchayati Ra Institutions are not at standard level due to which relevant data is not obtained. Therefore, the **Commission recommends that "rules should be made by the Government for the classification of budget and accounting in Panchayat institutions, in which the method of classification of accounting should be in accordance with the classification made for the Government."** For this an expert committee should be constituted by the government which should include the Accountant General. Director-state Audit and representatives of Panchayat and Finance Departments. **(Paragraph 8.59)**
13. **A software should also be developed for budget and accounting in Panchayats**, so that uniformity quality, accuracy and transparency can be ensured in accounting and accounting maintenance and reliable data can be obtained for policy making. **(Paragraph 8.60)**
14. The commission recommends that **"Consideration should be given to limiting the number of Gram Panchayats and restructuring of Gram Panchayats should be done on the basis of population and financial feasibility. For PESA and non- PESA Gram Panchayats it would be appropriate to set different limits for reorganization on the basis of population"**. Commission. It is noteworthy here that there are 6798 Gram Panchayats in the state of Odisha and 22695 Gram Panchayats in Madhya Pradesh whereas Chhattisgarh has 11664 Gram Panchayats which is proportionately higher. **(Paragraph 8.74)**
15. **Therefore, the commission recommends that work should be done by preparing a time-bound action plan to fill the existing gap in the indicators or standards set for the availability and quality of basic services. (Paragraph 9.27)**
16. **Therefore, the commission recommends that regular arrangements should be made for training of officers and employees of local bodies by reputed institutions. (Paragraph 9.82)**

17. The Commission recommends that "**distribution of the amount recommended by the State Finance Commission among the urban bodies should be ensured as per the distribution formula recommended by the State Finance Commission and the consent given by the government thereon or with appropriate amendments or changes**". (Paragraph 10.12)
18. The commission recommends that, "**It should be ensured that the amount received for transfer to urban bodies in the urban fund is transferred to the concerned departments within 15 days, and its responsibility should be given to the directorate of Urban Administration and Development**". (Paragraph 10.13)
19. The Commission recommends that "**The Establishment Expenditure should be reviewed and reduced**". (Paragraph 10.32)
20. The Commission recommends that "**the work of accounts maintenance in urban bodies should be re-institutionalized and for this, training of officers and employees should be ensured**". (Paragraph 10.35)
21. There is a need to make rules by the government for classification of budget and accounting in urban bodies. The Commission recommends that, "**a methodology for classification of accounting should be introduced by the Government, in which the method of classification of accounting is in accordance with the classification made for governance. For this, an expert committee should be constituted by the government, which should include Accountant General, Finance Department, Director state Audit and representatives of Urban Administration and Development Department**". (Paragraph 10.36)
22. "**A software for budget and accounting should also be developed in all the urban bodies of the state so that uniformity, quality, accuracy and transparency in accounting and account maintenance can be ensured and reliable data can be obtained for policy making**". (Paragraph 10.37)
23. The number of pending years for audit is very high. Therefore, the Commission recommends that, "**Chhattisgarh State Audit Department should timely action on this**". (Paragraph 10.39)
24. At present, 81434 pending objections worth Rs. 8510.43 crore are pending for resolution; hence the Commission recommends the, "**objections should be resolved by setting a time limit**". (Paragraph 10.41)

25. The commission recommends that "**The target of receipts from own sources of Nagar Panchayats and Nagar Palikas should be set at 25 percent of the total receipts**". (Paragraph 10.49)
26. The Commission recommends that "**the ratio of Establishment Expenditure and Maintenance Expenditure in Revenue Expenditure should be fixed and on the basis of that, supervision of all the urban bodies should be done**". (Paragraph 10.55)
27. **On the basis of the service benchmarks prescribed for urban bodies, the benchmarks related to Drinking Water and Sanitation suggested for monitoring of Gram Panchayats by the Ministry of Jal Shakti, Government of India and the service benchmarks suggested in the study sponsored by the State Finance Commission of Chhattisgarh, the Commission Recommends determining the 'Service Benchmarks' as per Table No. 12.3 for monitoring the citizen services provided by the Gram Panchayats.** (Paragraph 12.08)
28. The State Finance Commission recommends that a high-level committee of national level experts and departmental officers be formed to prepare a study-based plan for developing sewage drainage facilities in the urban bodies of the State and in accordance with the recommendation of the committee, the implementation of the schemes and arrangement of funds should be done by the State Government in a phased manner. (Paragraph 12.27)
29. Therefore, the State Finance Commission Recommends that the receipts and expenditure of the Panchayati Raj Institutions and urban bodies and the citizen services provided by them should be regularly monitored against the prescribed benchmarks. Data regarding the status of civics amenities against the benchmark should also be made public through the website. (Paragraph 12.37)
30. The State Finance Commission recommends that "**for obtaining data, software of Panchayat and Urban Administration and Development directorate and State Finance Commission can be used. After feeding information by local bodies in the software, report is received in pre-determined format. With minimum effort by both the directorates, the software can be updated through Chips as per requirement. The software is available in Chips server**". (Paragraph 12.38)
31. The State Finance Commission recommends that in order to encourage the Gram Panchayats for taxation, an amount equivalent to the income received from their own sources should be provided to the Gram Panchayats in the form of performance grant. (Paragraph 12.45)

32. Therefore, the State Finance Commission recommends that, like the Directorate of Urban Administration and Development Department, the Panchayat Directorate should also obtain information regarding the amount of additional stamp duty and minor mineral royalty from Commercial Tax (Registration) Department and Mineral Department respectively and include it in its budget and take action for transfer to the Panchayati Raj Institution. (Paragraph 12.49)
33. The State Finance Commission Recommends that, the 33 percent amount of the minor mineral royalty which is given to the Panchayat Directorate, should be provided to the concerned Panchayati Raj Institutions. (Paragraph 12.50)
34. The State Finance Commission recommends that the Panchayat Department, in Co-ordination with the Finance Department and Revenue Department, should estimate the amount of possible land revenue cess and then, its equivalent amount should be provided to the Gram Panchayats as compensation. (Paragraph 12.51)
35. The State Finance Commission Recommends that the amount collected from the imposed cess, which is given to the Rural Development Fund, should be distributed to the Gram Panchayats with immediate effect and its transfer should be started on regular basis. The amount of cess in last 5 Year is given in Table 12.16. (Paragraph 12.52)
36. The Commission recommends that "the amount of 10 percent surcharge should be transferred on regular basis". (Paragraph 12.53)
37. the State Finance Commission recommends that instead of the grant being given under 6heads in the above paragraph 12.54 (Sr. Number 3 to 8) to the urban bodies, an equivalent amount of 7.62 percent of State Goods and Service Tax should be provided in the form of assigned receipts. (Paragraph 12.54 & 12.55)
38. The State Finance Commission recommends that "10 percent of the State's Net Tax Income should be transferred to the local bodies". (Paragraph 12.58)
39. The State Finance Commission Recommends that "to fill the gap of requirement of Rs. 32933 Cr. of the local bodies, the same should be sought by the State Government from the 16<sup>Th</sup> Finance Commission and the this should be included by the State Government in its memorandum". (Paragraph 12.61)
40. The State Finance Commission recommends that out of the total recommended amount of 10 percent, 70% amount should be transferred to Panchayati Raj

Institutions and 30 percent amount should be transferred to Urban Bodies. (Paragraph 12.65)

41. Therefore, the State Finance Commission recommends that the recommended amount should be distributed among the Panchayat Raj Institutions only on the basis of population. (Paragraph 12.73)
42. The State Finance Commission also recommends that the area of Gram Panchayats in scheduled area is large and the population is less, hence keeping in mind that, adopting the population criteria should not harm the Gram Panchayats of scheduled areas therefore, in addition to the amount normally received by all Gram Panchayats, an additional amount of Rs. 2.5 lakh per Gram Panchayat should be provided to the Gram Panchayats of the scheduled area. (Paragraph 12.74)
43. The State Finance Commissions recommends the following criteria for horizontal distribution of the recommended amount among the Urban Bodies. (Paragraph 12.75)

#### Criteria for Horizontal Distribution Between Urban Bodies

No.	Criteria	Weightage
1	Population	90
2	Area	10

44. The State Finance Commission recommends that the amount to be devolved to Panchayati Raj Institutions on the recommendation of the Commission, should be divided among Gram Panchayat, Janpad Panchayat and Zila Panchayat in the ratio of 85 percent, 10 percent and 5 percent respectively. (Paragraph 12.77)
45. State Finance Commission makes following Recommendations –

1. Out of the total amount recommended by the commission for Panchayati Raj Institutions, 30 percent amount should be provided to the Panchayati Raj Institutions as untied fund, so that the Panchayati Raj Institutions can use this amount on the maintenance of basic citizen services.
2. 60 percent of the recommended amount should be provided to Panchayati Raj Institutions for carrying out capital works. This amount may be in the form of tied fund. In the capital head, works related to solid waste management (sanitation and cleanliness), construction of internal roads / lanes. drain construction and street lighting only have been included in the capital

expenditure grant by the Commission. Detailed instructions for expenditure under these heads should be issued from the department.

3. From 5 percent of the amount recommended by the State Finance Commission, Additional amount should be provided to Gram Panchayats of scheduled area at the rate of Rs. 2.50 lakh per Gram Panchayat.
  4. 5 percent of the recommended amount should be given as performance grant to encourage Gram Panchayats to increase their income from their own sources. (Paragraph 12.86)
46. The State Finance Commission recommends that out of the total amount recommended by commission for urban bodies, 30 percent amount should be provided as untied fund for maintenance expenditure, 65 percent amount should be provided as tied fund for capital works and the remaining 5 percent should be provided as performance grant. (Paragraph 12.88)
47. The recommendation of State Finance Commission -
- a. According to the formula recommended by the commission, the amount to be shared with Gram Panchayats, Janpad Panchayats, Zila Panchayats, Municipal Corporation, Municipality and Nagar panchayats should be transferred directly through PFMS to a separate bank account opened for this purpose.
  - b. Necessary detailed guidelines should be issued by the concerned department to ensure that the tied and untied funds recommended by the State Finance Commission is spent as per the rules and the rules of financial discipline should be strictly followed. (Paragraph 12.89)
48. The State Finance Commission Recommends that an amount equivalent to the amount received by the Panchayati Raj Institutions from their own sources in a year, should be provided as performance grant to that gram panchayat in the coming year. (Paragraph 12.91)
49. The State Finance Commission recommends that the amount increased by the urban bodies in their receipts from their own sources as compared to the previous year should be provided as performance grant to the urban bodies in the coming year. (Paragraph 12.93)

50. The State Finance Commission recommends that **out of the total amount recommended by the State Finance Commission, Five percent should be provided to the Gram Panchayats under Convergence Head. This amount can be used only for convergence. The Panchayat Directorate should issue detailed guidelines regarding its use.** (Paragraph 12.94)
51. The State Finance Commission recommends that **the Panchayat and Urban Administration and Development Department should identify the rural and urban local bodies having such religious, cultural and historical heritage and assess the additional expenditure incurred by them and thus, the necessary fund should be provided to them in the form of assistance grant from the consolidated fund of the State.** (Paragraph 12.95)

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