

## CHAPTER 2

### Status of implementation of previous State Finance Commission Recommendations

#### First State Finance Commission

The First State Finance Commission was constituted on 22.08.2003. It was reconstituted on 14<sup>th</sup> July, 2004 and submitted its report in May 2007. The first SFC has made a total of 81 recommendations out of which the State Government accepted 36 while 5 others are accepted with modification. The Commission had recommended devolution of 8.287% of the SOTR to the local bodies during its award period year 2007-12. However the State Government agreed to devolve only 6%, respectively 4.79% to PRIs and 1.21% to ULBs.

#### Second State Finance Commission

The Second State Finance Commission was constituted on 23.07.2011, submitted its report in March 2013. The second SFC has made a total of 133 recommendations out of which the State Government accepted 103. (Table 2.1)

**Table 2.1: Recommendations Related to the PRIs and ULBs and their Status of Acceptance by the State Government**

Description	No. of Recommendations	Accepted by the State Government	Not Accepted by the State Government
PRIs	60	47	13
ULBs	62	46	16
Others	11	10	1
<b>Total</b>	<b>133</b>	<b>103</b>	<b>30</b>

Source: Department of Finance, Government of Chhattisgarh,

The Commission had recommended devolution of 8% of the SOTR to the local bodies during its award period year 2012-17; the same was accepted by the State government. Out of devolution the share of PRIs was 6.15% and the share of ULBs was 1.85%.

It is observed by the Commission that the PRIs and ULBs members and the field level functionaries are not adequately aware about the various recommendations of the SFCs. Lack of reliable data at all levels, make it difficult to assess the impact of implementation of the Second SFC' s recommendations .

#### Financial Allocation to PRIs as per Second SFC Recommendation

It was calculated by the Commission that the share of the PRIs will be Rs. 4453.75 crore (6.15% of SOTR) for the five years i.e. from year 2012 to 2017.

The Commission also recommended that the district wise allocation of funds to the PRIs shall be on the basis of

- 1- Population (weightage 60%)
- 2- Area (weightage 20%)
- 3- SC/ST population (weightage 10%) and
- 4- Households below poverty line (weightage 10%).

With regard to the distribution of funds among the three-tier of PRIs in the State, it was recommended by the Commission as **GP-85%, JP-10% and ZP-5%**. However, the State Government through its ATR (July, 2013) accepted it as **GP-90%, JP-5% and ZP-5%**.

For the year 2014-18, the PRIs received Rs. 3941.00 crore as revenue transfer and Rs.1459.96 crore as assigned revenue through the State Panchayat and Rural Development Department.

**Table 2.2: Transfer to PRIs as per Recommendation of Second SFC during year 2014-18**

(Rs in Crore)					
Revenue transfer and assigned revenue to PRIs from Net Revenue of State (6.15 % of SOTR)					
Name of the Scheme/Year	2014-15	2015-16	2016-17	2017-18	Total
<b>Revenue Transfer from Panchayat and Rural Development Department</b>					
Gram Panchayat on ko Mulbhut Karyon hetu Anudan	300.00	300.00	300.00	200.00	<b>1100.00</b>
Mukhyamantri Samagra Grameen Vikas Yojana	300.00	600.00	570.00	360.00	<b>1830.00</b>
Mukhyamantri Janpad Sashktikaran Yojana	146.00	0.00	0.00	0.00	<b>146.00</b>
Mukhyamantri Panchayat Sashktikaran Yojana	0.00	92.00	0.00	1.00	<b>93.00</b>
C.G. Rajya Kshetriya Gramin Vikas Pradhikaran	52.00	52.00	52.00	62.00	<b>218.00</b>
Mini stadium	0.00	46.00	0.00	0.00	<b>46.00</b>
ETC/PTC Ka Sashktikaran	0.00	10.00	0.00	0.00	<b>10.00</b>
E-Panchayat	0.00	10.00	0.00	0.00	<b>10.00</b>
Zila/Gram Panchayat mein Vaikalpik Bhawan Vyavastha	0.00	10.00	0.00	0.00	<b>10.00</b>
Gaon Ki Galiyon Ka Aantarik Vidyutikaran	0.00	0.00	50.00	50.00	<b>100.00</b>
Sachiviya Vyavastha	0.00	0.00	90.00	95.00	<b>185.00</b>
Panchayati Raj Sansathao ka kshamta vikas	0.00	0.00	15.00	15.00	<b>30.00</b>
Zila Panchayat Vikas Nidhi	0.00	0.00	45.00	45.00	<b>90.00</b>

Janpad Panchayat Vikas Nidhi	0.00	0.00	0.00	73.00	73.00
<b>Total</b>	<b>798.00</b>	<b>1120.00</b>	<b>1122.00</b>	<b>901.00</b>	<b>3941.00</b>
<b>Assigned Revenue to PRIs through Panchayat and Rural Development Department</b>					
Budget provision from Infrastructure Development Fund	60.00	125.40	55.29	125.40	366.09
Grant from Royalty of Minor Minerals	149.00	250.00	235.35	226.42	860.77
Grant from Stamp and registration fee	45.00	50.00	60.00	65.00	220.00
Grants from Entertainment Tax	3.00	3.30	3.30	3.50	13.10
<b>Total</b>	<b>257.00</b>	<b>428.70</b>	<b>353.94</b>	<b>420.32</b>	<b>1459.96</b>

Source: Panchayat and Rural Development Department, Government of Chhattisgarh

### Status of Utilisation of the Grants by the PRIs

The PRIs have received funds as tied funds from the State Government were as recommendation of the Second SFC was for untied funds.

Interaction with the functionaries and representatives of the PRIs revealed that the funds transfer to PRIs as per the recommendation of the Second SFC has helped them to undertake various basic works such as provision of drinking water supply, promoting e-Service Centres etc.

With regard to the PRIs, there were 60 recommendations made by the Second SFC out of which the State Government accepted 47. Concerned departments have been ordered by the State Government for necessary actions on the recommendations.

Accepted recommendations are as follows:-

### Status of Implementation and Progress (PRIs)

Sl. No.	Para. No.	Recommendations	Action Taken
<b>Panchayati Raj in Chhattisgarh</b>			
1.	5.5	Government may like to review the present functional domains of GPs, JPs and ZPs and consider redefining their role more specifically.	According to the section 49, 50 and 52 of the Act three tiers of the Panchayats are assigned functions. In this mechanism working of Gram Panchayat is as implementing agency, Janpad Panchayat is as administrative unit (monitoring unit) and Zila Panchayat is as administrative and coordinator and controller institute of Panchayats. There is no need to redefine their role.
<b>Panchayats: Functional Devolution and Activity-Mapping</b>			
2.	6.8 & 6.10	Because of the divergence in size, in terms of area, population, resource endowment, staff support, their capability and local needs, all GPs,	A committee is constituted vide Chhattisgarh Government General Administration Department order no. F9-41/2016/1/5, Dated 04.10.2016.

		including those in scheduled area, 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.	
<b>Internal Resource Mobilization by Panchayats</b>			
3.	7.4	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.	Amendment in the concerned section 77 and its schedule of Panchayat Raj Act is under process.
4.	7.4	The changeover from capital from capital value to classified plinth area basis will require revaluation of all taxable buildings. The task of revolution 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 the task in the same 25 or more GPS, under the supervision of Senior 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.	The task of determination of tax liability is entrusted to Internal Audit & Taxation officers vide Government letter no. 295/audit/2012-13, Dated 07.06.2012 and letter no. 418 Dated 30.09.2012.
5.	7.4	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 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.	As per the recommendation of the 14 <sup>th</sup> Finance Commission, the assessment of the performance grant should be based on the recovery of taxes. State Government has issued notification and proper instructions in this regard.

6.	7.4	The committee appointed to look into implementation of the recommendations of first SFC with regard to taxes of GPs, should submit within a specified time frame and the statutory amendments, as may be necessary, are brought out thereafter as early as possible.	As per requirement amendments are done in Panchayat Raj Act from time to time.
7.	7.5	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.	There is no tax determination and recovery on private latrines by GPS. Rural people are motivated to build and use of sanitary latrines under SBM (rural).
8.	7.8	Markets fees levy has good revenue potential. Efforts should be made to explore its potential to the fullest extent. The prescribed rates 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.	It is not relevant to classify goods being sold into different categories for determination of market fees. Instead of that amendment in consolidated tax & fees for determination of rates on user area basis, is under process. Panchayat markets are classified in two categories: 1. weekly market 2. cattle market. Rates are different for both the markets. Process and agency of recovery is fixed by GP after approval of gram sabha.
9.	7.9	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.	Amendment in consolidated tax & fees for increasing current rate of fees, for registration of cattle sold in markets, is under process.
10.	7.10	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.	This recommendation is not relevant, because in current modern technical environment, television, computer, mobile etc. are common in use in rural areas,
11.	7.31	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.	Task of revision in tax rates is under process.
12.	7.31	GPs should not be required to obtain the approval of JPs of ZPs, for raising optional levies. This provision in the law should be removed.	Amendment in Panchayat Raj Act is under process.

13.	7.31	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 Panchayat if auction is permitted. If not, at least the lease amount should be raised and revised every year as proposed by P & RD.	On departmental proposal the decision taken in coordination is that, as award period of second SFC is near to end so it should be considered after report submission of next finance Commission.
14.	7.31	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 percentage of property tax. This will ease both the raising of demand and 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.	Amendment in Panchayat Raj Act is under process for rationalizing obligatory and optional taxes and to combine different taxes in to consolidate tax and fee.
15.	7.31	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.	Detailed instructions are issued for record keeping by P & RD Department's letter no. 295/p&rd/audit/2012-13 dated 07.06.2013 and letter no. p&rd /22/2015/418 dated 30.06.2015.
16.	7.31	The services of IA & T Assistant Officers are not utilized to the full the extent even now. One of their duties should be help the GPs in preparing the Demand Register annually and to assist them in the recovery of taxes and non-tax levies.	By P & RD Department's letter no. 295/p&rd/audit/2012-13 dated 07.06.2013 IA & T Assistant Officers are assigned duties to assist GPs in preparing the Demand Register and in the recovery of taxes and non-tax levies.
17.	7.31	Wherever possible recovery of taxes may be made through women's self-help groups (SHGs) and percentage of the amount recovered may be paid to them as incentive. This should be started on	Instructions are issued for recovery of taxes made through women's self-help groups (SHGs) vide directorate Panchayat letter no. Pancha/2016/628 dated 21.10.2016.

		pilot basis in districts where SHGs are strong e.g. Rajnandgaon.	
18.	7.31	Collection of revenues by GPs should be incentivised. In our interim report we have recommended that nay GP which recovers atleast 10% more than last year, of its own taxes should be given a matching grants 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.	As per the recommendation of the 14 <sup>th</sup> Finance Commission, the assessment of the performance grant should be based on the recovery of taxes. State Government has issued notification and proper instructions in this regard.
19.	7.31	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 GP budget must provide for maintenance of these assets.	GPs are maintaining an inventory of their assets like land, building, water bodies etc. under e-panchayat system. There is provision of allotment of Mulbhut Grant to GPs for maintenance of assets.
<b>Revenue Transfers to Panchayats</b>			
20.	8.4	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 Dept.should issue clear instructions top 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.	Duties of Mining Inspectors are technical and can be executed under guidance of director/ collector. Therefore MRD Department is not agreed with subordination of Mining Inspectors under Panchayat Department.
21.	8.4	A percentage of Mandi Tax collected by the Krishi Upaj Mandis may be shared with the Panchayat in the area.The Mandi Act may be amended, if necessary, to give effect to this.	Under process at department level.

22.	8.8	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 guideline governing the basic services grant, which are started to be still in force, should be reviewed, and the purposes for which these public funds can be utilized be prioritized.	For utilization of grant received under 14 <sup>th</sup> FC instructions are issued to GPs to identify and make expenditure on basic services, covering drinking water, sanitation, solid waste disposal, lighting of public places and other basic civic amenities.  Revised guidelines are issued to GPs for proper expenditure of allotted fund under Mulbhut grant.
23.	8.11	Grants under the SFC dispensation be released to the Panchayat in two equal installments, preferably in April and October every year.	Grants are released to the Panchayats in installments, as per instruction of Finance Department.
24.	8.14	The State government should take full advantage of RGPSA for the Panchayats. Fortunately, the State fulfills almost all the conditions stipulated for accessing funds.	RGPSA is closed.
25.	8.16	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.	Under process.
26.	8.16	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.	Expenditure on Jan Samasya Nivaran Shivir, Gram Suraj Abhiyan, Foundation stone, Inaugration, Minister's programme and local festivals is prohibited from Mulbhut grant.
27.	8.16	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.	Under process.



28.	8.17	Income from royalties on major minerals is a buoyant source of revenue. The State Govt. should consider sharing a small percentage of royalty receipts with GPs. The State Govt. should consider sharing a small percentage of royalty receipts with GPs. Such sharing can be such GPs are affected by the mines.	(1) A provision has been made in Chhattisgarh Mineral Development Fund Act, 2003 to transfer 5% of mineral revenue of the state in Mineral Development Fund. Distribution of minor mineral revenue to mining affected Gram Panchayats is provisioned and seems satisfactory. (2) In addition to that the District Mineral Foundation Trusts are constituted in each of the district by State Government, as a result of amendment in MMDR Act, 1957 on 12.03.2015 by Central Government. Major and minor lessees have to deposit a certain amount, other than royalty into District Mineral Foundation Trust that will be used for mining affected areas. (2) Mining lessee companies also spent certain amount in social, economic and infrastructure development work for mining affected people under company act 2013, CSR item. So sharing of royalty revenue does not justified, separately.
29.	8.20	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 Government of India.	A request has been made to MORD, Govt. Of India to provisioned 3% agency Commission to implementing agency (GP).
30.	8.23	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.	State P & RD department is utilizing the funds coming from different sources through convergence, considering the specified work.
<b>Panchayat Finances: Expenditure</b>			
31.	9.6 & 10.12	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.	Keeping in view the utilization of grant under 14th Finance Commission, services which are to be provided at village level is identified. Instructions are issued that allotment received under the scheme, should be utilized for the same services. In this regard department of Panchayat and Rural Development vide its order dated 17.02.2016 constituted a state level Panchayat and planing expert group under the chairmanship of secretary of the department.
<b>Panchayats : Accounts, Audit &amp; Governance Issue</b>			
32.	10.3	Accounts must be maintained at GP level regularly and properly and the Gram	Approval of income and expenditure of GP is regularly taken in Gram Sabha.

		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.	
33.	10.7	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.	Proposal for creation of new post by director LFA is given to the finance department and it is under process.
34.	10.7	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 use to liquidate arrears in audit.	Internal audit till the financial year 2014-15 is hundred percent done by the auditors of Panchayat and Rural Development Department of Chhattisgarh Government. Proposal to take the services of willing retired LFAD officials is under consideration.
35.	10.7	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.	By the order dated 04.10.2016 of finance department 20 posts are created for a separate Panchayat Section in the Directorate of Local Fund Audit.
36.	10.7	The cadre of Panchayat Auditors should be merged with LFAD.	Information and action taken report not received from P&RD Department.
37.	10.7	Expeditious action may be taken to recover funds which are lawfully due to the Panchayats from Panchayat functionaries or other officials on accounts embezzlement, or misappropriation of Panchayat funds. The competent authority under the Panchayat Act should be fully empowered to handle recovery cases.	Instructions are issued to all collectors for quick recovery.
38.	10.7	The State Govt. should proactively pursue the C & AG for providing TG & S to LFAD and taking up test audit of local bodies.	Government order for TG & S has been published in gazette dated 24.10.2011. First level training of LFA staff is also done by AG. Test audit of local bodies is also taken up by them.
39.	10.9	The GPs urgently need the following staff: an Accountant-cum-Computer operator; one assistant, and one technical person in bigger Panchayat to look maintenance of services. Alternatively, a qualified technical assistant may be appointed for	In Gram Panchayats under RGPSA 7043 Data Entry Operators were appointed but this scheme is closed now. In Gram Panchayats village level entrepreneur are appointed they will execute the work of computer operator with the execution of different services provided by the Panchayats.

		a cluster of GPs and placed under the concerned JP. Recourse may be made to RGPSA for this.	
40.	10.10	Instead of spreading the resources too thin by creating Community Training centres, focus should be on strengthening SIRD and Block level institutions or training infrastructure. The district centres 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.	Under the department one state level top training institution Thakur Pyare Lal Institute of Panchayat And Rural Development, 6 regional Panchayat and Rural Development training centers, 21 Zila Panchayat Resource Centers and 146 Block Panchayat Resource Centers are established for training of Panchayat representatives and officials.
41.	10.11	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.	According to the recommendations of the finance Commission basis of the allotment to the Panchayats are 60 percent on population, 20 percent on area, 10 percent on SC/ST population and 10 percent on BPL.
42.	10.15	A comprehensive data bank on all Panchayats in a district should be maintained by ZP. This should be made 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.	The following information is maintained at district level by different module of e-panchayat software: annual workplan, GDP work plan, income - expenditure, immovable property, geographical, social and economic profile, physical and financial monitoring, fundamental information of panchayats, birth and death, marriage registrations etc.
43.	18.11	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%).	According to the recommendations weightage based allotment is done.
44.	18.13	The district-wise allocation of funds to PRIs shall be as Gram Panchayats (85%), Janpad Panchayats (10%) and Zila Panchayats (5%). In our interim report we have recommended 12% for JP, which is reduced to 10% and the share of ZP have increased from 3% to	The district-wise allocation of funds to PRIs is done as Gram Panchayats- 90%, Janpad Panchayats- 5% and Zila Panchayats- 5%.

		5%. Accordingly for 5 years period Gram Panchayats, Janpad Panchayats, Zila Panchayats will have Rs. 3785.68 crore, Rs. 458.68 crore, Rs. 209.37 crore respectively.	
45.	18.15	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.	Recommendation is accepted for the award period (year 2012-17).
46.	18.17	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.	Information and action taken report not received from P&RD Department.
47.	19.2	An 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.	Recommendation is accepted for the award period (year 2012-17).

### Financial Allocation to ULBs as per Second SFC Recommendation

Second SFC made several recommendations relating to strengthening the finance of ULBs, through increased assigned revenue and grants and streamlining the internal own revenue of the ULBs. It also made recommendations to improve the urban governance.

It was calculated by the Commission that the share of the ULBs will be Rs. 1339.75 crore (1.85% of SOTR) for the five years i.e. from year 2012 to 2018.

The Commission also recommended that “the allocation of funds to the ULBs shall be on the basis of population (Nagar Palik Nigam&Nagar Palika Parishad - weightage 70%, Nagar Panchayat - weightage 80%), area (weightage 10%), Slum population (Nagar Palik Nigam&Nagar Palika Parishad - weightage 10%, Nagar Panchayat - weightage 0%) and Revenue effort (weightage 10%)”.

The share of Nagar Panchayat in the total allocation of funds was 22% on the basis of their share in urban population.

Year wise status of transfer of funds to the ULBs shows that they received Rs. 1472.98 crore during year 2014-18 as revenue transfer and Rs. 4192.00 crore during the same period as assigned revenue through the State Urban Administration & Development Department. (Table 2.3)

**Table 2.3: Transfer to ULBs as per Recommendation of Second SFC during year 2014-18**

(Rs in Crore)

Revenue transfer and revenue assigned to ULBs from Net Revenue of State (1.85 % of SOTR)					
Name of the Scheme/Year	2014-15	2015-16	2016-17	2017-18	Total
<b>Transfer from Urban Administration &amp; Development Department</b>					
Nagariya Nikayon Ka Adhoshanrachana Vikas	200.00	464.00	323.06	211.50	<b>1198.56</b>
Nagariya Nikayon Ko Mulbhoot Sevaon Hetu Anudan	67.12	74.20	66.60	61.50	<b>268.42</b>
Nagriya Kshetron Mein Mahilaon Ke Liye Sarvajanic Prasadhan	0.00	0.00	0.00	5.00	<b>5.00</b>
<b>Total</b>	<b>267.12</b>	<b>538.20</b>	<b>389.66</b>	<b>278.00</b>	<b>1472.98</b>
<b>Revenue Assigned to ULBs through Urban Administration &amp; Development Department</b>					
Entry tax (octroi compensation) grant	860.00	935.98	893.24	936.00	<b>3625.22</b>
Stamp & registration fees grant	55.00	62.00	69.00	69.00	<b>255.00</b>
FL license fees grant	19.20	19.20	19.42	35.50	<b>93.32</b>
Tax on vehicles grant	5.40	5.40	5.40	5.40	<b>21.60</b>
Entertainment tax grant	12.10	16.01	19.38	20.10	<b>67.59</b>
Excise duty surcharge grant	12.00	13.19	13.51	14.46	<b>53.16</b>
Passenger tax grant	8.00	8.00	8.00	8.00	<b>32.00</b>
General purpose grant	8.00	8.00	8.00	8.00	<b>32.00</b>
Minor mineral royalty grant	0.00	3.03	4.65	4.43	<b>12.11</b>
<b>Total</b>	<b>979.70</b>	<b>1070.81</b>	<b>1040.60</b>	<b>1100.89</b>	<b>4192.00</b>

Source: Urban Administration & Development Department, Government of Chhattisgarh

With regard to the ULBs, there were 62 recommendations by the Second SFC out of which the State Government accepted 46. Concerned department has been ordered by the State Government for necessary actions on the recommendations.

Accepted recommendations are:-

### Recommendations and action taken : Urban Local Bodies

Sl. No.	Para. No.	Recommendations	Action Taken
<b>Urban Governance</b>			
1.	12.9	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	ULBs are Executing sixteen functions out of eighteen, listed in the XII Schedule of the Constitution. Transfer of remaining two functions to ULBs (i) Master Plan (ii) Regularisation of land use and house construction is proposed for consideration.
2.	12.12	It would be appropriate to have tenure of 3 years for officers in municipalities, Corporation Commissioners and Chief Municipal officers.	This has been ensured as per the recommendation.
3.	12.14	The present cadres in municipalities may be reviewed and new cadres set up for Accounts, Revenue, Environment, Engineering and Town Planning. The adhocism prevalent at present, as seen by appointments in nagar panchayats in the cadre of Chief Municipal Officer, is not in the interest of local bodies	A proposal has been drawn up for caderwise reviewing the present post structure. Appointments/ promotions for the post of Chief Municipal Officers has been done through Public Service Commission in year 2014 and 2015: <ul style="list-style-type: none"> <li>- Direct recruitment: 54 posts</li> <li>- Promotion: 44 posts</li> </ul>
4.	12.14	A high powered committee should be set up for specifying the standards for staffing arrangements for local bodies based on population, financial arrangements and jurisdiction, and for suggesting measures for strengthening local body organisation within a fixed time frame. Assistance may be taken for this purpose from the Guidance Note issued by Govt of India (Urban Development Ministry) in Nov 2012.	A reconstituted post structure has been approved in Urban Local Bodies, with uniform post, thus the anomalies have been removed.
5.	12.16	Service Recruitment Rules must be made for recruiting personnel for municipalities, and it should be ensured that these rules are followed	Rules are established for recruitment into municipalities and Nagar Palik Nigam, but the local bodies carry out recruitment based on the guidelines issued by General Administration Department from time to time.
6.	12.18	For providing technical assistance to urban bodies in project construction and implementation the existing Technical cell in the office of the Sanchalak, City Administration should	Mechanical (Technical) Cells are operational at directorate and Divisional levels for providing technical assistance, technical approvals and for monitoring of construction works. The following posts have been approved: Chief Engineer – 01, Superintending Engineer – 04, Executive

		be developed as the Municipal Public Works Department and sufficient manpower should be provided there.	Engineer – 10, Assistant Engineer – 12, Junior Engineer – 35. Technical posts are also approved in local bodies as per their requirement.
7.	12.20	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.	Under the TCP Act 1973 there is provision to constitute plan area, which covers urban areas including attached villages also. According to the section 14 of the Act, director TCP prepared the master plan and is approved by the state government in section 19 of the Act. Where as responsibility of preparing regional plan is given to the local bodies. Sanction of building layout is done by the regional offices because town planners are posted in TCP. Only building construction approval is done by the local bodies in there notified area. If on deputation town planners can be posted to local bodies the sanction of building layout can also be given to them. To simplify Building plan approval process and start single window system is under progress. On the matter of transferring TCPO from Housing and Environment Department to UADD the department is not agree on this recommendation.
<b>Municipal Finances</b>			
8.	12.22	The Chattisgarh Municipal Revenue Regulatory Commission should be set up soon	CG Municipal Revenue Regulatory Commission, has been constituted vide Notification No F 5-6/18/2009 dated 22.09.2012.
9.	14.21	Studying the problem of pending arrears and taking steps to collect them	After the setting up of CG Municipal Revenue Regulatory Commission. The Law and Legislative affairs Department has on 11 May 2011 specified the work area and the activities of it. The inclusion of these recommendations therein is under consideration.
	14.24	Ensuring the revision of Property Tax at the earliest and also ensuring that these continue to be revised every five years	
	14.35	Issue guidelines for restructuring Municipal Advertisement Tax system so that maximum revenue is earned from this source	
	14.50 & 14.51	Issue such guidelines so that the state's municipal bodies are made capable of providing, operating and maintaining the services expected of them. Also citizens may be made aware of and educated about the need for them to pay charges in a timely manner so that local bodies are able to provide effective and proper services to them.	

<b>Tax Reforms</b>			
10.	14.14	The provisions for exemptions to property tax in the Municipality Rules and in the Nagar Palik Nigam Rules be revised and rationalised	Information and action taken report is not received.
11.	14.32	The gross receipts of entry tax should be transferred to urban bodies unconditionally	The amount of entry tax recived in the budget is regularly given to the local bodies.
12.	14.33	Urban Bodies should levy and collect water tax as a General Purpose Tax under the Rules	<p>1. Under JNNURM agenda, after installing water meters it is proposed to collect charges on the basis of their water consumption from the consumers.</p> <p>2. For this purpose suitable provisions for water supply have been made in Nagar Palik Nigam Act, 1956 section 132-A, sub section (2) (A) and The Chhattisgarh municipalities Act, 1961 section 127- B sub section (2) (A)</p>
13.	14.43, 14.48, 14.50 & 14.51	Water Charges and Solid Waste Management charges should be rationalised so that at least the cost of providing the services is recovered. All concessions provided in the matter of water charges should be withdrawn. Urban Bodies should try to ensure recovery of 100% of the costs incurred by them.	<p>Guidelines related to consumer surcharges have been provided under the JNNURM reforms issued by GOI. In this respect action is being taken by SUDA under UIG and UISSMT, and Superintending Engineer of the Department is carrying out work under MSW.</p> <p>As per Notification No. A 5-4/18/2011 issued by Urban Administration &amp; Development department in the gazette dated 12 Jan 2011; it is proposed to remove the difference in Jal Nal Sanyojan Anumati fee charges paid by income tax payers and non income tax payers, and fix Rs 3500 for Nagar Palik Nigam, 2750 for Municipalities and Rs 2250 for nagar panchayats.</p> <p>The proposal to include the provision as above within the ambit of CG Municipal Revenue (Regulatory) Rules is under consideration.</p>
14.	14.54	The process of transferring Stamp Duty should be simplified and arrangement should be made for timely transfers.	Transfers of stamp duty are being done to the Bodies in a timely manner.
<b>Accounts &amp; Audit</b>			
15.	14.66	Accountants should be posted in all ULBs and those who are in place, including those on daily wage, should be given orientation including hands-on experience. Efforts should be	Total numbers of post for accountant in ULBs were 69 before April 2015. Government on 24th April 2015 sanctioned additional 167 posts. At present total sanctioned post are 236.



		directed to develop internal capacity of officials within a given time frame.	
16.	14.67	All audit objections should be addressed by the ULBs within a timeframe to bring financial accountability in urban administration.	To clear all the pending audit objections, time to time several instructions from the directorate has been issued to all concerned officers.
17.	14.68	The State Government should strengthen LFAD through personnel augmentation and computerization. Special drive should be initiated to address all audit objections expeditiously. Time lag should further weaken the very purpose of audit and citizen confidence.	To generate online, the audit reports of different local bodies and autonomous bodies is under process. To increase the strength of the staff in LFAD is under consideration.
18.	14.70	The annual report of the C&AG and Director LFAD should be placed before the State Legislature.	The annual report of the C&AG and Director LFA are placed before the State Legislature.
<b>Access to Water and Sanitation</b>			
19.	14.73	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.	<ul style="list-style-type: none"> <li>● The urban poor HHs are getting free connection under Bhagirathi Nal Jal Yojana.</li> <li>● Under the scheme 237739 HHs of 143 local bodies got sanction of Rs. 7132.17 lakhs, out of which 87698 beneficiaries are benefited.</li> </ul>
20.	14.75	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 recommended.	<ul style="list-style-type: none"> <li>● Every year there is a provision in the budget is made for women community toilets. In the financial year 2017-18 budget provision of Rs. 5.00 crore for women community toilets was made.</li> <li>● Rs. 498.00 lakhs were sanctioned to 23 local bodies to built 30 no. of women community toilets.</li> </ul>
<b>Mobilizing Resources</b>			
21.	14.78	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.	Instructions are issued vide government circular no. F 8-20/2016/18 dated 16.06.2016 to levy all taxes included in the Act.
22.	14.80	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	Instructions are issued to all ULBs to review trade-licensing fee and take necessary action.

		value and cable operators should be taxed optimally. They may generate over Rs. 20 crore annually.																									
<b>Chhattisgarh Urban Infrastructure fund</b>																											
23.	14.82 & 14.83	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 machanisms 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.	Bank accounts are opened for constituting Revolving Fund as per JNNURM.																								
24.	14.84	Different models of capital expenditure need to be developed for sustainable financing of urban infrastructure.	Work-plan will be considered on receiving proposal for work under PPP model.																								
<b>Incentivising Performance</b>																											
25.	14.85	The ULBs should be incentivized through additional grants based on two criteria viz., 90% collection of PT and introduction of DEAS.	<p>Double entry system is prevailing in ULBs. Additional grants for incentivized ULBs is sanctioned through circular no. 5783/4726/2016/18 dated 11.08.2016 as follows:-</p> <p style="text-align: right;">(Rs in Lakh)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>S. No.</th> <th>Category Base</th> <th>Category</th> <th>Nagar Palik Nigam.</th> <th>M.Cs.</th> <th>N.Ps.</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>More than 80%</td> <td>A</td> <td>100.00</td> <td>25.00</td> <td>10.00</td> </tr> <tr> <td>2</td> <td>60%-80%</td> <td>B</td> <td>50.00</td> <td>20.00</td> <td>7.00</td> </tr> <tr> <td>2</td> <td>Less than 60%</td> <td>C</td> <td>25.00</td> <td>10.00</td> <td>5.00</td> </tr> </tbody> </table>	S. No.	Category Base	Category	Nagar Palik Nigam.	M.Cs.	N.Ps.	1	More than 80%	A	100.00	25.00	10.00	2	60%-80%	B	50.00	20.00	7.00	2	Less than 60%	C	25.00	10.00	5.00
S. No.	Category Base	Category	Nagar Palik Nigam.	M.Cs.	N.Ps.																						
1	More than 80%	A	100.00	25.00	10.00																						
2	60%-80%	B	50.00	20.00	7.00																						
2	Less than 60%	C	25.00	10.00	5.00																						
26.	14.86	With a view to improve the service levels in ULBs a suitable incentive	To improve the service levels in ULBs a suitable incentive scheme is under consideration.																								

		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.	
27.	14.87	An assessment of the level of civic services being provided by the Nagar Panchayat should also be made and the SLB process extended to them.	For assessment of the level of civic services being provided by all 111 Nagar Panchayat of the state, the SLB process extended to them.
28.	14.88 & 17.12	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.	Ward and mohalla committees are constituted as per the rule to promote participatory urban governance whereby different tax collection has been improved.
29.	14.90	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.	Timely release of funds to the ULBs is ensured; details of deductions made from grants are made available; and regularly & quarterly monitoring is done for unspent funds lying with them.
30.	14.90	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 Nagar Panchayat be given additional rupees one crore, as a one time grant.	Nagar Panchayat get allotments as per eligibility. New district headquarter Nagar Panchayat be given additional rupees one crore.
<b>Financial Gap Assessment and Devolution</b>			
31.	15.5	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	Before preparing sectoral plans for ULB's need of five years, architects were appointed to help them.

		sectoral plans align 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.	
<b>Good Practices in Urban Governance</b>			
32.	16.13	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.	Remarkable works executed through SUDA and UA & D Department are published regularly in quarterly magazine "Hamar Shahari".
<b>ULBs : General Reforms</b>			
33.	17.3	e-Governance should be introduced in the entire work area of Urban Bodies in a step wise manner and all officers and staff should be trained in the use of e-governance	<p>In Urban Bodies under e-governance following works are executed :-</p> <ul style="list-style-type: none"> <li>● Online entry of construction works.</li> <li>● Online entry of revenue recovery.</li> <li>● Income-expenditure, basic information.</li> <li>● Information of Staff.</li> <li>● e- Grievances.</li> <li>● Double entry system.</li> <li>● E-payroll system.</li> <li>● E-tendering of construction works.</li> <li>● GIS based property tax and building permission system.</li> <li>● Internet facility in all ULBs of the state.</li> <li>● E-mail facility in all ULBs of the state.</li> <li>● Implementation of schemes.</li> <li>● File movement of all sections and computerisation of letters of directorate.</li> <li>● Presentation of different formats/instructions in departmental website.</li> <li>● Operating departmental website-www.uad.cg.gov.in.</li> <li>● Training related to e-governance.</li> </ul>
34.	17.4	Time frames 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 Director's office and the districts centers.	<ol style="list-style-type: none"> <li>1. District data centres are established in all districts. Filling of the posts is under process.</li> <li>2. Data centres will be soon established in the office of Joint Director.</li> <li>3. From next session different departmental informations will be collected, by state data centre through connecting all district data centre and data centre of the joint director.</li> <li>4. Departmental training, video conferencing and other facilities are extended through data centre.</li> </ol>

35.	17.7	An Urban Administration and Development Institute should be set up in the state. State Govt should allocate Rs 50 crore for the development of infrastructure and other works for this purpose. 2.5% of the present budget of urban bodies should be utilised for their growth. All elected officials and government staff should be given training for improving their capabilities.	Recommendation is accepted. Efforts will be made to get funds from Government of India.
36.	17.11	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.	Appropriate Information not received from UA&D Department.
37.	17.12	To increase participation of the bodies, to simplify their ability to take necessary decisions, the Nagar Palik Nigam / Chief Municipal Officer should present tri monthly reports on the progress and shortfalls in the works. This report should address financial position, utilisation of grants received from central and state governments, execution status of projects and programs, provision of services as per benchmarks, grievance redressal.	On every 3-4 months all these subjects are reviewed in review meetings of ULBs at government level.
38.	17.17	The status of work executions, financial arrangements, and service provision projects should be declared by all urban bodies from time to time. This increases the interest taken by citizens, improves their participation and encourages them to give suggestions. All urban bodies should also publish the present status of all services included in the CG Public Service Guarantee Rules 2011	The ULBs provides services under CG Public Service Guarantee Rules 2011, are tap connection, building permission, shop establishment license, property name transfer, trade license, food (seller) registration, public grievance. Other than above APL ration card of food department, issuance of birth and death certificate & copy of planing, economics and statistics department, pension and national family assistance of social welfare department schemes are included in services provided by the department.
39.	17.19	A competent committee should be set up to look into issues related vacant lands lying in cities. Urban Bodies should try to find out new land related financial sources	1. Instructions are issued to urban local bodies to take necessary action after transfer of vacant government land, nazul, grass land, barren land etc. of their area from revenue department.

		such as Parivartan Shulk, Sudhar Shulk, Prabhav Shulk and Vikas Shulk and fix the value of FSI under Town Planning. They should also prepare transparent and accountable schemes for the weaker and marginal sections in the town.	2. Instructions are issued to urban local bodies to impose property tax in vacant land.
40.	17.20	At the state level and for bigger towns, Multi Disciplinary Municipal Project Planning and Management Unit should be set up.	At the state level P.S.U. & S.L.T.C. and city level, management unit e.g. P.I.U. is established under SUDA.
41.	17.21	Quality Control laboratories may be established under the Public Works Department to ensure the quality and operation of infrastructure projects and maintenance works carried out by Urban Bodies.	Appropriate Information not recieved from UA&D Department.
42.	17.23	Repeating the suggestions made by the First Finance Commission, this Commission recommends that CG Government brings to the attention of the GOI that in future disbursements to urban bodies should, among other things, be based upon status of infrastructure and the estimated costs for achieving the benchmarks set by Urban Development Ministry. Secondly, 14 <sup>th</sup> Finance Commission should give adequate importance to the tax efforts of urban bodies and provide additional grants to the local bodies, as was done by the 13 <sup>th</sup> Finance Commission. Additionally, grants should also be given for information technology and e-governance system based on urban information system.	District data centres are established in all districts under e-governance as per 13th FC guidelines.  As per 14th FC guidelines local bodies completing following norms are eligible for performance grant:- 1. Presentation of budget accounts. 2. Increase in revenue budget compared to the last year (except octroy and entry tax). 3. Publication and access to citizen their own status and achievement of basic urban services with compared to SLB.
<b>Principales of Devolution</b>			
43.	18.19	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 Nagar Panchayat for whom slum population is irrelevant, the weightage for	Allocation made on the weightage as per recommendation.

		population shall be 80% and there shall be no weightage for slum population.	
44.	18.19	The share of Nagar Panchayat in the total amount proposed to be transferred to ULBs shall be 22% on the basis of their share in urban population.	Nagar Panchayat are allotted funds based on their population.
<b>Grant-in-Aid to ULBs</b>			
45.	19.3	A one time grant-in-aid of Rs. 50 crore is recommended for establishment of an Institute of Urban Government 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.	State Government had allotted 9.183 hectares of land in Naya Raipur for establishment of Institute. A sum of Rs. Ten crore has been sanctioned in principle by HCM. GOI has been requested for sanction of funds by letter dated 7.9.2014. On receiving of funds Development Institute will be established.
46.	19.3	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.	Expenditure is made from infrastructure fund for recommended works as per need. Beside this, toilet construction has been done under SBM as below:-  1. 1663 community toilets in 138 blocks. 2. 257030 private toilets from year 2014-15 to 2016-17.

### **State Finance Commission: general issues**

There are other 11 recommendations of Second SFC out of which the State Government accepted 10.

Accepted recommendations are:-

#### **Recommendations and action taken : Others**

<b>Sl. No.</b>	<b>Para. No.</b>	<b>Recommendations</b>	<b>Action Taken</b>
1.	3.21	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 finances cannot be assessed by the next SFC and the CFC. Besides, the separate budget books	Schemes which are under plan head of the Budget State Govt. has taken decision that recommendation of the state finance Commission classified for general segment code 1101 and for ST sub plan segment code 1102. Apart from these different types of revenue transfer to local bodies is shown clearly in schemes.

		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 provide under plan schemes, funds transferred by the line Departments and expenditure there from, separately.	
2.	17.10	Committee headed by the chief secretary should also review the recommendations of SFC.	High power committee headed by the chief secretary is reviewing the implementations of SFC's recommendations.
3.	18.8	The Commission recommends that the share of the local bodies should be 8% of net SOTR of the State. Same was recommended by us in the interim report.	As per the recommendation 8% of net SOTR of the State has been transferred as share to the local bodies.
4.	18.10	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 5793.48 crore for the five year award period, comes to Rs 4453.75 crore and Rs 1339.74 crore respectively.	As per the recommendation, the share of the PRIs is 6.15% and of ULBs is 1.85% has been transferred respectively, from the divisible pool (8% of net SOTR).
5.	18.23	The total transfer to the PRIs during the 5 year award period is likely to be Rs. 7335.20 crore and ULBs Rs. 6624.60 crore. It includes amount of devolution and assigned revenue both. The per capita transfer to the rural population in the state will thus be on an average Rs. 748.40 and in urban areas average Rs. 2231.80 annually.	Information and action taken report is not received.
6.	20.1	The Vitta Ayog Adhinyam 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.	According to the gazette notification dated 13th January 2016 Chhattisgarh State Finance Commission act, 1994 (No.3 year 1994) in section 3 word "one other member" is substituted by the word "two other members".
7.	20.2	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	As far as possible State Govt. accept maximum recommendations of the SFC and decision is taken considering the State resources.



8.	20.3	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 emphasised by the 12th FC.	Third SFC is constituted on 20 January 2016 therefore report of the Third SFC will be provided well in time to Central Finance Commission.
9.	20.4	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.	Transfer of funds under SFC devolution is shown separately from year 2014-15 in the Finance Secretary's Memorandum which is published along with the budget documents every year.
10.	18.21 & 20.5	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 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.	SFC Cell has been established in the Finance, P & RD and UA & D Departments by the State Government.

**30 recommendations of the second SFC were not accepted by the State Government. These recommendations are as follows:-**

**Recommendations of the Second SFC not accepted**

Sl. No.	Para. No.	Recommendations	State Government Decision
1	7.4	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.	Not Accepted. On the basis of capital value basis on vacant non-agricultural land, assessment of property tax as recommended by the Commission is rejected.
2	7.4	Action should be initiated in terms of the provisions of the Panchyat Act against the GPs which default in levy and /or collection of obligatory taxes.	Not Accepted. No reason mentioned by the Government.
3	7.4 & 7.5	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.	Not Accepted. No reason mentioned by the Government
4	7.6	ECs 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 .	Not Accepted. No reason mentioned by the Government

5	7.18	A simple and transparent 'Land Development Tax' leviable at different rates on various categories of agricultural land can be 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.	Not Accepted. No reason mentioned by the Government
6	7.31	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.	Not Accepted. In this matter previous experience is not good therefore land should not lease out.
7	8.4	Royalty on sand should be revived and the net proceeds transferred to GPs.	Not Accepted. No reason mentioned by the Government
8	8.4	In Scheduled areas, a small percentage of the income from minor forest produce should be shared with Panchayats which are subjected to PESA.	Not Accepted. Income from minor forest produce is being received by their collectors directly.
9	8.7	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 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.	Not Accepted. Present status prevailed .
10	8.10	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.	Not Accepted. Through State-sponsored schemes GPs receive funds for their infrastructure/ basic development works according to their demand/need.
11	8.16	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.	Not Accepted. No reason mentioned by the Government
12	10.13	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, turn; distribute the grants meant for GPs in their respective jurisdiction	Not Accepted. No reason mentioned by the Government

		without much delay.	
13	11.11	Nagar Panchayat should be constituted in towns with a population of at least 10,000; Nagar Palika Parishad with more than 30,000; and M.Crops with more than 2, 00,000 populations. The 76 Nagar Panchayat in the state with less than 10,000 populations be given the option for reclassification as GPs. All five district headquarter towns-Balarampur, Bijapur, Gariyaband, Narayanpur and Sukma-presently Nagar Panchayat, be upgraded as Nagar Palika Parishad, irrespective of their population.	Not Accepted. Once converted to Nagar Panchayat, will not be reverted to GPs.
14	11.12	It will be more use ful and appropriate to integrate Durg and Bhilai Nagar Palik Nigam to form one Durg - Bhilai Nagar Palik Nigam.	Not Accepted. No reason mentioned by the Government
15	12.15	The state govt. should consider creation of a separate recruitment board for recruitment of municipal employees.Necessary laws should be made for this.	Not Accepted. It seems no need to creat a separate recruitment board.
		<b>Following should included in duties of the CMRRC-</b>	
	14.15	Undertake survey of exempted properties and assess the claims of exemption	Not Accepted. It is the responsibility of ULBs.
	14.15	Undertake a survey of properties and bring the un-assessed and under -assessed in to PT net.	Not Accepted. It is the responsibility of ULBs.
	14.20	Devise mechanisms to ensure that the municipal records including PT records are maintained properly.	Not Accepted. It is the responsibility of ULBs. The CMRRC can get these records anytime and can issue appropriate instructions on improper maintainance.
	14.41	Formulate guidelines for fixation of shop rents, for periodic revision as well as levy and collection.	Not Accepted. It is the responsibility of ULBs.
16	14.12	Unit area based PT system should be introduced in the State	Not accepted. No reason mentioned by the Government
17	14.25	The minimum PT per annum should be Rs 50 in Nagar Panchayat, Rs 100 in Municipalities and Rs 150 in Nagar Palik Nigam.The Municipal Acts may be amended for the purpose.	Not accepted. No reason mentioned by the Government
18	14.26	To streamline assesment, 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.Collections of PT through banks, credit/debit cards; outsourcing of PT collection,	Not accepted. Recommendation of Commission for abolition of SAS is rejected. It is a progressive reform.

		incentives for timely payment, incentive for collection staff etc. are some of the methods to improve collection efficiency.	
19	14.31	All the three components of consolidated tax may be a percentage of property tax instead of being a separate tax.	Not accepted. No reason mentioned by the Government
20	14.39	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.	Not accepted. Recommendation to abolish the market fee altogether is rejected. Nagar Palik Nigam. will collect the market fee by itself or by women SHGs.
21	14.42	The distinction between income tax payee and non-income tax payee be removed and water connection charges be uniform.	Not accepted. No reason mentioned by the Government
22	14.55	The ULBs may undertake credit rating to be eligible to obtain loans from the financial market.	Not accepted. No reason mentioned by the Government
23	14.71	The resident audit system may be revived in the ULBs and accounting system streamlined and strengthened.	Not accepted. No reason mentioned by the Government
24	14.79	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.	Not accepted. Profession tax was abolished by the State Government it will not be proper to revive it again.
25	14.89	The councillor fund should be provided from the Municipal budget and not from the infrastructure fund.	Not accepted. No reason mentioned by the Government
26	17.15	MPCS Should be constituted for both RMC and Durg-Bhilai urban agglomeration.	Not accepted. To build Greater Raipur as state's first metro city will be done in due course of time.
27	17.22	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 under taking in frastructure projects through PPP, associate ULBS with city planning.	Not accepted. No reason mentioned by the Government
28	18.16	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.	Not Accepted. The transfer of funds to the P&RD department on recommendation of the State Finance Commission will be continued as in situ according to the current system.
29	18.20	The allocation proposed for ULBS should be untied	Not Accepted.

		and should be utilized primarily for urban infrastructure and basic civic services and should not be appropriated towards state government schemes.	The transfer of funds to the UA& D department on recommendation of the State Finance Commission will be continued as in situ according to the current system.
30	18.21	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.	Not Accepted. The transfer of funds to the P&RD and UA& D department on recommendation of the State Finance Commission will be continued as in situ according to the current system.

### **Conclusion:-**

Out of 133 recommendations of the second SFC, 103 recommendations have been accepted by the State Government. It is apparent that the State Government did not accept few important recommendations, without assigning any reason for doing so. It is expected that recommendations of SFC would be accepted and acted upon by the State Government without any exception. If any recommendation is not accepted due to change in requirement / circumstances/law and rules/procedure, reasons for the same may be recorded in the action taken report so that the members of Chhattisgarh Legislative Assembly could know the status of acceptance.

While going through the Action Taken Report of the related departments it is evident that major three departments e.g. Finance, P &RD and UA & D neither acted sincerely on the recommendations of the Commission nor have they shown any reasons for the same. Reply of many paras of ATR is incomplete and appropriate information is not provided.

Although SFC Cell has been established separately in these departments and required staff is made available to them. Most of the important recommendations of the second SFC which were accepted by the State Government in July 2013, these departments have not taken any action after passage of five years.

On the recommendation no 7.31 of the second SFC, Fisheries department action taken report is as follows: - "Decision taken in coordination on departmental proposal that the award period of second SFC is about to end year (2012-17) therefore it will be considered after submission of report of the new Finance Commission"

This shows that department did not take any action of compliance for five years on the recommendations of the second SFC and now they are waiting for the report of the next Finance Commission.