सत्यमेव जयते

REPORT

OF

THE THIRD
STATE FINANCE COMMISSION

RAJASTHAN

(FOR 2005-2010)

JAIPUR
FEBRUARY, 2008

PREFACE

Urban Local Bodies and PRIs have now acquired constitutional Status after the enactment of Constitution (Seventy third) Amendment Act' 1992 (which will be referred hereinafter as Amendment Act 1992).The Amendment Act' 92 in Part IX and IX 'A" of the Constitution of India has made mandatory provision in Article 243-I for constituting of a Finance Commission by the Government of the State to review the financial position of the Panchayats and to make recommendations to the Governor as to :

(a) the principles which should govern -

  (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds .

  (ii) the determination of the taxes, duties, tools and fees which may be assigned to, or appropriated by, the Panchayats.

  (iii) the grants-in-aid to the Panchayats from the Consolidated Fund for the State.

(b) the measures needed to improve the financial position of the Panchayats.

(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.

Article 243 (y) also makes similar provisions analogous to Article 243-I for constituting a Finance Commission to review the financial position of the Municipalities and make recommendations to the Governor as in the case of Panchayats of the State.

Under the above constitutional provisions, the Governor of Rajasthan has constituted the present Third State Finance Commission on 15th Sept., 2005. I am grateful to the State Government for reposing confidence in me by appointing me as the Chairman of Third State Finance Commission entrusting me the onerous duties and responsibilities of Third State Finance Commission. The Commission has submitted its report to H.E. The Governor of Rajasthan on 27.2.2008.

Prior to the enactment of the Constitution- (Seventy-third) Amendment Act' 92 there was no regular or occasional system to review the financial position of the Panchayats and Municipalities which are the basic units of the Local Self Governance conceived on the principles of Democratic Decentralisation.

We had the privilege being the Third State Finance Commission to peruse the report of the State Finance Commission's (First) and State Finance Commission (Second) headed respectively by H'ble Shri K.K. Goyal and Shri Heera Lal

Devpura. We have been immensely enriched and benefited by the same.

We have submitted this report of the Third Commission after examining in detail the financial position of the various tiers of PRIs and various tiers of ULBs of Rajasthan. In our report we have made concrete suggestions to raise the revenues of the PRIs and ULBs. The Ho'ble Chief Minister in the last four years has made Herculean efforts by declaring various policy initiatives in the last four budgets and by concretely taking steps as per the declared policy initiatives which has ultimately resulted in the surplus budgets in the year 2006-07 and 2007-08. It is well known that due to huge investments made in the basic infrastructure of Rajasthan in the last four years, the State has come out from the category of the "Bimaru State" and has joined the league of important developing States of India.

The basic principles which the Commission has continuously kept in view are as under:

1. The fiscal need or revenue adequacy principle of fiscal federalism states that to ensure better accountability of any level of government, its ability to raise revenues from its own sources should match as closely as possible with its expenditure needs.

2. The strength of a local government system vitally depends upon the extent of finances available to them to effectively tackle their assigned responsibilities

The Commission has examined the financial position of the PRIs and ULBs from the angle of the above principles and have made many recommendations and suggestions to take policy initiatives to substantially increase and to mobilize the own tax and non tax resources of PRI's and ULBs. The efforts of the PRIs and ULBs in this regard will see the light of day if they are fully backed and inspired by the State Government in all respects incentivising these institutions to achieve the target.

The Commission has suggested ways and means in its report to enhance own income of PRIs as well as ULBs so as to make Rajasthan as a premier state in the overall scenario of the developed states of India Maharastra, Karnataka, Kerala and Gujrat,

Though this Commission was constituted at one go by the State Government, yet the Commission became fully functional only after four month's period i.e. Feb., 2006, The biggest hindrance which this Commission has faced is similar to the one faced by its predecessor Commissions i.e. lack of proper personnels on deputation from the State Government. In absence of the same, the Commission was forced to engage persons on contract who were frequently changed by the agency through which they were recruited.

The Third State Finance Commission of Rajasthan also faced the same difficulties as regards authentic data of income and expenditure, particularly of the Gram Panchayats, which are numbering 9189 in Rajasthan. After great efforts this Commission could collect data for 1198 Gram Panchayats of various districts to which a reference has been made in our report also.

For eliciting information and relevant data from each tiers of PRIs and ULBs a prepared questionnaire to which they were expected to respond was sent. Such questionnaires were also sent to all the ULBs of Rajasthan numbering 183 and all the 32 Zila Parishads and 237 Panchayat Samities and 9189 Gram Panchayats. The questionnaires to Gram Panchayats were sent through the Panchayat Samities and through B.D.O. and they were requested to collect relevant information from Gram Panchayats falling in their jurisdiction. This process for collection of data from PRIs and ULBs took too much time, but in the matter of ULBs, the collection of data was facilitated directly by all the tiers of ULBs along with Director of Local Bodies.

The methodology adopted by the Commission included collection of information and material and analysis thereof, inviting suggestions from concerned personnel, meetings and discussions with eminent and experienced persons, inviting memorandum from the Departments of Panchayati Raj, Finance Department and Local Self Government, visits to 10 districts and discussions with the elected representatives and officers of PRIs and ULBs etc.

I take this opportunity to express my gratitude to H.E. the Governor of Rajasthan Smt. Pritibha Patil (now President of India) and Chief Minister Smt. Vasundhara Raje for entrusting this constitutional assignment to me. I am also thankful to Shri Kalu Lal Gurjar (Minister for Panchayati Raj); Sh. T. Srinivasan, Sh. Rajiv Maharshri, Sh. Ram Lubhaya, Sh. Lalit K. Panwar, Sh. D.B. Gupta, Sh. Subhash Garg & Sh. Tanmay Kumar (All IAS) Sh. M.L. Mehta, Ex. Chief Secretary, Sh. D.R. Mehta, Ex. Chairman of SEBI, Sh. L.C. Gupta, IAS (R) & Sh. Bhagirath Sharma, IAS (R) for their very valuable suggestions given during the course of discussions.

I am highly thankful to the Member Secretary of the Commission Shri Ramavtar Raghuvanshi for his untired zeal and herculean efforts to see that the report of the Third State Finance Commission becomes highly relevant and meaningful in the context of State Government's efforts for a Resurgent Rajasthan which has come out of the category of the "Bimaru State" into the category of a developing state.

In the preparation of the report I received the unstinted co-operation of the entire staff of the Commission who have made their contribution in a variety of ways. I record my appreciation for the contribution that they have made. I would be failing in my duty if

I do not bring on record the help of Dr. O.P. Bohra of NIRD rendered in finalising the report. Shri Kana Ram Sharma helped in computer typing very efficiently.

I gratefully acknowledge the appreciable service rendered by Shri Shanti Lal Jain, Dy. Director Statistics (R) and his team in collecting and analysing the data.

I do hope, the report of the Commission will be helpful in improving the finances of the PRIs and ULBs and will contribute to the betterment of their functioning in keeping with the aspirations of the people and the people's representatives.

Jaipur **(MANIK CHAND SURANA)**

Feb. 27, 2008

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CHAPTER – I

INTRODUCTION

1.1 Under articles 243-I and 243-Y of the Constitution of India, the Governor of the State would constitute, after the expiry of every five years, a Finance Commission, to review the financial position of rural and urban local bodies in the State and make recommendations to the Governor regarding devolution of financial resources from the State Government to the Local Bodies (rural and urban) and also the shares of PRIs and Municipalities on an efficient and equitable basis. The above provisions have been incorporated in the Constitution by the (Seventy-third) Amendment Act 1992 (w.e.f. 24.4.1994).

1.2 The First State Finance Commission was set up in Rajasthan on 23rd April, 1994, under the Chairmanship of Shri K.K. Goel, with three other members including Member-Secretary. The Commission gave its report in December, 1995 for the award period 1995-96 to 1999-2000. The recommendations of the Commission by and large, were accepted by the State Government and implemented. The Commission recommended 2.18 percent of the state's own tax revenue (net) for transfer to PRIs and ULBs. This was further distributed between ULBs and PRIs on the basis of population ratio.

1.3 The Second State Finance Commission was set up on 7th May, 1999, under the Chairmanship of Shri Heera Lal Deopura, Member, Rajasthan Legislative Assembly (RLA), along with 3 other members including Member-Secretary.

1.4 The Second State Finance Commission gave its report in the month of August 2001 for the period 2000-01 to 2004-05. The recommendations of the Commission were, by and large, accepted by the State Government and implemented. The status of implementation in respect of Panchayati Raj Institutions and Urban Local Bodies are placed at Appendix - I.2 & I.3 respectively.

1.5 The Second State Finance Commission recommended devolution of 2.25 percent of the net State's own tax revenue for both the PRIs and ULBs. The share between ULBs and PRIs was further apportioned on the basis of population.

1.6 Release of funds during the year 2000-01 to 2004-05 under SFC recommendation is given in Table-1.1.

Table – 1.1

Recommended and Released - SFC Grants

(Rs. in Crores)

Year	Recommended by SFC			Released by State Govt.		
	ULBs	PRIs	Total	ULBs	PRIs	Total
2000-01	29.71	86.41	116.12	23.90	81.24	105.14
2001-02	34.12	100.25	134.37	27.61	92.51	120.12
2002-03	39.19	116.32	155.51	27.61	91.80	119.41
2003-04	45.03	134.98	180.01	27.61	90.79	118.40
2004-05	51.77	156.65	208.42	46.01	135.54	181.55
Total	**199.82**	**594.61**	**794.43**	**152.74**	**491.88**	**644.62**

1.7 In pursuance of the provisions of Article 243-I and 243-Y of the Constitution of India and the Rajasthan Panchayati Raj Act, 1994 and the Rajasthan Municipalities Act, 1959 {as amended vide Rajasthan Municipalities (Amendment) Act, 1994} the Governor of Rajasthan has constituted the Third State Finance Commission, consisting of Shri Manik Chand Surana, Ex-Member, Rajasthan Legislative Assembly as Chairman, and the following other members, namely:-

1. Shri Jeet Ram, Member of Legislative Assembly, Member

2. Shri Khush Veer Singh, Member of Legislative Assembly, Member

3. Shri Ramavatar, Retd. IAS, Member-Secretary

1.8 The Chairman and other members of the Commission shall hold office from the date on which they respectively assume office up to 15th March, 2006. This period was extended from time to time and the last extension given expires on 28.02.2008.

TERMS OF REFERENCE OF THE COMMISSION

1.9 The following are the Terms of Reference for this Commission:-

1. The Commission shall review the financial position of the Panchayats at all levels, and make recommendations as to:

   (a) the principles which should govern:

      (i) the distribution between the State and the Panchayats at all levels of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under Part-IX of the Constitution and the allocation between the Panchayats at all levels, of their respective shares of such proceeds;

      (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayats at all levels; and

(iii) the grants-in-aid to the Panchayats at all levels from the Consolidated Fund of the State.

(b) The measures needed to improve the financial position of the Panchayats.

2. The Commission shall also review the financial position of the Municipalities at all levels and make recommendations as to:-

(a) the principles which should govern:

(i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under Part-IX-A of the Constitution and the allocation between the Municipalities at all levels, of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Municipalities; and

(iii) the grants-in aid to the Municipalities from the Consolidated Fund of the State.

(b) The measures needed to improve the financial position of the Municipalities.

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

(i) the financial resources of the State and demands thereon, keeping in view the non-plan deficit and surplus, and in particular, the need for providing adequate resources for funding the plan expenditure for the overall development of the State;

(ii) the expenditure needs of the Panchayats at all levels and Municipalities at all levels for the proper discharge of the functions and responsibilities assigned to them;

(iii) adjustment of grants available to the Municipalities at all levels and the Panchayati Raj Institutions, under the recommendations of Twelfth Finance Commission in their resources; and

(iv) powers available to Panchayati Raj Institutions and Municipalities at all levels for raising additional resources, including powers to levy taxes.

4. The Commission shall make its report available by 30th June 2007, (extended upto 28th February, 2008) on each of the matters aforesaid, covering a period of five years, commencing on the 1st day of April 2005. The Commission shall indicate the basis on which it has arrived at its findings and make available the estimates of receipts and expenditure of the Panchayats and the Municipalities at all the levels.

1.10 A copy of the Governor's order dated September 15th, 2005 constituting the Commission, is placed at Annexure–I.1.

1.11 Since the budget exercise for finalizing the budget estimates for 2006-07 and revised estimates for 2005-06 was already going on at the time of extending the Commission's term in February 2006, the State Government vide its D.O. letter No. F 3 (1) FD/EAD/ SFC/2003, dated 31st January, 2006, requested the Commission to give an Interim Report in order to enable the State Government to reflect the recommendations of the Commission in the Revised Estimates 2005-06 and Budget Estimates 2006-07. The copy of this letter is given at Annexure-I.2. The Commission, accordingly, submitted its Interim Report, as required, to the Governor on February 20, 2006. The Interim Report of the Commission was accepted by the State Government and placed in the Legislative Assembly alongwith the Action Taken Report on 10th March, 2006. The copy of Interim Report alongwith the ATR is given at Appendix-I.1.

THE ROLE OF THE STATE FINANCE COMMISSION

1.12 The State Finance Commission is expected to function as an independent quasi–judicial body. As it is clear from the Terms of Reference, the Commission can determine its own procedures, methodology and principles governing its recommendations. The Commission has to perform the onerous task of recommending devolution of financial resources from the State Government to Local Bodies in the State to enable them to discharge their constitutional obligations. While making its recommendations the Commission is required to keep in mind the financial resources of the State and the demands thereon. It is expected that Commission would adopt normative approach in assessing the financial resources and expenditure requirements of the local bodies. The Commission is expected to strike a balance between the expenditure requirements of local bodies and the commitments of the State Government. The recommendations of the Commission are expected to lay the foundations of decentralized and sound system of self-reliant local finance in the State.

1.13 As per Terms of Reference the Commission is to evolve its own methodology. Soon after its constitution the Commission decided its methodology in the preliminary meetings. Since authentic and reliable data of local bodies were not available, the Commission designed the formats/ questionnaires, soliciting relevant data on income and expenditure and on the other relevant indicators. The questionnaires/ formats were sent to all executive officers and Chairmen of the Urban Local

Bodies and to the CEOs of Zila Parishads with the request to compile the information in the designed format from respective local bodies falling within their jurisdiction and submit to the Commission. A copy of this letter was also endorsed to Director, Local Bodies, Rajasthan, and to Commissioner, Panchayati Raj Department with the request to issue necessary directions to the Urban Local Bodies as well as to Panchayati Raj Departments to submit the required information. It is indeed painful to observe that there is no nodal agency at the State level to collect authentic and reliable data of PRIs and ULBs on regular basis. The First and the Second State Finance Commissions had also lamented the non-availability and inadequacy of the data (para 1.10, 1st SFC Report).

1.14 The Commission called Director, Local Fund Audit Department in order to ascertain whether relevant data in respect of PRIs and ULBs are available with his department, as the First State Finance Commission had recommended compilation of data by Director, Local Fund Audit Department (page 7-8, para 1.10 of First State Finance Commission Report), extracted as below:-

> *"We strongly recommend that the Director, Local Fund Audit should consolidate the financial data in the proforma prescribed by this Commission for all*

the institutions so that the authentic/audited figures of revenue and expenditure are available atleast future Finance Commissions."

1.15 The Director, Local Fund Audit admitted that there is no such compilation of data in the office of the Director, Local Fund Audit. The Commission also examined the Commissioner and Secretary Panchayati Raj and Rural Development Department who, too expressed their inability to provide the relevant data of revenue and expenditure of the Gram Panchayats, though data relating to Panchayat Samities and Zila Parishads were provided by the Panchayati Raj and Rural Development Department. The Commission, therefore, decided that data should be collected from Gram Panchayats during its field visits and also by writing to Sarpanchas by sending this communication through Panchayat Samities. The Commission made every possible effort for collection of data, even D.O. letters were addressed to Zila Pramukhs and Pradhans for collection of the data. Despite all these efforts made by the Commission the data in respect of only 1198 Gram Panchayats out of 9189 could be collected. We have analysed these data while making our recommendations. The data in respect of all the 183 ULBs has been received though, with lot of misclassifications, both, in income and expenditure heads. We have corrected and reclassified the data wherever required before analyzing them.

1.16 The Commission is deeply pained to pen down that despite the categorical recommendations of the First State Finance Commission and reinforced by Second State Finance Commission also, there is no Nodal Agency set up as yet to provide reliable and authentic data of PRIs and ULBs.

1.17 The Commission cannot help reiterating the recommendations of its predecessor Commissions that the State Government should give a serious thought to the problem of data collection and by an order in writing, make Panchayati Raj Department responsible for collection, compilation and consolidation of data in respect of Gram Panchayats, Panchayat Samities and Zila Parishads and Director, Local Bodies for ULBs.

1.18 This would go a long way in curtailing the delay in preparation and submission of the report by the Commission, as the Commission has to spend its substantial crucial time in collection, compilation and segregation of the data. It has also been felt that information called from various departments of the Government, either do not reach the Commission or even if information supplied is incomplete information and reluctantly supplied resulting in back references.

1.19 The Commission has recorded its suggestions for improvement in data collection and compilation and maintenance of accounts in a separate Chapter VII, later in the report.

1.20 The Commission has also consulted the annual administrative reports of Panchayati Raj, Urban Local Bodies, Local Fund Audit and Rural Development Departments, and also the reports and papers published by the various research Institutes such as National Institute of Rural Development (NIRD), Hyderabad, National Institute of Urban Affairs, New Delhi, National Institute of Public Finance and Policy, New Delhi and some other important relevant Journals on the subject. The report of the study carried out by the Institute of Development Studies, Jaipur on functional and financial devolution to PRIs, sponsored by the Eleventh Finance Commission, through NIRD was also a useful source of information. The 12th Finance Commission had made some useful observations regarding the requirement of PRIs and ULBs and had also recommended grants for these institutions. We have also made use of them in this report.

1.21 Besides taking recourse to various publications and journals, the Commission in order to have interaction with various functionaries of Local Bodies, visited some of the Divisional/ District Headquarters and held detailed discussions with the elected representatives of Local Bodies, who acquainted us with the financial and other functional problems of these bodies. Such meetings were also held separately for Gram Panchayats, Panchayat Samities, Zila Parishads, members of District Planning Committee and Municipalities. The interface with District Administration, Local MLAs, Zila Pramukhs, Pradhans, Sarpanchas, Vikash Adhikaries, Mayors and Executive Officers proved useful.

1.22 In its tenure of about 2 years and 4 months the Commission held in all 40 meetings and visited 10 districts and held discussions with 1273 elected representatives and officers connected with PRIs and ULBs. A list of the districts visited and field meetings held is shown at Annexure–I.3.

1.23 As a part of its methodology, the Commission invited memorandum from the departments of Panchayati Raj, and Local Self Government, highlighting their financial difficulties and requirement of funds, the proposals for augmenting revenue sources and their suggestions for improvement. The same have been received from these departments. The memorandum submitted by these departments were given due consideration and the useful suggestions have found place in our recommendations. Finance Department was also invited for discussion to review State's financial position. The memorandum submitted by Finance Department has been duly considered while making our recommendations.

1.24 The Commission also invited knowledgeable subject experts and experienced persons (both official and non-official) on the subject for discussions and their views were ascertained (see Annexure-I.4). A good number of officers who were subject experts in the field of functioning of rural and urban local bodies or had association with these departments were also invited for discussions and their views on the improvement of the functioning of these Local Bodies were solicited. Discussions were held as to the measures which need be undertaken to improve the functioning of these bodies. The details are shown in Annexure-I.5.

1.25 The Commission also invited some of the NGOs working in this field to be familiar with their views regarding the functioning of these bodies and invited their suggestions for improvement. The Chairman and the Member Secretary attended seminar held at National Institute of Public Finance and Policy, New Delhi where discussions regarding the role and purpose of Finance Commission was discussed. This seminar was attended by the Chairmen and the Secretaries of all SFCs of the country. The Member Secretary also attended a two-day seminar organised by Amity School of Urban Management, Noida on issues concerning Urban Bodies, and the Hon'ble Chairman participated in the National Seminar on "Panchayat Level Resource Mobilization and Efficient Fiscal Transfer" held in collaboration with the National Institute of Public Finance and Policy, New Delhi organized by Ministry of Panchayati Raj, Government of India. The Commission's Chairman and Member Secretary have also attended and actively participated in a very important two day national workshop on "Panchayat Finances and Fiscal Decentralization to Panchayats" on 29-30 November 2007, held by NIRD, Hyderabad and attended by SFC Chairpersons and the Panchayati Raj and Rural Development Secretaries and addressed by Dr. C. Rangarajan, Shri B.N. Yugandhar and Shri V. Ramchandran. In order to have first hand knowledge of local bodies of other States the Commission visited Kerala and West Bengal. The Chairman also visited the State of Chhattisgarh in order to familiarize himself with the Panchayati Raj System of that State.

1.26 Besides, the has Commission has also issued advertisement in the newspapers soliciting suggestions from the enlightened people, associations and other bodies to send their suggestions for improvement in the financial condition and service delivery of the local bodies. We have received some good suggestions from some associations and also from individuals and these have been incorporated in our recommendation at the appropriate place.

ELEVENTH FINANCE COMMISSION GRANTS

1.27 The Eleventh Finance Commission (EFC) had recommended grants amounting to Rs. 490.95 crores for the Panchayati Raj Institutions and Rs. 99.30 crores for the Urban Local Bodies totaling Rs. 590.25 crores for the award period 2000-2005. The EFC dispensation required raising matching contribution by the local bodies. However, the PRIs could not raise the contribution and therefore, the State Government treated the grant in lieu of land revenue as their contribution/matching share. A statement indicating year wise release of EFC grants to PRIs and ULBs and their utilization as received from the Panchayati Raj Department and Local Bodies Department is made available at Annexure-I.6.

TWELFTH FINANCE COMMISSION GRANTS

1.28 The Twelfth Finance Commission (TFC) has recommended grants amounting to Rs. 1230 crores for the Panchayati Raj Institutions and Rs. 220 crores for the Urban Local Bodies totaling Rs. 1450 crores for the award period 2005-10. These grants are to be distributed as per criteria and norms recommended by this Commission. Of the grants allocated for Panchayati Raj Institutions priority should be given to expenditure on O&M costs of water supply and sanitation. This will facilitate Panchayats to take over the schemes and operate them. However, 50 percent of the grants in aid provided to Urban Local Bodies would be earmarked for the scheme of solid waste management through public private partnership. The municipalities should concentrate on collection, segregation and transportation of solid waste in their respective areas. The cost of these activities whether carried out in house or out sourced could be met from the grant. The norms and criteria for *inter se* distribution among individual Rural and Urban Local Bodies have been laid down in Chapter VIII on Devolution from State.

1.29 We would like to suggest that entire Commission should be constituted at one go to curtail delay in submission of the report. It is painful to record that it took 6 months for

Commission to start effective functioning operationalise its function. The personnel hired with computer on the scale fixed by Government (man with machine) did not stay for long and as soon as they acquired skills they deserted the Commission. There have been as many as 15 changes in these personnel resulting in avoidable delay in the reparation and the submission of report. Similarly, the services of the skilled staff (an efficient steno) are most required for the Commission. Though, despite all the co-operation from Government, the Commission had to live with this problem. We would, therefore, recommend that the services of efficient staff (steno etc.), by way of deputation, be made available while constituting the Commission. This would help in curtailing the delay in submitting the report.

CHAPTER – II

PANCHAYATI RAJ INSTITUTIONS IN RAJASTHAN

EVOLUATION OF PANCHAYATS IN RAJASTHAN

2.1 The Panchayati Raj is an ancient concept which had a long history in India. The elements of Panchayats did exist in the ancient periods. In this way Panchayats are the oldest Administrative Institutions in India. The tradition of having Panchayats has been one of the fundamental concepts of Indian culture. If we go into a historical context we will find that the system had existed in India since the Vedic periods. In Vedic age the village was looked after by a person known as 'Gramini'.

2.2 There are so many references available here and there about the Gram Sangh's in "Mahabharat" Kautilyas in 400 BC gives a reference of rural community in his celebrated book "Aarthshashatra". In the Ramayan of Balmiki references to Janapad indicates existence of a kind of federation of village people.

2.3 In the period of Mauryas and Guptas, references are found of a village and district respectively. The Mauryas and Gupta administration provided a systematic base to the Panchayati Raj System during Mugal administration Panchayats used to perform works relating to administrative, social and economic development.

2.4 Up to the Muslim period the small village institutions occupied a prominent place in local administration and the State normally contented itself with law and order functions and revenue collection. People had an abiding faith in the Institutions of Village Panchayats which represented not only the collective will but also the collective wisdom of the entire rural community. So profound and deep was the faith of the village community in Panchayat that they equated the Panchas as " Panch Parmeshwar " i.e. " God speaking through the five " and the unanimous decisions doled out by the " Panch Parmeshwars " was not only compiled with but was respected as if it were the verdict of God.

2.5 In Rajasthan Village Panchayats had existed as in other parts of India. According to A.S. Altekar executive committee of gram sabha was existing in Rajasthan, Bihar, Maharashtra and Karnataka during Gupta and Parpati period, but details of their organizations are not known. The study of various lekhas reveal that the executive committees of Panchayats called Panchkulas, in Rajasthan these committees were headed by the Mukhiya or Mahant. Dr. Dashrath Sharma reported that Panchayats existed during 750 AD to 1000 AD in Rajasthan. While discussing the administrative system of this period he stated that direct democracy operated even more effectively in village than towns. From the lekhas, it is inferred that the Panchayats were constituted for specific period though exact term is not known. According to James Tod Village Panchayats existed in Rajputana during British Regime.

2.6 In Rajasthan, the princely States of Jodhpur, Bharatpur, Jaipur, Sirohi, Udaipur and Karauli enacted legislation on Panchayats. Bikaner State had its own Gram Panchayat Act much earlier in 1928. Steps were also taken, though with limited success in the erstwhile states of Kota, Bundi, Jhalawar, Tonk and Shahpura. Thus, at the time of the dawn of Independence, Panchayats were functioning in some of the erstwhile princely states, while in other States no such institutions existed. The new State of Rajasthan thus inherited a very vague and weak system of Panchayats. The institution of Panchayats in the British Indian provinces was much more systematic.

INDEPENDENCE AND AFTER

2.7 As mentioned above some of the princely States had Village Panchayats in group of villages while others did not have Panchayats. The promulgation of Panchayati Raj Ordinance, 1948 by the United State of Rajasthan (former Rajasthan) heralded the system of Panchayats for groups of villages. This was the first concrete step in the direction of organization of Panchayats in the State.

2.8 The State of Rajasthan came into being as a result of the process of integration of about 2 dozen princely States and Chiefships in successive stages starting from the inauguration of Matsya Union (comprising of the former princely States of Alwar and Bharatpur) on March 18, 1948 and culminating with the merger of Sirohi State in Rajasthan Union on January 26, 1950. The Greater Rajasthan Union with Jaipur as capital was inaugurated on March 30, 1949. The final stage in the formation of the present State of Rajasthan was accomplished on November 1, 1956 with the merger of Part-C State of Ajmer, Tehsils Abu and Delwara of Bombay and Sunel Tappa of Madhya Pradesh into Rajasthan as a result of the recommendations of the States' Reorganization Commission, giving the State its present geographical and political identity.

2.9 Appearance of Mahatma Gandhi on the national scene during the freedom struggle and thereafter went a long way in giving a further fillip to the system of Panchayati Raj in rural areas. Mahatma Gandhi had an unflinching faith in Gram Swaraj which for him implied giving powers to the village panchayat for self governance. Mahatma Gandhi's dream was that every village should be a republic equipped with powers of self governance. Article 40 of the Constitution of India enshrines Directive Principle of the State policy, these are in the nature of direction to the policy formulators. This article reads as under:

> *"The State shall take steps to organize village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self Government"*

2.10 The Directive Principles unequivocally advocate that village panchayat should be organized and endowed with all such powers which are necessary for self governance, to enable them to functions as unit of self government. It was the dream of Mahatma Gandhi, the father of the nation, that there should be a village democracy- which he designated and also mentioned it as "Ramraj" while Vinoba Bhavey described it as "Gramraj" which is another name of Panchayati Raj.

2.11 Freedom was won but the luster soon dimmed due to centralization of powers and authority. Huge investment made through capital intensive projects did not percolate down to the masses. The fruits of freedom did not reach to them. It was not difficult to diagnose the malady not atleast for Nehru, who said "to uplift lakhs of villages is not an ordinary task. This can be done only if people take up the responsibility. They are not merely to be consulted, but the effective power has to be entrusted to the people. **"**

2.12 The rural character of the economy and the need for the generation was stressed by Mahatma Gandhi. Mahatma Gandhi was a staunch votary of giving 'powers to people.' His views on Panchayati Raj are worth quoting. "It is certainly an omission calling for immediate attention, if our independence is to reflect peoples' voices. The greater is the power of Panchayats the better for the people". Mahatma Gandhi had dreamed of democracy to commence from the villages. He believed that democratic freedoms have to be founded in institutions of self government in every village of India.

2.13 Pandit Jawahar Lal Nehru preferred the term of Panchayati Raj to democratic decentralization because it conveyed the essential message to the people of rural areas.

2.14 Thus if the dreams of the father of nation and founding fathers of the constitution are to be materialized and converted into reality democratic decentralization by empowering the village people and strengthening of Panchayati Raj is a need of the hour. India is a vast country with a surging of multi ethnic characteristic. Political and economic management of such a big nation from one particular location is difficult, inefficient and unprofessional. It is under this realization that the Prime Minister Shri Rajiv Gandhi launched the Constitution (Seventy-Third Amendment) Act'92 and in his own words, "It is a revolution that will bring democracy to the door steps of crores of Indians, and open the door of opportunity to millions of Scheduled Castes and Scheduled Tribes and at least half of the population of our country- the women in India.

2.15 Implementation of the programme of community development and national extension service paved the way for institutional development of popular representative institutions in rural areas. The study team on community development and the national extension service of the committee on plan projects under the Chairmanship of Balwant Rai Mehata recommended that “there should be a devolution of power and decentralization of machinery and that such powers be exercised and such machinery controlled and directed by popular representative of the local areas.” The recommendations of the study team were accepted in the National Development Council and by Government of India.

2.16 Rajasthan is the pioneer in introducing the Panchayati Raj System. It adopted three tier systems of representative bodies at the village, block and district level.

2.17 On October 2, 1959, the scheme of democratic decentralization was inaugurated by Shri Jawaharlal Nehru at Nagaur. Thus, Rajasthan was the first, to lit the lamp of Panchayati Raj.

2.18 The Rajasthan Panchayat Samities and Zila Parishads Act 1959 was enacted which received the assent of the President on September 9, 1959. The Act apart from providing for establishment of Panchayat Samities at Block Level and Zila Parishads at District level made extensive amendments in Rajasthan Panchayat Act, 1953 to bring it in conformity with the new pattern of Panchayati Raj. First elections under the Rajasthan Panchayat Samities and Zila Parishads Act 1959 were held in September-October, 1959. 232 Panchayat Samities and 26 Zila Parishads were constituted in the State. With the already existing Panchayats at the village level under the Rajasthan Panchayats Act 1953, the three tier scheme of Panchayati Raj began functioning on October 2, 1959.

2.19 The present strength of elected representatives of Panchayats is reflected in the Table below:

Elected Panchayati Raj Public Representatives

S. No.	Particulars	General	SC	ST	OBC	Term not Completed	Total	Females
1	Zila Pramukh	3	6	6	17	-	32	14
2	Pradhan	56	41	45	55	-	237	94
3	Zila Parishad Members	257	188	187	376	-	1008	377
4	Panchayat Samiti Members	1,197	1,057	980	2,023	-	5,257	2,104
5	Sarpanch	1,768	1,693	2,030	3,689	7	9,189	3,339
6	Ward Panch	19,635	22,447	18,218	44,157	69	1,04,526	36,705
	Total: (3 to 6)	**22,857**	**25,385**	**21,415**	**50,245**	**76**	**1,19,978**	**42,435**

Source: Annual Progress Report 2005-06, Panchayati Raj Department, Rajasthan Jaipur

2.20 In late eighties, the Government of India had organized a number of regional workshops to consider various aspects of strengthening democratic decentralization and Panchayat Raj. During this period the State apparatus was geared to provide Constitutional status to PRIs.

2.21 Before the 73rd Constitutional Amendment, Panchayati Raj in Rajasthan was functioning under the following Acts and Rules:-

(i) The Rajasthan Panchayat Act, 1953.

(ii) The Rajasthan Panchayat Samities and Zila Parishads Act, 1959.

(iii) Set of rules framed under the Rajasthan Panchayat Act, 1953- General Rules and Election Rules.

(iv) Set of rules framed from time to time under the Rajasthan Panchayat Samities and Zila Parishads Act, 1959 in respect of various matters relating to functioning of PRIs.

2.22 There was a three - tier system with Panchayat at the village level (for a village or group of villages), Panchayat Samiti at Block level and Zila Parishad at the District level. The three institutions were organizationally linked as the sarpanchs (chairpersons) of Panchayats were ex-officio members of the Panchayat Samiti and Pradhans (chairpersons) of Panchayat Samities were ex-officio members of the Zila Parishad. The ward panchas of the Panchayat and the Sarpanch were directly elected by the voters. There were provisions for co-option of two women and two members each of SC/ ST at each level in case members of these categories were not represented in the institution through election or ex-officio membership. The Panchayat Samities and Zila Parishads functioned through standing committees/ sub-committees.

2.23 Sarpanchas have been granted the ex-officio membership of Panchayat Samitis. Similarly, Pradhans have been made ex-officio members of the Zila Parishads for their greater coordination and involvement in the planning and execution of developmental projects and effective functioning of the three tier Panchayati Raj System.

THE 73rd AMENDMENT

2.24 The Constitution (Seventy-Third Amendment) Act '92 makes a land mark amendment in the history of Panchayati Raj. For the first time constitutional status has been conferred upon the Panchayati Raj Institutions and they have come to be recognized as constitutional entities and mandatory provisions for regular five yearly elections throughout the country have been made.

2.25 The 73rd Amendment Act of Constitution has been the most significant booster to the cause of local self governance through PRIs.

2.26 Thus, the 73rd constitutional amendment has been an important land mark that has changed the scenario in respect of Panchayati Raj and rural development.

2.27 The 73rd Constitution Amendment has accorded new status and significance to the Panchayat Raj Institution (PRIs). These bodies now have constitutional status. The constitutional provisions about their formation, membership, term, reservation for SC/ST, OBC and women in membership and chairpersons, powers and functions, elections and financial resources have certainly contributed to the status and credibility of these bodies. These are seen as steps to make these bodies self-reliant units of local government.

PANCHAYATI RAJ IN RAJASTHAN AFTER THE 73rd AMENDMENT

2.28 As s consequence of the 73rd amendment, Rajasthan Panchayati Raj Act was passed in 1994 which came into force w.e.f. April 23, 1994. The Act has incorporated mandatory provisions of the 73rd Amendment besides a few others, such as, procedure of Gram Sabhas, reservation in the membership and Chairpersonship for members of the OBCs. The Rajasthan Panchayati Raj Act, 1994 provides for functions and powers of the PRIs. For conduct of fair elections, the Rajasthan Panchayati Raj (Election) Rules, 1994 were framed. The Rajasthan Panchayati Raj Rules, 1996 were framed and made effective from 30th December, 1996 for smooth functioning of PRIs. For extending these provisions to Scheduled Areas, Rajasthan Panchayat (Extension to Scheduled Areas) Act, 1999 has been enacted.

ORGANISATIONAL STRUCTURE & ROLE OF PRIs

2.29 The Organizational Structure of Panchayati Raj Institutions (PRIs) in Rajasthan is a three-tier system. Gram Panchayats at village level are the key units, while the middle level comprises of Panchayat Samities at the block level and Zila Parishad at the apex level. As a matter of fact Panchayat Samities are the conduits through which most of the funds for rural development are flowing to Gram Panchayats. Now the development funds of many schemes are directly channelized by Central Govt. and State Governments to the Gram Panchayats. Zila Parishad, at the district level. The apex tier of PRI, is responsible for preparation of integrated Annual Plan of the district for the rural as well as urban area through the District Planning Committee. But so far this role has been performed by the various departments because of the lack of preparedness, awareness, and understanding regarding their prime role in the preparation of Annual Plans of development, entrusted to them, by the provisions of 73rd Amendment of the Constitution, particularly Article 243-G. Article 243-G speaks of powers, authority and responsibilities of Panchayats. The following responsibilities have specially been entrusted by Sub Clause (a) and (b) of Act 243 G :-

(a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

GRAM PANCHAYATS and THEIR ROLE IN RURAL DEVELOPMENT- PROBLEM AND SUGGESTIONS

2.30 As of today, the number of Gram Panchayats (GP's) in the State of Rajasthan is 9189. The organizational structure of a Gram Panchayat comprises of directly elected Sarpanch and Ward Panchas as provided under the Rajasthan Panchayati Raj Act, 1994. Even under the Raj Panchayat Act, 1953 there was no difference in the organizational structure of the Gram Panchayat vis-à-vis the Act of 1994. As regards other staff, Section 78 of Rajasthan Panchayati Raj Act (RPR Act) provides for a Secretary at each Panchayat level or a Group-Secretary for a group of Panchayats. Rajasthan has been facing the shortage of secretaries at the Panchayat level for a long period. The first SFC also recommended providing at least one Secretary for each Panchayat. The Panchayati Raj Department has informed that there are 9189 sanctioned posts of (VLWs) and ex-officio Panchayat Secretary.

2.31 However, during the field visits of the Commission in the various districts, the representatives of Panchayati Raj Institutions mentioned that the surplus employees of various departments of Government and State Undertakings posted by the Panchayati Raj Department have not either joined duties as Panchayat Secretary or the staff posted do not know anything about the functioning of Gram Panchayats. With the result, the working of Gram Panchayats has not come to a proper shape and order at many places.

2.32 The Commission feels that the demand for a whole time Secretary for each Gram Panchayat which is being hammered since the first SFC, has not been implemented properly in practice by the State Government, and the induction of persons declared surplus in so many government departments and undertakings into Gram Sewaks, has virtually deprived the Gram Panchayat of the services of a qualified Gram Sewak. Persons declared surplus coming from the Tilam Sangh and Octroi Department of Municipality and various other departments and absorbed as Gramsevaks are wholly unfit to render the services on the post of a qualified Gramsevak. The absorption of such unqualified persons on the post of Gramsevak has caused great harm to the proper functioning of the Panchayati Raj System in the State.

2.33 With the increasing outlays of rural development in the 10th plan it is essential that there is a proper and complete monitoring, recording and computerization of the accounts and funds received for rural development directly by the Gram Panchayat from Central Government or State Government in various rural development schemes. The lack of a proper monitoring of fund utilisation and assets created thereof may lead to misutilisation, non utilisation of funds resulting in malpractices.

2.34 The period of 10th Plan covers the period 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. In Rajasthan during these years starting from 2002-03, during 10th Plan, the following expenditures have been incurred on rural development which are narrated as under :-

2004-05	Rs. 619 crore 25 lakhs
2005-06	Rs. 754 crore (By Jan., 06 actual expenditure of Rs. 774 crore 90 lakhs had been incurred)
2006-07	Rs. 1400 crore

2.35 Because of the lack of properly qualified and adequate personnel provided by the State Government to the Gram Panchayats, the year to year increasing expenditure on rural development has failed to yield the desired *results. The* *sphere and dimensions of Panchayati Raj and rural development are growing day by day and it is expected that out of 29* subjects enumerated in the 11th schedule of the Constitution, the State Government is expected to transfer at least half of the subjects enumerated in the 11th Schedule after the report of this Commission and the rest of the subjects or 40% to 50% of them may also be entrusted during the period of 11th plan starting from 2007-08 along with funds and functionaries. The subjects are to be transferred with funds, functions and functionaries.

2.36 In view of the overall expenditure which is being incurred through Gram Panchayats for rural development and in view of the functions and duties to be entrusted to PRIs under the Rajasthan Panchayat Raj Act 1994, which have been enacted by the State Assembly to implement the mandate of the 73rd Amendment of Constitution of India into law, the Commission feels that in the present circumstances along with a qualified Gramsevak for each Gram Panchayat, at least one BA degree holder, computer knowing persons is required in the staff of each Gram Panchayat which needs to be provided. The consolidated contractual amount on which this persons may be engaged may be around 2500 per month plus some infrastructural facilities, like computer in each Gram Panchayat and its connectivity with the concerned Panchayat Samiti and

Zila Parishad so that all the information and data base required by the State Government for further planning from the view point of the each Gram Panchayat, Panchayat Samiti and Zila Parishad is readily available in the master computer of the department at Jaipur headquarter. This will facilitate the monitoring of the day-to-day accounts and correct recording of expenditures incurred under the various rural development schemes and all other PRI's income received as own tax and non-tax and under various heads of EFC, TFC, State Finance Commission and State Government . It will also facilitate the recording of the fact as to how many persons of SC/ST and persons of weaker section and BPL and OBC have been provided employment in each work done under Rural Development Schemes.

2.37 The Commission is of the firm view that the expenditure of Rs. 33 crores annually on computer operators in Gram Panchayats will directly tone up the whole administrative set up of the Gram Panchayats and will initiate a process of accountability and transparency in expenditure of rural development funds and works.

2.38 The appointment of Computer Operators in Gram Panchayats will enable the Gram Panchayat to keep its office open through out Rajasthan between office hours from 10.00 AM to

5.00 PM at par with all other Government offices which is also an objective of State Government reflected in issuance of so many circulars in this regard. This will herald a new chapter and new era for the Panchayati Raj system in the State. The era of Gramsevak going from one village to another of the Gram Panchayat carrying all the records of Gram Panchayat in a Thela (Bag) will come to an end for ever, for good and the general belief that Panchayat lives in the Thela (Bag) of Gram Sewak would be dispelled for all times to come.

2.39 The Commission has been informed by Rural Development and Panchayati Raj Department that they are implementing an important "Karishma Project" under which all the Zila Parishads, all the Panchayat Samiti's and 1100 Gram Panchayats will be provided computer, printer, software and other necessary accessories. Gram Panchayat computers will be connected by RF technique with each other and with the departmental head quarter at Jaipur.

2.40 There are 9,189 Gram Panchayats in Rajasthan. All the Panchayats should be provided with computer, printer, software and other necessary accessories so that data base for planning may correctly be prepared.

2.41 The Commission appreciates the efforts of the State Government to computerize the accounts of the village Panchayat by recording of income received under various heads and expenditure incurred by Gram Panchayat, Panchayat Samiti and Zila Parishads so as to make the PRIs accounts transparent and to facilitate communication of all informations to various levels of the Government, in order to tone up the financial management and information management system to strengthen the Panchayati Raj Institution and give them stability, transparency and status.

2.42 But so far computers have not been installed in all Gram Panchayats as conceived in Karishma Project. The Commission is aware that the neighbouring States have already achieved 100% computerization of all the Gram Panchayats and they have been connected with each other and also with the head quarter of Rural Development Ministry of the State Government. All the relevant information's stored and all the accounts of each Gram Panchayat are available on line in these neighbouring States.

2.43 This Commission has experienced great difficulty in obtaining the information of accounts of all Gram Panchayats numbering 9189, out of which information of 1198 Gram Panchayats have only been made available, for which the Commission made tremendous efforts in the last 20 months. The Commission views with concern that computerization of all the Gram Panchayats, Panchayat Samities and Zila Parishads has not been made so far. The Commission seriously recommends to the State Government to computerize all the Gram Panchayats, Panchayat Samities and Zila Parishads. This may be phased out during 2007-08, 2008-09 and 2009-2010.

2.44 Time has come when we must obtain a clear picture of all the villages of Gram Panchayats throughout the province. The details, such as availability of water, number of water bodies and wells in the village, status of the roads existing in the village, facility of the Post Office, play ground, PHC or Sub-Center nursery school, mid day meal school, Mahila Mandal, fair price shop or its distance from the fair price shop in the nearest village, existence of electricity and its availability in hours regarding domestic consumers and/or agriculture consumers, collection at milk booth by RCDF or other private dealers, distance from National and State High Ways must be made available on line. For each village details of government presence and official presence will also be collected and recorded for further plan needs. All the above informations and all other information's considered relevant will be collected and feeded in the computer so as to make them available easily on line whenever such information is needed by various levels of PRI's and State Government.

PANCHAYAT SAMITIS

2.45 Panchayat Samities in the State are the nodal agencies in charge of implementing the development works in rural areas that have been assigned to PRIs. They are also entrusted with the task of guiding and monitoring besides inspection and control of rural development programme assigned to Panchayati Raj Institutions (PRIs). Panchayat Samities and Zila Parishads are also looking after the distribution of funds to the Gram Panchayats for particular rural development schemes of SGRY in which 30% and 20% amount is earmarked for them and the rest for further distribution to G.P.'s.

2.46 A Panchayat Samiti is headed by an elected non official, the Pradhan, duly assisted by a Chief Executive known as Block Development Officer (BDO) supported by Progress Extension Officer, Co-operative Extension Officer, Panchayat Extension Officer, Jr. Engineer, Accountant and other ministerial staff.

2.47 The above staffing pattern of the Panchayat Samities clearly goes to show that declaration made by the then former Government in June- July, 2003 for transferring a number of staff with fund and functionaries to the Gram Panchayats have not been implemented. As per declaration of the Government regarding transfer of specified functions, detailed instructions were initially issued for each of the line department have not actually been implemented. It is a common knowledge that the declaration made by the then Government in June-July, 2003 was never seriously implemented or were withdrawn in practice without making a proper announcement regarding the same.

2.48 The Memorandum submitted by the Panchayati Raj Department to this Commission narrated as under:

''वर्तमान स्थिति के अनुसार राज्य के 18 विषय एवं उनसे संबंधित कार्य का अन्तरण पंचायतीराज संस्थाओं को किया जा चुका है''।

2.49 On a close scrutiny, the above statement is highly exaggerated and has not been accompanied by transfer of funds and functionaries to PRIs as envisaged under the 73rd amendment of the Constitution of India. On close scrutiny which will be done late in the Chapter it will be revealed that no substantial transfer of departments or specified functions have been transferred to the PRI's except a few.

FUNCTIONS AND POWERS OF PRIs UNDER THE RAJASTHAN PANCHAYATI RAJ ACT, 1994

2.50 A perusal of the First, Second and Third Schedules which is related to the functions and powers of Gram Panchayat, Panchayat Samities and Zila Parishads, and the Second Schedule which is related to the Panchayat Samities and the Third Schedule which is related to the Zila Parishads, shows that PRIs have been entrusted with the work of every conceivable government department under the heads of Agriculture, Animal Husbandry, Fisheries, Social and Farm Forestry, Minor Irrigation, Rural Housing, Drinking water, Roads, Buildings, Rural Electrification, Poverty Alleviation Programme, Education, Libraries, Cultural Activities, Markets and Fares, Rural Sanitation, Public Health and Family Welfare, Social Welfare, welfare of Weaker Section, Public Distribution System, along with the other departmental functions.

2.51 The functions of the above departments in which every conceivable function performed by the State government have been enumerated as functions and powers of PRIs of various tiers, have perhaps been conferred to looking to the spirit of the 73rd amendment of the Constitution of India.

2.52 The real situation is that the PRIs have in fact not been involved at all in a majority of the functions enumerated in the Schedules appended to Section 50 to 52 of the Rajasthan Panchayati Raj Act, 1994. Functions can only be performed if there are financial resources available to perform the same and/or the state government has transferred clearly defined functions of particular departments to the PRIs along with funds and functionaries.

2.53 The Panchayati Raj Department has submitted to this Commission that 18 subjects have been transferred to the PRIs, but on a closer scrutiny the above claim has not been found correct and sustainable. A perusal of the budget head provisions for devolved funds to PRIs shows that in Crop Husbandry i.e. Agriculture, Animal Husbandry, Village and Small Industries, Roads and Bridges, Adult Education, Medical & Public Health, Housing, Family Welfare, Nutrition, Non Conventional, Sources of Energy and Civil Supplies, the provisions under the above heads ranges from Rs. zero to thousands, when divided by the 237 Panchayat Samities and 32 Zila Parishads. This shows that the State Government has so far not involved the PRIs in the basic activities of enumerated above departments under Schedule I, II and III (Section 50 to Section 52 of Raj Act of 1994).

TARGETS AND ACHIEVEMENTS OF OWN INCOME (1995-96 TO 1999-2000)

2.54 The position of the PRIs own income during the period 1995-96 to 1999-2000 and 2000-2001 to 2004-2005 for Zila Parishads, Panchayat Samities and Gram Panchayats is as under: -

Targets and Achievements of Own Income (1995-96 to 1999-2000)

(Rs. in Crores)

Institution	1995-96		1996-97		1997-98		1998-99		1999-2000	
	Target	Ach.	Target	Ach.	Target	Ach.	Target	Ach.	Target	Ach.
Panchayats	15.83	15.16	16.34	17.24	16.86	18.90	17.41	20.51	17.96	22.98
Panchayat Samitis	8.18	7.40	9.05	11.62	10.02	10.18	11.09	9.07	12.28	10.71
Zila Parishads	2.83	1.21	4.06	3.59	5.83	2.67	8.36	2.23	12.00	2.93
Total	26.84	23.77	29.45	32.45	32.71	31.75	36.86	31.81	42.24	36.62
Shortfall/ Excess	-	-3.07	-	3.00	-	-0.96	-	-5.05	-	-5.62
% Short Fall	-	-11.44	-	10.19	-	-2.93	-	-13.70	-	-13.30

<u>निजी आय की स्थिति (2000–01 से 2004–05)</u>

(राशि लाखों में)

क्र.सं.	वर्ष	जिला परिषद की निजी आय	पंचायत समिति की निजी आय
1.	2000.01	221ण71	1129ण00
2.	2001.02	238ण49	1397ण88
3.	2002.03	254ण99	1155ण25
4.	2003.04	312ण26	1273ण04
5.	2004.05	246ण78	1460ण60
	योग	**1274ण23**	**6415ण77**

2.55 A perusal of the above tables reveal that in the year 1999-2000 total own income of all the Gram Panchayats put together was Rs. 22.98 crores which when divided by the number of Gram Panchayats comes to a paltry sum of Rs. 25000 per Gram Panchayat. The total own income of the 237 Panchayat Samities in Rajasthan for year 1999-2000 was Rs. 10.71 crores, which comes to an average income of Rs. 4,51,898 for each Panchayat Samiti. The total own income of 32 Zila Parishads was Rs. 2.93 crores in the relevant year, which comes to an average own income of Rs. 9,15,625 for each Zila Parishad.

2.56 A perusal of own income of Zila Parishads and Panchayat Samities reveals that in the year 2004-05, the total average income of Zila Parishads was assessed at Rs. 2.46 crores indicating a fall in the revenue of Zila Parishads as compared with Rs. 2.93 crore in the year 99-2000. Taking an average of

Zila Parishads income during 2000-01 to 2004-05, the average Zila Parishad income per year comes to Rs. 2.54 crores, which also indicates a fall in the revenue in comparison to the year 1999-2000 when Zila Parishads total income was Rs. 2.93 crore.

2.57 During the 5 years starting from 2000-01 to 2004-05, the Panchayat Samities total average income comes to Rs. 12.83 crores, showing a trend increase of around 19.67% in the own income of the Panchayat Samiti.

2.58 Considering the average total income of Rs. 12.83 crores of all the Panchayat Samities of Rajasthan during 2000-01 to 2004-05, an average income of a Panchayat Samiti per year during this period comes to Rs. 5,41,350/-.

2.59 No assessment of the total income of Gram Panchayats numbering 9189 could be made for the year 2000-01 to 2004-05 because of the lack of the database in the Gram Panchayat; even the Panchayati Raj Department has also not submitted any assessment of the total income of all the Gram Panchayats numbering 9189.

2.60 The Commission after serious efforts has been able to collect facts and figures of income and expenditure for 1198 Gram

Panchayats of various districts. An analysis of the above record reveals that per Gram Panchayat income in various districts for each Gram Panchayat is as on an average Rs. 26,000/- annually (for 1198 Gram Panchayats).

2.61 In view of the lack of database regarding own income of Gram Panchayats in Rajasthan, the Commission has made on the basis of other facts, an estimate of the total income of Gram Panchayats for the year 2004-05 available on record. Looking to the fact that the income of Zila Parishads has slightly decreased during the period 2000-01 to 2004-05, whereas the Panchayat Samiti's income during the same period has increased from Rs. 10.71 crore to Rs. 12.83 crores, showing a trend increase of about 19.8% and believing that the same trend increase continues at the Gram Panchayat level, the Commission assesses the average own income of PRIs for each year during 2000-01 to 2004-05 as under: -

	(Rs. in Crores)
9189 Gram Panchayats own income	27.57
(believing that trend increase in Panchayat Samitis income during this 5 year continued at Gram Panchayat level. Average income per Gram Panchayat comes to Rs. 30,000/- per year).	
237 Panchayat Samitis (as assessed by the Panchayati Raj Department)	12.83

Zila Parishads (as assessed above)	2.54
Total :	**42.94**

2.62 It needs no admission that PRIs total own income achievements in Rajasthan at Rs. 42.94 crore after a journey of more than 50 years in the realm of Panchayati Raj is at best a paltry and negligible sum which is wholly insufficient to perform any of the basic functions entrusted to the PRIs .

2.63 The situation, which emerges today, is that the provisions of Sections 65 to 67 have not been made use of by the Gram Panchayats properly, and the Gram Panchayats have not made use of discretionary provisions fearing that they would be unpopular amongst the voters.

2.64 Average total income of the Gram Panchayats is not only the responsibility of Gram Panchayat's but state has also a bounden duty under the Act 1994 to give a proper direction to the Gram Panchayats if the State Government feels that the Panchayat have committed an omission of duty in not imposing discretionary taxes to have sufficient income of the Gram Panchayat to perform their basic functions and duties of cleanliness and sanitation. This duty of the State Government has been enshrined under Sub Section (3) and Sub Section

(4) of Section 65. To understand the importance of Sub Section (3) and Sub Section (4) of Section 65, the abstract of Sub Section (1) and Sub Section (2) of Section 65 are also quoted as under: -

65. Taxes, which may be imposed by a Panchayat:

(1) Subject to the rules and any orders made by State Government in this behalf, a Panchayat may impose one or more of following taxes, namely: -

(a) A tax on building owned by persons not exceeding such rate as may be prescribed.

(b) an octroi on animals or goods brought within the Panchayat Circle for consumption or use therein ;

(c) vehicle tax except on those, which are used for the purpose of cultivation;

(d) Pilgrim tax;

(e) a tax for arranging the supply of drinking water within the Panchayat circle;

(f) a tax on commercial crops;

(g) any other tax which the State Legislature has, under the Constitution, power to impose in the State and which has been sanctioned by the Government.

2. The taxes under sub-sec. (1) shall be imposed, assessed and raised in such manner and paid or realised at such times, as may be prescribed.

3. The State Government may, by notification in the Official Gazette, require any Panchayat to impose, subject to the provisions of sub-sec. (2), any of the taxes specified in sub-sec. (1) from such date and at such rates, as may be specified in the notification.

4. While any notification under sub-sec. (3) is in force, the Panchayat shall proceed to impose the tax or taxes therein specified, as if a resolution of the Panchayat had been passed for the imposition thereof and it shall not be lawful for it to abandon, modify or abolish any tax so imposed:

   Provided that the State Government may at any time cancel any such requisition or modify it in any respect:

   Provided further that when any tax has been imposed upon the requisition of the State Government under Sub-Section (3), any other tax of like nature previously imposed by the Panchayat without such requisition shall cease to be levied and realised from the date from which the tax imposed upon the said requisition is to be levied and realised.

Provided further that the tax under clause (c) of Sub-Section (1) shall not be levied on a motor vehicle as defined in the Motor Vehicles Act, 1988 (Central Act No. 59 of 1988) or any other mechanically propelled vehicle.

Explanation- For the purpose of this section "Commercial Crops" are chilies, cotton, mustard, sugarcane, zeera and groundnut.

2.65 The provisions of the above section clearly show that the State Government has a power, by notification in the Official Gazette, require any Panchayat to impose any of the taxes specified in sub-sec. (1) from such date and at such rates, as may be specified in the notification. The effect of the above notification under sub-section (3) of Sec 65 will be that Panchayat shall proceed to impose the tax or taxes therein specified, as if a resolution of the Panchayat had been passed for the imposition thereof and it shall not be lawful for it to abandon, modify or abolish any tax so imposed.

2.66 In view of the above provision it was and is bounden duty of the State Government to examine in details whether the Gram Panchayat's income is sufficient or wholly insufficient to discharge the basic functions of cleanliness and sanitation in the Gram Panchayat area? Facts are already on record that in the year 1999-2000, the average income of the Gram Panchayats in Rajasthan was Rs. 25000/- and in the subsequent five year period i.e. from 2000-01 to 2004-05, the average income of the Gram Panchayats is Rs. 30,000/- while a Gram Panchayat need to spent at least Rs. 6,000/- per ward for scavenging and sanitary purposes. Therefore, the average income during this period is wholly insufficient to perform the basic functions of the cleanliness and sanitations and other important functions which they have been entrusted to perform, by the Act, enacted after the 73rd amendment of the Constitution of India. The Commission feels that while the Gram Panchayats have failed to impose, levy any of the discretionary taxes due to fear of becoming unpopular, which is in fact a wrong apprehension, the State Government too has not woken up to its duty entrusted under sub section (3) and (4) of Section 65. Because of paucity of own income Gram Panchayats are unable to provide basic facilities of cleaning of roads and internal roads, drains, tanks, wells and other public places falling within the jurisdiction of the Gram Panchayats. It is also unable to provide for any new drains in the Gram Panchayat area or regular cleaning of drains from its own income.

2.67 The Panchayati Raj Department in its memorandum mentioned that in many villages heaps of garbage are getting collected in numerous corners and wards, which is polluting and creating unhealthy atmosphere, and during the rainy seasons particularly, there is always a danger of spreading contagious diseases. The Panchayati Raj Department has submitted to the Commission that provision of freshet for cleaning each and every ward three times in a month i.e. 36 times in a year, so that the villages can be kept neat and clean. They have desired the Commission to allocate an amount of Rs. 4800/- per ward per year, for 1,05,000 wards ,which works out to Rs. 50.40 crores. We have duly considered this demand of this Department.

2.68 It is an admitted position that Zila Parishads have been empowered to impose surcharge under Section 69 (c) of the R.P.R. Act, 1994. It has been represented to the Commission during it's field visits that Ajmer, and Udaipur imposed a surcharge of 2½ % on Stamp Duty on sale of property in rural areas. Many other Zila Parishads passed a resolution to levy surcharge up to ½% on the market fees, realised by Krishi Upaj Mandi Samities in their jurisdiction. In spite of this legal position, the lawful imposition of surcharge on Stamp Duty or surcharge on market fees to which Zila Parishads are entitled under law, to impose surcharge by resolution has not been implemented by the concerned departments.

2.69 The Commission is pained to see that the State Government has not implemented the lawful imposition of tax on Stamp Duty on market fees on one or other pretext.

2.70 The Commission feels that the resolution of the Zila Parishads passed Under Section 69 are wholly competent under law and the state government must see that such resolutions are immediately implemented by the concerned authority i.e. Sub Registrar, by charging additional Stamp Duty as mandated by the resolution of the Zila Parishad, and the amount for the same must be passed and accounted for and entrusted to the Zila Parishads every month.

2.71 The Finance Department of the State Government should also ultimately facilitate the implementation of resolutions of the Zila Parishads, imposing a fee or a surcharge and if need be a clear-cut circular for implementing the provisions of Section 69 of the Panchayati Raj Act 1994 must be issued by the Finance Department and Panchayati Raj Department both separately to uphold the majesty of law.

2.72 Recently several measures have been taken to promote the local self governance by the PRIs. A few important features of new initiatives are as under.

CO-ORDINATION BETWEEN PR & RD SCHEMES

2.73 With the objective of greater co-ordination and proper implementation of development schemes District Rural Development Agencies (DRDAs) have been merged into Zila Parishads. This will facilitate involvement of elected representatives in the implementation of various rural development projects and may also help in their speedy implementation. For execution, supervision, monitoring etc. a separate Rural Development Cell has been set up in each Zila Parishad.

2.74 For ensuring participation of members of PRIs in decision making 6 Standing Committees at each level i.e. Zila Parishad, Panchayat Samiti and Gram Panchayat have been constituted. These Committees are as follows:

i) Administration and Establishment Committee.

ii) Finance and Taxation Committee

ii) Development and Production Activity Committee

iv) Education Committee

v) Social Services and Social Justice Committee

vi) Rural Development Committee

These Committees are virtually defunctional. For over all development of the rural area, greater involvement of these Committees is desirable. Panchayati Raj Department may ensure effective involvement so that PRIs could work properly.

PROVISION OF EXTENSION TO SCHEDULE AREA

2.75 For giving more powers to PRIs in the scheduled notified areas Rajasthan Panchayat (Extension to Scheduled Areas) Act, 1999 has been enacted. According to this, separate Gram Sabhas will be organized in different villages. Gram Sabhas have been empowered to protect the cultural heritage, social customs, community resources and settlement of disputes in these areas. It has also been provided that the approval of Gram Sabha will be necessary for use of small water resources, minor minerals and grant of license deeds of minerals in the scheduled areas. All development works undertaken in the scheduled area will be approved by the Gram Sabhas. It has also been provided that the Chairperson of PRIs in scheduled areas will be elected from Tribal people only.

2.76 The legislative intent of the Rajasthan Panchayat Provision (Extension to Scheduled Areas) Act 1999 is to extend and empower the villages forming part of a particular Gram Panchayat in Scheduled Notified Areas (which will be referred to as SNA hence forth in this chapter). Ordinarily in the Panchayat Act, there is a concept of one Gram Sabha in one Gram Panchayat while in Scheduled Notified Areas for each village of a Gram Panchayat, a Gram Sabha has been conceived and empowered to protect the ethnically, the cultural heritage, social customs, community resources and settlement of disputes in these areas.

2.77 The approval of Gram Sabha has been made a pre requisite for allotting minor minerals and grant of licence deeds of minerals in the SNA but the powers devolved on the Gram Sabha in the SNA has never been exercised in the last seven years in view of the Mines (Gr-2) Department notification dated 18.12.2000. This notification prohibited the allotment of new areas of Major & Minor Minerals in SNA and provided that the allotment of new mining areas will be processed by a Committee of the Secretaries to the Government which will be formed for granting Major and Minor Minerals under the relevant rules and their recommendations will be submitted to the Cabinet Sub-Committee of the State Government, which will grant the same after getting the approval of the Central Government. The above circular of the Mines Department dated 18.12.2000 however permitted the renewal of the existing Leases as per rules, and did not prohibit the same.

2.78 The Commission is of the opinion that the above circular has denuded the Gram Sabha of SNA of their legitimate right and power to grant the new areas of minor minerals to eligible persons and thereby open new employment opportunities for the new entrepreneurs and labour force and simultaneously enrich the coffers of the State Government. It us strange that in the year 1999 on the one hand, Rajasthan Panchayat (Extension to scheduled Areas) Act, 1999 was enacted to empower the Gram Sabha of SNA regarding Minor Minerals and in the next year in 2000, the State Government's Mining Department by issuing the above notification denuded them of the powers granted to them under the Act' 1999.

2.79 The import of the circular is that the Gram Sabha of SNAs has been totally ousted from their basic right of approval of Minor Minerals in view of the procedure laid down in the circular for grant of Major & Minor Minerals in SNA. It is strange that the circular of 18.12.2000 is still very much in force even in the year 2007.

2.80 The commission would like to draw the attention of the Government towards the said circular. It for state Government to consider whether the circular should be withdrawn or not.

GRAM SABHAS

2.81 After the passing of the 73rd Amendment of the Constitution of India, Raj. Panchayati Raj Act of 1994 (which will henceforth be referred as Act, 1994) was passed and the concept of Gram Sabha was incorporated in the Act. Part IX of the Constitution of India says in Clause (b) of Article 243 that "Gram Sabha" means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level". Article 243 A further says that "A Gram Sabha may exercise such powers and perform such functions at the village level as the Legislature of a State may, by law, provide." It is patent from a perusal of Article 243 A that the powers and functions of the Gram Sabha are to be conferred by the Legislature of the State. Act, 1994 has in Sub Section (3) & Sub Section (4) of Section 8A, has made it mandatory for the Panchayat to place before the Gram Sabha in the first quarter of the financial year and in the last quarter of the financial year respectively, the statements of accounts, reports on the administration, development programmes & proposals and statement of expenditure and budget of the Panchayat, as provided in the sub section (4) of Sec. 8A of the Act' 94.

Sub Section (3) & Sub Section (4) of Section 8A of the Act' 94 is as under :-

(3) In the meeting held in the first quarter of the financial year, the Panchayat shall place before the Gram Sabha:-

(a) the Annual Statement of Accounts of the preceding year;

(b) a report on the administration of the preceding financial year as required to be submitted under the provisions of this Act;

(c) the development and other programmes proposed for the financial year; and

(d) the last audit report and replies made thereto.

(4) In the meeting convened in the last quarter of the financial year, the Panchayat shall place before the Gram Sabha:-

(a) a Statement of expenditure incurred during the year;

(b) physical and financial programmes undertaken in the financial year;

(c) proposals with regard to any changes made in various spheres of activities proposed in the meeting held in the first quarter of the financial year; and

(d) the budget of the Panchayat as prepared under the provisions of this Act.

2.82 In spite of the above salutary mandatory provisions making it mandatory for the Panchayat to place the relevant records before the Gram Sabha in the first quarter of the financial year regarding Sub Section (3) and in the last quarter of the financial year regarding Sub Section (4) of Section 8A of the Act'94, the ground reality is that the majority of the Gram Panchayats are not placing the annual statement of accounts of the preceding year, along with a report on the administration of the preceding financial year, the development and other programmes proposed for the financial year and the last audit report & the replies made there to before the Gram Sabha, convened for this purpose in the first quarter of the financial year. Similarly the mandatory requirements of Sub Section (4) of Section 8A of the Act of 1994 are not observed by placing, a statement of expenditure incurred during the year, Physical & Financial Programmes undertaken in the financial year and the Budget of the Panchayat as prepared under the provisions of this Act in the meeting of the Gram Sabha convened in the last quarter of the financial year as mandated by the Act. 1994.

2.83 The Sarpanch of Gram Panchayat has been omitting to do this duty because of the lack of close monitoring by Panchayati Raj Department of the State Government and because of the fact that the Gram Panchayat has not been made responsible under statute to the Gram Sabha as the State Government has been made responsible to the State Legislature by the Constitution .The main reasons for the weakness in the empowerment of the Gram Sabha is Sub Section (6) of Section 3 of the Act' 94 which says as under:-

(6) It shall be open to the Gram Sabha to discuss the matters placed before it under this section and the Panchayat shall consider the suggestions if any, made by the Gram Sabha.

This sub section says that it shall be open to the Gram Sabha to discuss the matter placed before it and the Panchayat shall consider the suggestions, if any, made by the Gram Sabha. The opinion of the Gram Sabha is just advisory and the Gram Panchayat is not obliged to act as per the decisions and directions of the Gram Sabha, which clearly means the decision of the majority of the electors residing in the GP area.

2.84 It is a total misconception to believe that the GPs have been made responsible to the Gram Sabha. In view of the large scale violation of the provisions of sub section (3) & (4) of Section 8A, neither the Gram Sabha are convened in the first and last quarter of the financial year on the subjects mentioned in sub section (3) & (4) of section 8A and therefore no decisions and directions are issued on these vital matters in a majority of Gram Panchayats.

2.85 The Gram Sabha is not aware of the budget of the GP nor is it aware of the funds received by the GP in various rural development Schemes and other devolutions received from EFC, TFC & SFC. It has come the notice of the Commission that even the Ward Panchas of the Panchayats are kept in ignorance regarding the funds received by the GP from the State Government as well as from the Central Government under various heads & schemes. The ground level situation is pathetic and is an indication that the real empowerment of the Ward members GPs & Gram Sabhas is yet to come.

2.86 The Commission recommends that the State Government must ensure through the PR Department that the provisions of sub section (3) & (4) of Section 8A are mandatorily followed by the Sarpanchs of the GP by convening a meeting of the Gram Sabha in the first and last quarter of the financial year on the subjects mentioned in the sub section (3) & (4) of Section 8A.

2.87 The State Government must monitor in detail the functioning of each GP in this respect and must forewarn all the GPs that the violation of these mandatory provisions duties and lapses may lead to the stringent disciplinary action against the concerned Sarpanch as well as Gram Sewak and Gram Sabha must be enabled to perform its statutory function devolved on them on the principles of democratic decentralisation.

2.88 The Commission, therefore, submits for the consideration of State Government to consider a major amendment in sub section (6) of Section 8A of the Act'94 so that the resolutions of the Gram Sabha are not treated as “suggestions” only but should be mandated to be obeyed in compliance as far as possible. The Panchayat must be made responsible to the Gram Sabha and with this intent in view sub-section (6) of section 8A, needs major amendment in the language of sub-section (6) of Section 8A. Only when we make the GP responsible to the Gram Sabha, Gram Sabha will establish its identity and will become functional to discharge its duties under democratic decentralisation.

2.89 The Commission also suggests that to enable the Ward Panchas and other members of Panchayat Samiti's and Zila Parishad's to effectively participate in the proceedings and decisions of the Gram Panchayat and PRIs, the State Government must send a copy of each sanction of amount, under various heads to every member of the concerned PRI under various Rural Development Scheme and other devolutions made to PRIs by Central Finance Commission, E.F.C. and T.F.C. and State Finance Commission and the State Government and Central Government directly to the PRIs. This will not only bring transparency on the PRIs front but will also bring a Sea-change in the functioning of PRIs, thereby, resulting in the proper utilisation of funds leading to qualitative improvement in the work under various Schemes and projects of Rural Development Department of the State Government.

TRANSFER OF SUBJECTS/FUNCTIONS IN ACCORDANCE WITH ELEVENTH SCHEDULE OF THE CONSTITUTION OF INDIA

2.90 As per Constitution (Seventy third) Amendment Act 1992, Article 243-G of the Constitution which came into effect from 24.4.1993 is as under:

243-G. Powers, authority and responsibilities of Panchayats

Subject to the provisions of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to -

(a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

2.91 29 subjects have been mentioned in the Eleventh Schedule of the Constitution enacted under Chapter IX of the

Constitution dealing with the Panchayats. The Panchayati Raj Act 1994 (which will be referred henceforth in this report as the Act' 94) has been enacted by the State Legislature with the avowed object of implementing the mandate of the Constitution. Functions and powers of the Gram Panchayat, Panchayat Samiti and Zila Parishad are mentioned in the First Schedule, Second Schedule and Third Schedule respectively of the Act '94.

2.92 A perusal of the First, Second and Third Schedules clearly goes to show that every subject under the sun and which is in the jurisdiction of the State Government has been mentioned in the functions and powers of the Gram Panchayat, Panchayat Samiti and Zila Parishad.

FIRST SCHEDULE narrates the following :

(Function and Power of Panchayats)

(i) General functions (ii) In the Sphere of Administration (iii) Agriculture including Agriculture Extension (iv) Animal Husbandry, Dairying and Poultry (v) Fisheries (vi) Social and Farm Forestry, Minor Produce, Fuel and Fodder (vii) Minor Irrigation (viii) Khadi, Village and Cottage Industries (ix) Rural Housing (x) Drinking Water (xi) Roads, Buildings, Culverts, Bridges, Ferries, Waterways and other Means of Communication (xii) Rural Electrification including Providing for and maintenance of Lighting of Public Streets and other places (xiii) Non Conventional Energy Source (xiv) Poverty Alleviation Programme (xv) Education (Primary) (xvi) Adult and Non-formal Education (xvii) Libraries (xviii) Cultural Activities (xix) Markets and Fairs (xx) Rural Sanitation (xxi) Public Health and Family Welfare (xxii) Woman and Child Development (xxiii) Social Welfare including Welfare of the Handicapped and Mentally Retarded (xxiv) Welfare of the Weaker Sections and in particular the Scheduled Castes and Scheduled Tribes (xxv) Public Distribution System (xxvi) Maintenance of Community Assets (xxvii) Construction and Maintenance of Dharamshalas and similar institutions. (xxviii) Construction and Maintenance of Cattle Sheds, Ponds and Cart Stands (xxix) Construction and Maintenance of Slaughter Houses (xxx) Maintenance of Public Parks, Playgrounds etc. (xxxi) Regulation of Manure Pits in Public places (xxxii) Regulation of Liquor Shops (xxxiii) General Powers of the Panchayats.

THE SECOND SCHEDULE

(Functions and Powers of Panchayat Samiti)

(i) General functions (ii) Agriculture, including Agriculture Extension (iii) Land Improvement and Soil Conservation (iv) Minor Irrigation, Water Management and Watershed Development (v) Poverty Alleviation Programmes (vi) Animal

Husbandry, Dairying and Poultry (vii) Fisheries (viii) Khadi, Village and Cottage Industries (ix) Rural Housing (x) Drinking Water (xi) Social and Farm Forestry, Fuel and Fodder (xii) Roads, Buildings, Bridges, Ferries, Waterways and other Means of Communication (xiii) Non Conventional Energy Sources (xiv) Education including Primary Schools (xv) Technical Training and Vocational Education (xvi) Adult and non-formal Education (xvii) Cultural Activities (xviii) Markets and Fairs (xix) Health and Family Welfare (xx) Women and Child Development (xxi) Social Welfare including Welfare of the Handicapped and Mentally Retarded (xxii) Welfare of the Weaker Sections and in particular of the Scheduled Castes, Scheduled Tribes and Backward Classes (xxiii) Maintenance of Community Assets (xxiv) Statistics (xxv) Emergency Relief (xxvi) Co- operation (xxvii) Libraries (xxviii) Supervision of and guidance to the Panchayats in all their Activities and formulation of village and Panchayat Plans (xxix) Miscellaneous (xxx) General Powers of the Panchayat Samities

THE THIRD SCHEDULE

(Functions and Powers of Zila Parishad)

(i) General functions (ii) Agriculture (iii) Minor Irrigation, Ground Water Resources and Watershed Development (iv)

Horticulture (v) Statistics (vi) Rural Electrification (vii) Soil Conservation (viii) Social Forestry (ix) Animal Husbandry and Dairying (x) Fisheries (xi) Household and Cottage Industries (xii) Rural Roads and Buildings (xiii) Health and Hygiene (xiv) Rural Housing (xv) Education (xvi) Social Welfare and Welfare of Weaker Sections (xvii) Poverty Alleviation Programme (xviii) Social Reform Activities (xix) General Powers of the Zila Parishads.

2.93 A comparison of the subjects mentioned in these Schedules clearly goes to show that the subject of agriculture, animal husbandry, minor irrigation, poverty alleviation programme, rural housing, dairying and poultry, drinking water, roads, building, bridges, culverts, fisheries, water ways and other means of communications, education (primary), public health and family welfare, women and child development, social welfare including welfare of handicapped and mentally retarded, farm forestry, cultural activities, welfare of the weaker sections and in particular Scheduled Castes and Scheduled Tribes are mentioned in the First as well as in the Second Schedule and many of the above functions also appear n the Third Schedule, mentioning Zila Parishad functions, along with general functions and administrative functions of the particular tier of the Panchayati Raj i.e. Gram Panchayat, Panchayat Samiti and Zila Parishad.

2.94 In view of the language used in the Seventh Schedule under Article 246 of the Constitution of India subjects mentioned in the list I- Union List falls under the jurisdiction of Central Government and List II- State List falls under the jurisdiction of State Governments and List- III- Concurrent List indicating the subjects that are in the jurisdiction of Central Government as well as the State Government both.

2.95 Out of these subjects mentioned in the List II numerous subjects have also been mentioned in the First, Second and Third Schedule of the Act' 94. The mentioning of the subjects in the First, Second and Third Schedule do not mean that these subjects have been totally transferred to the PRI's to be exclusion of the State Government and/or Central Government.

2.96 Basic intention of enactment of the Constitution (Seventy-third) Amendment Act 1992 is to transfer specified functions of the particular departments mentioned in the First, Second and Third Schedule of the Act' 94 and particularly the 29 subjects mentioned in the Eleventh Schedule of the Constitution. The Commission is to examine in details this aspect of the matter after 14 years of the enactment of the 73rd Amendment of the Constitution which came into effect from 24.4.1993. We are to seriously assess where the PRI's stand in the matter of the 29 subjects whose specified functions were to be transferred to them for effectively performance at Gram Panchayat, Panchayat Samiti and Zila Parishad level.

2.97 An attempt was made in this direction on dated 19 July, 2003 by the then Government by issuing a bunch of circulars issued by the various departments of the State Government narrating some specified functions of some of the important departments of the State Government to be performed by the PRI's at various levels along with necessary funds and functionaries.

2.98 The Panchayat Raj Department has submitted to the Commission that out of 29 functions mentioned in the Eleventh Schedule, 18 functions, funds and functionaries stand transferred to the PRI's. 18 departments in which specified functions have been claimed as transferred to the PRI's are as follows :-

(1) Agriculture, including Agriculture Extension (2) Land development- implementation of land reforms, Chakbandi and soil conservation (3) Minor irrigation, water management (4) Fisheries (5) Social and Farm Forestry (6) Minor Forest Produce (7) Rural housing (8) Drinking water (9) Fire wood and Fodder (10) Roads, Buildings, bridges, culverts, ferries, water ways and other means of communications (11) Poverty

Alleviation Programme (12) Education including primary and secondary (13) Markets and fairs (14) Women and child development (15) Social welfare including welfare of the disabled and mentally retarded persons (16) Welfare of the weaker sections and in particular Scheduled Casts and Schedule Tribes (17) Public Distribution System (18) Maintenance of the community assets.

2.99 The Commission proposes to examine the above claim of the PRD regarding the transfer of subjects/specified functions in the light of the factual situation prevailing in the above Departments. It would be pertinent to ascertain the factual position in this regard.

2.100 An order dated 30-6-2003 issued by the Agriculture (Group-I) Department states that the Asstt. Director in each district along with his complete staff is being placed under the Zila Parishad and all the Agriculture and agricultural supervisors and Asstt. Agriculture Officers and all other subordinate staff are transferred to the concerned Panchayat Samities.

2.101 The importance of the above Government Order of the Agriculture Department was that 32 Asstt. Directors of Agriculture, 96 Agriculture Officers, 662 Asstt. Agriculture Officers and 4243 Agriculture Supervisors, 32 Investigators, 32 Jr. Accountants, 32 LDC, 64 UDC, 26 Drivers, 64 peons totaling 5303 officers and employees were placed under the PRI's.

2.102 Out of the above mentioned personnels no Asstt. Director, Agriculture Officer, Asstt. Agriculture Officer is functioning under the PRI's, nor they are sitting in Zila Parishad and/or Panchayat Samities. Out of 4243 Agriculture Supervisors, a certain negligible number of Agriculture Supervisors who were connected with extension work have been placed under PRI's through PRD whose transfers are effected by PRD.

2.103 The Commission was also apprised that the Agriculture Departments many times withdraw there services at their sweet will without any consultation with PRD.

2.104 However the factual position ascertained by the Commission through examination of related departments tells a different tale. The above order has not been substantially operationalised in the letter and spirit in which it was issued.

2.105 The only subject of the Agriculture department which has been functionally transferred to the Zila Parishad and other tiers of the PRI's is Water conservation and soil conservation i.e. development of water conservation areas which is generally known as Jal Grahan Vikas and soil conservation. No other function, funds and functionaries of the Agriculture Department have been transferred to the PRIs.

MINOR IRRIGATION

2.106 In the sphere of minor irrigation, an order dated 30.6.2003 was issued by the former Government by which tanks/bunds of Zero to 80 hectare irrigating capacity were transferred to PRI's on 13.2.2001 and tank/bunds capable of irrigating 80 hectare to 300 hectares were transferred to the Panchayat Samities after the end of the rainy season i.e. 15.9.2003. In pursuance of the above order, 967 tanks with the total capacity of the irrigating 1,45,270 hectares of land were transferred to the Panchayat Samities of 28 districts.

2.107 The Commission has been informed by the Irrigation Department that from the year 2003-04 to the year 2007-08, the following expenditure have been transferred to the different tiers of PRIs as establishment expenditure and the maintenance expenditure. The following chart shows the amount of expenditure transferred to the PRIs regarding establishment expenditure and maintenance expenditure:

(Rs. in lakhs)

S.	Year	Budget Provision- Amount transferred to Panchayat Samities and Zila Parishads	
		Amount of Establishment Expenditure	Amount of Maintenance expenditure
1.	2003-04(Final)	370.18	21.94
2.	2004-05(Final)	690.00	10.00
3.	2005-06(Final)	655.36	20.00
4.	2006-07(Final)	735.50	20.00
5.	2007-08 (Budget Estimates)	570.00	20.00

2.108 A perusal of the above figures clearly goes to show that a paltry sum of 20 lakhs for 1,45,000 hectare has been transferred as maintenance expenditure which comes to around Rs. 13/- per hectare while the irrigation norms speaks that no maintenance work worth the name can be done in less than Rs. 200/- per hectare.

2.109 In view of the paltry maintenance expenditure transferred to PRIs, the Commission recommends that the State Government in the Irrigation Department should form a Committee to conduct a survey of the present requirement of the tanks transferred to the PRIs and should transfer the funds required for their maintenance work in the coming financial year i.e. 2008-09. It would not be in the interest of State to allow the irrigation tanks to degenerate and loose its water holding capacity. The Agors (water flow area around the tanks) must also be kept in such a proper condition so that there is a proper flow of water to fill the tanks up to brim transferred to the PRIs so that the total irrigation capacity of the State does not decrease on this count.

2.110 The Panchayati Raj Department has submitted to this Commission that they have prepared a scheme of 697 small and big tanks for its maintenance and renovation and project report says that they required Rs. 32.20 crores for maintenance and renovation of these irrigation tanks. The department has submitted and claims that if money is made available in this respect by the Irrigation Department they are able to create additional irrigation facility for 14178.86 hectare of land. It is well known and Commission is well aware that the State Government has initiated campaign for Jal Chetana and have launched this Jal Chetana Abhiyan in all the districts in the State. Message of this campaign is that the Government and people must make all the efforts to collect rainy water and State is going to promote the adopting of water harvesting programme of all nature in a big way in the back drop of Jal Chetana Abhiyan.

2.111 In view of the facts that the Irrigation Department has transferred 1127 small and big tanks to PRIs. It is essential that the funds required for repairing, maintenance and renovation of 697 tanks for which project plan prepared by Panchayati Raj Department, the Commission recommends that the Irrigation Department must transfer Rs. 32.20 crore from its budget to PRIs through Zila Parishads, considering the district wise requirement of the small and big tanks transferred to PRIs in various districts. Till the tanks had not been transferred to PRIs, the Irrigation Department had the responsibility to get the tank repaired for proper maintenance. In view of the facts that under the directions issued from state government, Irrigation Department has transferred the tanks numbering 2094 to PRIs and must provide the funds for their maintenance of the transferred tanks and also provide the functionaries keeping in view the number of the tanks in various districts for its repair, maintenance and renovation.

EDUCATION

2.112 The Commission observed that despite the loud claims made regarding transfer of primary and upper primary school and teachers working in the PRIs are to be put under Zila

Parishad by an order dated 30.6.2003 of the then Government, primary and upper primary schools and their teachers continue to remain under the control of the Education Department of the State Government and the claim regarding transfer of teachers of schools from primary to upper primary level under the jurisdiction of PRIs has not been operationalised in the State. The Commission is aware that the transfer of the teachers of the primary and upper primary schools are being made by the Education Department of the Government. Panchayat Samiti and Zila Parishad have no role in transferring the teachers working under their jurisdiction. The claim made by the PRD of the State Government in this regard is not sustainable.

2.113 It excruciates the Commission to observe that in the Departments of (1) Agriculture (2) Animal Husbandry (3) Relief for Natural Calamity (4) Village and Small Industries (5) Roads and Bridges (6) Adult Education (7) Medical and Health (8) Rural Housing (9) Family Welfare (10) Nutrition (11) Civil Supply and (12) Non Conventional Sources of Energy, not a fraction of functions has been transferred of the above mentioned different departments and therefore, there is no occasion of transfer of funds and functionaries in the above departments to the PRIs by the State Government.

2.114 In nut shell, there does not appear a genuine willingness to transfer specified and demarcated functions of these subjects/ departments to PRIs despite the declarations made by the State Government.

PUBLIC HEALTH

2.115 Public Health Department: The Commission is aware that in the matter of Public Health, no specific functions of Public Health Department were transferred to PRIs at any point of time in the last 14 years since the passing of the 73 Amendment Act 1992 (with effect from 24.4.1993).

2.116 The Gram Panchayats and the Panchayat Samities are in a much better position to supervise the working of the ANMs and Doctors and auxiliary staff of PHCs and CHCs, In view of the Constitutional mandate, the Commission recommends that the administrative control and supervision of the Sub-Centers, PHCs and CHCs should be transferred to the PRIs. The power of transfer of ANM's working in the Gram Panchayat areas may be entrusted to Panchayat Samities and the staff of PHCs and CHCs may be put under the supervision of Zila Parishads.

2.117 The Commission recommends that the ANMs of the state and the functionaries of the Primary Health Centers and CHCs (except Medical Officers), all other staff functioning under the Medical Officers should be transferred to the PRIs in pursuance of the constitutional mandate of the S.No. 23 of the Eleventh Schedule which mentions Health and Sanitation, including Hospitals, Primary Health Centers and dispensaries.

ANIMAL HUSBANDRY, DAIRY AND POULTRY

2.118 Just like Public Health Department, no specified functions of Animal Husbandry, Dairy and Poultry have even been considered for transferring to PRIs in spite of the fact that the above departments/subjects are mentioned at S.No. 4 of the 11th Schedule of the Constitution. The activities of the these departments are concentrated in the rural areas and they are the backbone of the rural economy in Rajasthan. Animal husbandry, Dairy and Poultry is the source of supplementary income of the peasants, generally and specifically in desert areas of the Western Rajasthan, which are generally affected by recurring famines.

2.119 To give a boost to the programmes of the Animal Husbandry, Dairy and Poultry Department in the rural areas, the

Commission recommends that the district level officers of these department should be placed under the Zila Parishad and block level officers of these departments should be placed under the Panchayat Samities and their village level functionaries should be placed under the administrative control and supervision of the Gram Panchayats.

2.120 The departments on its own has not been able to deliver the goods equivalent to the expenditure incurred by the State Government because of lack of supervision of their functionaries at the village, block and district level.

2.121 Process of democratic de-centralisation envisaged in the 11th Schedule of the Constitution, has to be carried forward and that can only be done by transferring the specified functions of the above mentioned departments to the different tiers of the PRIs for which the Commission is making its recommendation with a clear perception of the actual development requirements in the Animal Husbandry, Dairy and Poultry Sectors of Rural Rajasthan.

2.122 The Commission, therefore, strongly recommends as under:-

1. Primary Education dealing with Primary and Upper Primary Schools and their teachers working in the rural areas must be transferred to the different tiers of PRIs

i.e. the Gram Panchayat, Panchayat Samiti and Zila Parishad as mentioned in detail in the Primary Education Department order dated 30.6.2003 (which was not implemented by the then Government issuing this order).

2. The Agriculture and Animal Husbandry Department of the State Government are the key infrastructure departments engaged in the growth of GSDP in Rural area. The village level and Block level activities of Agriculture and Animal Husbandry Departments must be placed under Gram Panchayats and Panchayat Samities so that peoples representatives of Gram Panchayats and Panchayat Samities are directly involved in the devolved functions of Agriculture and Animal Husbandry Departments. The order issued by the Agriculture Department on 30.6.2003 has not been implemented at all and 5303 officers and employees starting from Asstt. Director to lower rung officers, Agriculture Supervisor(except the agricultural supervisors) and Investigator and their ministerial staff of UDC, LDC, Drivers and Peons must be under the Panchayati Raj Department as per the Agriculture Department order dated 30.6.2003.

3. The Commission recommends that in the matter of Minor Irrigation, the State Government must make adequate provision for maintenance of small tanks up to the capacity of 300 hectares transferred to PRIs. Wherever Irrigation Patwari is not available in the areas of the Panchayat Samities. Revenue Department of the State Government by a competent order must direct the Patwaries working in the Panchayat Samiti area to collect the irrigation charges and deposit the same in the Gram Panchayat, Panchayat Samiti or Zila Parishad. For this part of the work, the Patwari must be placed under the administrative control of the Panchayat Samiti for effective collection of the irrigation charges of the tanks transferred to the Gram Panchayats, Panchayat Samities and/or Zila Parishads. The staff of the Irrigation Department and Fisheries Department transferred to PRIs must be given concrete shape by directing the concerned officers to sit in the Zila Parishad or Panchayat Samities so that PRIs are able to play their positive role in the devolved functions of Minor Irrigation and Fisheries Department to PRIs.

4. The Commission recommends that the order issued by the Panchayati Raj Department on dated 15.1.2004 temporarily withdrawing the staff transferred to PHED,

PWD and Food and Civil Supply to the PRIs to the line departments must now be withdrawn with immediate effect. Temporarily withdrawal has remained effective in last four years and time is ripe now to withdraw the same and transfer the staff of the above mentioned departments to PRI's in consonance with the State Government directives issued in the month of June/July, 2003 with the objective of real empowerment of PRIs.

5. An order dated 17th July, 2003 issued by the Forest Department of the State Government pertaining to Social Forestry and Agro Forestry and regarding Minor Forest Produce must be backed by transferring the requisite funds and functionaries of the departments to the PRIs to make the order completely effective in the letter and sprit in which they were issued.

6. Two orders issued by the Energy Department on dated 26.6.2003, an order issued by the Industry Department dated 5.7.2003 and the order issued by the Technical Education Department dated 28th June, 2003 must also be implemented forthwith. The implementation of the above orders of the above mentioned departments have apparently no financial implication whatsoever.

7. The Commission is of the firm view that the declaration of the transfer of functions to the PRIs without backed by the funds and functionaries is virtually a fruitless exercise without any substance and therefore whenever the State Government has transferred the functions to the PRIs it must be backed by the transfer of requisite functionaries and funds to the relevant tier of the PRIs so that the public representative of the PRI's may be able to perform their effective role in the matter of devolved functions.

DISTRICT PLANNING COMMETTEE, THEIR PRESENT STATUS

2.123 As per Article 243 of 73rd Amendment of the Constitution, necessary provisions have been made for effective functioning of the District Planning Committee. As per Section 121 of the Panchayati Raj Act 1994 in all the 32 districts District Planning Committees have been constituted. The Planning Commission has consistently promoted the idea of planning from below (decentralized planning) i.e. from Gram Panchayat level, Panchayat Samiti level and at the Zila Parishad level along with ULBs level. The District Planning Committee has been constituted in Zila Parishad with the avowed objectives of giving concrete shape to the district annual plan in which the role of the District Planning Committee of the Zila Parishad is supreme.

2.124 The District Planning Committee (which will be referred to as "Committee" hence forth in this report) has been conceived and constituted to consolidate the plans prepared by the PRIs and Municipalities of the district and to prepare a draft annual development plan for the district as a whole. It has been provided that the 4/5 of the total number of such committee shall be elected by and from among elected members of the Zila Parishad and the Municipalities in the district in proportion to the ratio between the population of the rural area and urban areas in the district.

2.125 It is clearly provided in Section 121 of the Act 1994 that annual plan is to be prepared by the Gram Panchayats as well as by the Panchayat Samities and Zila Parishads. The Municipalities of the districts are also required to frame their Annual Plans for Urban Areas and thereafter the District Plan Committee is required to consolidate the plans made by the PRIs as well as by the Urban Local Bodies and the plan prepared by the various line departments of the districts into the Draft District Annual Plan which is to be approved in the meeting of the Zila Parishad itself.

2.126 The Plan Outlay requirement ceiling of the various line departments in the district is to be indicated to the higher level district officers of the concerned departments by the Principal Secretary or Secretary of the Departments in accordance with the ceiling indicated to the department by the Planning Department of the State. The ceiling indicated to the head of the district departments is not made known to the Committee well in advance so as to enable them to exercise their own discretion of deciding priorities in the next financial annual plan expenditure of the line departments as well as while consolidating the requirements exhibited in the Annual Plan of Gram Panchayats, Panchayat Samities and Line Departments. Without having any information regarding the ceiling of the various line departments and without making a serious effort in consolidating the annual plan of Gram Panchayats and Panchayat Samities, the passing of the District Plan by the Committee and thereafter by the Zila Parishad do not meet the requirements of the Planning Commissions concept of Decentralized Planning or "Planning from Below". The aim of the Constitution is to decentralise the administration up to the grass roots level in order to ensure that the plan should originate from the local bodies instead of local bodies merely getting associated with them.

2.127 Since last financial year 2006-07, Planning Commission has been insisting that the District Plan framed by the District Planning Committee by consolidating the annual plans submitted to it by the Gram Panchayats, Panchayat Samities, Urban Local Bodies and line departments and passed by the Zila Parishad should form part of the State Plan. Before the State's Annual Plan is presented to the Planning Commission, the framing of the District Plan process has to be essentially completed as per Planning Commission's directives.

2.128 In spite of the above basic directions, the fact of the matter remains that so far the passing of the District Plan by the District Planning Committee is not a very substantial exercise done by the Committee in all seriousness. So far the line departments have an upper hand in the framing of the plans of their departments without any information or knowledge and effective participation of the members of the Committee. The framing of the Panchayat Samiti level plan is also more of a formal nature without a real exercise in consolidating the Annual Plan submitted by the Gram Panchayats. The Annual Plan of the Gram Panchayat which is supposed to be passed in the meeting of the Gram Sabha is generally in the nature of a demand charter rather than a serious effort in putting Gram Panchayats two-three main basic needs and requirements in order of priority, with a view to getting it incorporated in Panchayat Samiti level plan and thereby in the District Plan.

2.129 In the first year of the Eleventh Plan i.e. for the Annual Plan 2007-08 (which is the first year of the Eleventh Plan), the State Government has decided that the budgeted outlay for the annual plan would be Rs. 12820.14 crores. The Annual Plan outlay of Rs. 12820.14 crores has been divided and sub divided into 11 important sectors/departments/subjects. The main sectors are as follows:

1. Agriculture and allied services (2) Rural development (3) Special Area Programmes (4) Irrigation and flood control (5) Power (6) Industry and mineral (7) Transport (8) Scientific Services (9) Social and Community Services.

Social and community services, including:

(a)	Education	(g)	Labour and labour welfare
(b)	Medical and Public Health	(h)	Welfare of backward classes
(c)	Sewerage and water supply	(i)	Tribal area development
(d)	Housing	(j)	Empowerment of woman and development of children
(e)	Urban development	(k)	Sainik Kalyan
(f)	Information and publicity		

(10) Economic Services (11) General Services.

2.130 In the current annual plan of the year 2007-08, Panchayati Raj Department has been shown as sub head No. 11 of major head of Rural Development, showing an expenditure of Rs. 395.60 crores comprising of an expenditure of Rs. 120.00 crores in MLA Local Area Development Scheme and an another amount of Rs. 180.10 crores as a grant for the Panchayati Raj Institutions on the interim recommendation of the present Third State Finance Commission, Rs. 95 crore for Mid day Meal programme and Rs. 50 lakhs for modernisation of Zila Parishads and Panchayat Samities, Buildings, while PRIs expenditure as implementing agency was shown as Rs. 1009.03 cores and ULBs' expenditure as implementing agency was shown as Rs. 281.20 crores.

2.131 The central share for Centrally Sponsored Scheme in the Annual District Plan 2007-08 for the selected 17 sectoral departments has been shown as Rs. 5725.67 crores out of which PRIs expenditure as implementing agency has been shown as Rs. 1820.53 crores (previously figures of the State Plan was Rs. 10886.68 crores which has been revised to Rs.12820.14 crores) and ULB expenditure as implementing agencies have been projected as Rs. 7.50 crores.

2.132 The total share of PRIs expenditure as implementing agencies for the year 2007-08 for the total State Plan outlay for District Plan comes to 9.27% and central share for C.S.S. in the Annual District Plan of the current year 2007-08 stands at Rs. 1822.79 crore i.e. 16.72%, totaling 25.99% of the total State Plan outlay. The total State Plan outlay has been revised from Rs. 10886.68 crores to Rs. 12820.14 crores. But the PRI's shares as implementing agencies remain more or less the same at 26% and the ULB share comes to 2.65% of the total plan outlay for the year 2007-08.

2.133 For the year 2007-08 the Panchayati Raj Department's (which shall be referred to as PRD henceforth in the report) above claim for the PRIs as implementing agency is for the following departments.

(Rs. in crores)

S.No	Sectors	State Plan	C.S.S.	Total
1.	Panchayati Raj Department	259.40	0.00	259.40
2.	Rural Development	357.95	1186.41	1544.36
3.	Mid Day Meal	95.00	285.00	380.00
4.	Soil Conservation	5.00	45.00	50.00
5.	Fisheries	0.22	0.00	0.22
6.	Agriculture	16.35	0.00	16.36
7.	Forest	1.00	0.00	1.00
8.	Women, Child and Nutrition	158.90	266.32	425.22
9.	Social Welfare	113.00	25.50	138.50
10.	NRHM (M&H)	2.57	14.56	17.13
	Total :	**1009.39**	**1822.79**	**2832.19**

2.134 The Commission has examined the PRD departments in detail on the question of the alleged PRIs functioning as implementing agencies of the above mentioned departments.

2.135 On a close scrutiny of the above table, the Commission comes to the conclusion that the Woman, Child and Nutrition Department and Social Welfare Department are completely separate departments having nothing to do with the PRIs. Similarly NRHM (Medical and Health) programme has also not been implemented/executed through PRIs at the level of the Gram Panchayats and Panchayat Samities.

2.136 A paltry sum of Rs. 1.00 crore of the Forest Department is being shown as implemented through the PRIs for the purpose of social forestry while the total provision for the Forest Department is Rs. 83.14 crores. It is patent that the 98.80% work of the Forest Departments is being implemented directly by the Forest Department and only 1.20% work of some social forestry is being implemented through the PRIs indicating that all the basic major specified functions of the Forest Department are with the Department to the exclusion of PRIs.

2.137 The above analysis shown that the PRIs is basically used as implementing agency in Rural Development, Mid Day Meal, Soil Conservation and Fisheries (partly) which work itself stands transferred to the PRIs and to a little extent in the sphere of Agricultural Department.

2.138 The above analysis confirm that only the work of Soil Conservation and Fisheries (partly) has been transferred for implementation to the PRI's along with the paltry work of social forestry. No other departments are using the PRI's even as the implementing agencies. All said and done, the PRI's are doing their own work connected with PRD itself and Rural Development Department's work along with Soil Conservation and Fisheries (partly) which stand transferred to the PRI's and PRI's are not being used even as implementing agencies for any worthwhile amount out of the total plan outlay of Rs. 12820.14 crores.

2.139 The whole system of the Eleventh Five Year Plan (and also of the previous plans) and Annual Plan is centralised for the line departments and PRI's are not treated as a vital separate Sector deserving to be allotted a substantial fixed separate ceiling.

2.140 The basic fact is that the total amount of State Annual Plan Outlay is divided in the various sectors/departments or sub sectors of the important subject departments and no amount or ceiling is placed at the disposal of the PRD for the purpose of indicating it to PRI's for their Annual Plans as per their needs/requirements and aspiration of the PRI's.

2.141 The Commission has come to this conclusion after examining the records of the Annual Plan for the year 2006-07 and 2007-08 and other connected record.

2.142 The specified functions of the other departments which has been transferred to PRIs and is being implemented through PRIs are as follows:

		C.S.S.
1.Soil Conservation(Wholly)	Rs. 5.00 crores	50.00
2.Fisheries (Partly)	Rs. 0.22 lakhs	0.00
3.Agriculture (nearly 10% of the department word)	Rs. 16.35 crores	0.00
4.Forestry	Rs. 1.00 crore	0.00
	Rs. 72.57 crore	

2.143 The above analysis reveals that the PRIs are only partly implementing the PRD's provision for Rs. 395.60 crores because they have no consideration and say in the implementation in the M.L.A. Local Area Development Scheme for a provision of Rs. 120 crore which is provided under the head of Panchayati Raj Department. The PRD claims that Mid Day Meal Commissioner is under the administrative control and supervision of the PRD but it is well known that in the implementation of Mid-Day-Meal Programme, the Gram Panchayat has no role and no say in the actual implementation of the Mid-Day-Meal Programme which is mainly implemented by Primary Education Department. The Rural Development Department's State Plan provision for the year 2007-08 (along with the C.S.S. provision) will be implemented in totality by the PRIs as per Guidelines of Rural Development Department in the work of four departments, namely, Soil Conservation, Fisheries (partly), Agriculture (merely 10%) and Forestry (fractionally). The PRIs can be said to be working as implementing agencies of their departments.

2.144 The above facts revealed that PRIs are only doing their own work of the PRD department's provision of Rs. 275.60 crores (Rs. 395.60 crores minus Rs. 120 crores provision in the MLA Local Area Development Scheme) and Rural Development Department's provision of Rs. 357.95 crore (plus Rs. 1186.41 crore provision under C.S.S.) mainly and substantially alongwith implementing the total work of the above four departments to the tune of Rs. 72.57 crores in the total plan outlay of Rs. 12820.14 crore. The total provision for the above four departments (along with C.S.S.) have been mentioned in the above paragraphs.

2.145 The Commission after examining the Annual Plan outlay for the year 2006-07 which was the last year of the Tenth Plan and for the year 2007-08 which is the first year of the Eleventh Five Year Plan of the State, is of the firm view that for PRI's work as implementing agencies for other departments (except Rural Development Department) is only marginal and is not of any substantial nature.

2.146 The present position is that the plan funds are totally divided and allocated to sectoral departments/subjects and no provision. Sectoral/ departments is directly is allocated to PRD. The net result of the present system is that out of the total annual plan outlay of Rs. 12820.14 crores, there is no amount reserved as untied plan fund for the Gram Panchayats, Panchayat Samities and Zila Parishads of the State.

2.147 The situation boils down to the fact that out of Eleventh Five Year Plan provision of Rs. 68520 crores, the provision for PRIs untied five year plan fund or annual Plan fund is more or less non existent.

2.148 We are living in a time when the Planning Commission is approving the Five Year Plan and Annual Plans of the States and the basic concept of the Planning Commission is that the plan must originate from the root level of Gram Panchayats, Panchayat Samities and Zila Parishads. We cannot expect that any fruitful plan can be made by PRIs without any indication of untied plan fund outlay at their disposal for any financial year. Meaningful and purposeful plan can not be framed in vacuum.

2.149 The Commission is aware of the practices adopted in some other important States of India by making untied plan funds available to the PRIs from their total plan outlay after considering their peculiar requirements and factors.

2.150 Considering what will be appropriate for the Government of Rajasthan to make some basic changes in the process of planning at the level of the Gram Panchayat, Panchayat Samiti and Zila Parishad, the Commission is of the strong view that PRIs will only be able to play their role as per Planning Commission's concept of "Decentralized Planning", "Planning from Below", if the PRIs (and ULBs) put together are treated as of vital importance Local Self Government sector deserve allocation of 25% as untied funds out of all the Sectoral/Departmental annual plan allocations of the District Plan of the total state plan outlay for every financial year of the Eleventh Five Year Plan period from 2007-08 to 2011-2012.

2.151 The Commission submits for the consideration that indication of the Finance ceiling well in advance would initiate a process of planning from below as per Planning Commission's concept.

2.152 The Sectoral Departments or Sub Departments need not fear that by giving the PRIs direct ceiling from the Planning Department through the PRD, the expenditure in the Sectoral departments will automatically decrease. The PRIs will also be making allocation from the Plan Ceiling indicated to them either in the water supply, roads, health and sanitation, primary education, maintenance of government building, extension of electricity, growth of pasture lands, maintenance of roads or construction of roads which can again be sectorally divided and put in the relevant sectoral plan of the Panchayat Samities/ Zila Parishads so as to increase the sectoral plan budget of the departments of the district as well as of the State.

CHAPTER – III

A. URBAN LOCAL BODIES IN RAJASTHAN

BACKGROUND- AN HISTORICAL EVOLUTION

3.1 In India, the local self-government had always been in existence, in one form or the other. Rigveda and Manu, both had recognized the presence of local self-government institutions. In the writings of Magasthanes also, we find that the capital city of the State was governed by a local body. Although Kautaliya did not point out specifically to the existence of local government, yet it would not be improper to derive the conclusion that, perhaps, duties relating to local government might have been performed by the officers. The Indian history also provides evidence to the fact that in the Mugal and Maratha period, whatever might have been the nature of local Government, it has worked under the central Government. In between, the fall of Mugal Empire and the beginning of the British era, the institution of local government became victim of political anarchy and instability.

3.2 The credit for the present form of local self-government goes to Sir Josia Child. British government was a highly centralized government, centralised administration Is its natural consequence. Elections were held in municipalities of towns in many provinces, but adequate success could not be achieved because of the indifference of citizens towards payment of direct taxes. Hence, the provision of indirect taxes was also made through an Act in 1850. Lord Mayo's Act of 1870 started the process of decentralization. The principle of elections was accepted under this Act and the responsibility of education, sanitation, medical facilities and development works of local nature was entrusted to local bodies. The major object of Lord Mayo's reform was to reduce the burden on the central budget. Lord Ripon's historic Act 1882 made further progress in the direction of self-government of municipalities. It was agreed that no new responsibility could be entrusted to local bodies without adequate financial assistance. The above Act resulted in augmentation of financial resources and clear recognition of the importance of grant-in-aid by the State Government. The functions of municipalities included public work, maintenance of roads, provision of lighting, medical facilities and education, etc. Municipalities could not impose new taxes, could not take new loans and were not authourised to spend beyond their budgets. In the comprehensive reforms of 1919, the local government was included in separate subject schedule. The tax imposing powers of local bodies were specifically earmarked. This arrangement remained unaltered till the enactment of Government of India Act of 1935. The main taxes were toll tax, land tax, tax on land values, tax on vehicles and boats, tax on houses, octroi, tax on animals, terminal tax, tax on private markets, tax for the use of services, such as water-tax, lighting tax and conservancy tax etc.

3.3 According to the findings of The Royal Commission on Taxes, the financial position of local bodies was very poor in relation to their services and duties. In 1930, the Simon Commission had recommended that the State Government should exercise sufficient control over local bodies. In the opinion of the Simon Commission the main causes of failure of local self government were lack of trained staff, inadequate efforts of elected representatives in tapping resources through local taxes, and lack of consistency between amount of grant-in-aid and financial responsibilities.

3.4 The provincial autonomy was granted through Government of India Act 1935, as a consequence of which local self-government also received some impetus. The powers of local bodies were now directly derived from the provincial list. But this Act of 1935 also could not have a favourable impact on the financial position of local bodies. On the contrary, their powers were reduced and responsibilities increased. Hence, the "Local Finance Enquiry Committee" straightaway had concluded that the local bodies went on depending too much on grants-in-aid, and the control of provincial governments went on increasing.

3.5 With the advent of industrial revolution, the rural settlements began to grow and acquire the quality of township. The seasonal agricultural activity that dominated the economy gave way to permanent labour intensive non-agricultural activities like industries and trade resulting influx of people to these areas. This obviously led to demand for civic amenities like potable water, street lighting, sanitation, garbage disposal etc. An administrative set up was born to cater to these townships called the municipalities.

3.6 With growing urbanisation, the concerns for governance in the urban areas have assumed greater importance. The modern concept of urban governance has its roots in early nineteenth century.

3.7 The Mayor courts were set up under Royal Charter of 1828 through which members called 'justice of peace' were appointed in Madras (now Chennai), Bombay (now Mumbai) and Calcutta (now Kolkata). Under the Bengal Act of 1842 the urban services were planned to be provided in Bengal

Residency only. Later, in 1850 the Municipal Services like health, sanitation and street lighting were extended to entire country under Act No. 26. Thereafter stray efforts were made in matters related to revenue and other functions. On the recommendations of the Royal Commission, election of municipal members became a reality in 1915. Through the Acts of 1919 and 1935 the sharing of resources between regional governments and municipalities was facilitated. After independence of the country a Committee to enquire about local finances was set up in 1951. Article 40 of the Constitution of India deals with Local Self Governments which enshrines the Directive Principles of the State Policy. Thereafter numbers of Committees were appointed to go into problems of finances of ULBs. The 74th amendment in the Constitution is the landmark in Urban Local Governance in India.

URBAN DEMOGRAPHIC SCENARIO

3.8 There has been an increasing trend in growth of urbanisation in the country for the last half a century. The situation in Rajasthan is no different from that of India. We have witnessed an increasing trend of population in the urban areas. In 1951 Census the number of towns was 141 with 18.50 percent population living in urban areas. In 2001 census the number of towns increased to 222 with a population of

132.05 lakhs, that is 23.38 percent of total population. The following Table in 3.1 indicates the trends of population growth in urban areas.

Table 3.1
Urban Population of Rajasthan (1941-2001)

Year	Total Population (in lacs)	% Decadal Growth Rate	Total Urban population (in lacs)	% Decadal Growth Rate in urban population	No. of Towns/ UA in the State	% of Urban population to total population
1941	138.64	-	21.17	-	118	15.27
1951	159.71	15.20	29.55	39.58	141	18.50
1961	201.56	26.20	32.81	11.03	141	16.28
1971	257.66	27.83	45.44	38.49	151	17.63
1981	342.62	32.97	72.10	58.67	201	21.04
1991	440.06	28.44	100.67	39.63	222	22.88
2001	564.73	28.33	132.05	31.17	222	23.38

3.9 Population projections place State's urban population at 150.36 lakhs for 2005 and 172.47 lakhs for 2010. Year-wise projected population and percentage of urban to total population is given below in Table 3.2.

Table 3.2
Projected Population

Year (as on 1st March)	Urban Population (in lakhs)	percentage of urban to total population
2001 (Census)	132.05	23.38
2005	150.36	24.30
2010	172.47	24.94
2015	196.40	25.51
2020	222.16	26.04

Source: Statistical Abstract, 2002 published by Directorate of Economics & Statistics, Rajasthan, Jaipur.

3.10 This unabated population growth has become a massive and frightening reality. This large scale shift of population from rural areas to urban areas has caused a lot of pressure on various aspects of urban living. The growth rate of population in the State has been higher than the national average. Further, the pace of urbanisation has also been high which resulted in the mushrooming growth of Kutchi Basties (Shanty Towns), problems related to sanitation & sewerage and stress on ground water resources due to spurt in the demand for water.

3.11 Rajasthan ranks twenty first in India in terms of urbanization, with over 23 percent of its population living in urban areas. Urbanisation is largely the result of the migration of people from village to towns and cities in search of better employment prospectus, education, market, tourism, transport and other facilities, although this process has partly been supported by natural growth of population as well. The process of urbanisation is expected to increase due to the current pace of migration, natural trends of population growth, the development of new towns, etc. and will be facilitated with the development of urban infrastructure being undertaken by the State Government. The data from the Census indicate that about 30 percent of the State's enumerated population was migrant population. Most of the migration is from neighboring

States like Uttar Pradesh, Madhya Pradesh, Punjab, Haryana, Gujarat and Bihar.

3.12 Urbanisation puts urban resources, services and infrastructure under tremendous strain and require the extension of various services and amenities. Rapid urbanisation has led to an alarming deterioration in the quality of life of urban dwellers, who have to cope with poor sanitation and disposal of solid waste, water shortage, pollution, poor transport system, frequent epidemics, inadequate health facilities etc. The deficiency of proper housing facilities results in the proliferation of kutchi basties (shanty towns)/slums and lack of support for the social and economic development of disadvantaged population.

3.13 Sewerage, sanitation, waste water disposal and management of solid waste in the cities are dismal. Though these problems will be solved through the Rajasthan Urban Infrastructure Development Project (RUIDP) atleast in six largest cities, yet due to lack of resources other cities and towns will continue to face these problems.

3.14 In view of the prevailing urban scenario for planned development of Urban Local Bodies the formulation of an Urban Development Policy for the State is warranted which may be of great importance. In this context the State Government in the Urban Development Department may take appropriate measures.

URBAN LOCAL BODIES IN RAJASTHAN

3.15 Considering the geographical area, Rajasthan is the largest among Indian States; covering 3.42 lacs sq. kilometers. As we have seen earlier the population in urban areas is growing very fast, therefore, long term planning is required to be formulated to ease the pressure of population in urban areas. Before this, it will be worthwhile to understand the genesis of Urban Local Bodies in the State.

GENESIS

3.16 The first Municipality in Rajasthan was set up in Ajmer (of the then Merwara State) in 1866. By the end of 19th century there were 16 Municipalities in Rajputana States. In early 20th century the number of Municipalities were around 100. After independence many more Municipalities were set up and in early seventies the number grew to 145. The number of Municipalities was 196 in the year 1986, which was subsequently reduced to 182 following to the recommendations of the Mukherjee Committee. With the addition of Rawat Bhata, the number of Municipalities in Rajasthan has gone upto 183.

3.17 According to 2001 census, number of towns and urban population works out to 222 and 132.05 lacs respectively. However, number and population of urban local bodies works out to 183 and 127.05 lacs respectively. The variation in number of urban areas/ towns varies because of different criteria adopted by Census Authorities for classification of towns/urban areas and that adopted by State Government for classification of urban local bodies.

CENSUS CLASSIFICATION OF TOWNS

3.18 The criteria adopted by Census Department for classifying the urban area are as follows:

(a) All places with municipality, corporation, cantonment board or notified areas committee.

(b) All other places which satisfy the following criteria:-

(i) A minimum population of 5000.

(ii) At least 75% of the male working population being engaged in non agricultural (and allied) activities.

(iii) A density of population of at least 400 per square kilometer (or 1000 per square mile).

CATEGORIES OF URBAN LOCAL BODIES

3.19 Municipal bodies have been classified into five categories based on population, location and per capita income by the State Government. City Corporations have a population of more than 5 lacs. Presently there are three Corporations, namely; Jaipur, Jodhpur and Kota. The other categories are:

- First class Municipal Council (11) having a population between one and five lakhs persons.

- Municipal Boards having a population below one lakhs persons are further sub-divided into:

  (a) Second category (39) with population between 50000 to 99999 or Municipalities at the District Headquarters or where per capita income is Rs. 200 or more.

  (b) Third category (58) with population between 25000 and 49999 or where per capita income is Rs. 150.

  (c) Fourth category (72) with less than 25000 populations.

3.20 We are not in a position to appreciate the logic of this classification of Municipal Boards. The per capita income is a fluctuating variable and the classification cannot be reviewed frequently. We fail to understand the logic of this classification, as the grant-in-aid is uniform and based on population. The

ULBs with the same population but classified in a lower category due to per capita income would provide poorer services. Moreover, the urban services and staff norms are population based and it is not justifiable to have different staff norms for ULBs within the same range of population.

3.21 We recommend that the population criteria adopted by the Census Authority for classification of towns should be adopted in Rajasthan. The criteria for census classification of towns are given in para 3.18 above. This classification will ensure uniformity and availability of analytical data by Census. This classification would be useful for working out packages of financial assistance to different classes of ULBs. Perhaps the State Government realised the complications of involving too many variables in the new classification and superseded the Notification of September, 1993.

3.22 There were only four classes of municipalities in Rajasthan, besides the Municipal Corporations. The Councils are treated as class I municipalities. The Mukharjee Committee in 1986 recommended for denotifying 84 municipalities and for converting them back to Gram Panchayats. This recommendation was based on the week financial positions of these municipalities. The State Government between 4-9-1990 to 16-9-1991 denotifying 23 municipalities of which the conversion of seven municipalities has been stayed by the Government The category wise distribution of ULBs and their population in Rajasthan is given in Table 3.3 below:

Table 3.3

Categorywise Number and Population of Urban Local Bodies

S.No.	Category	Population category (In Lakhs)	No.	Total Population (In Lakhs)
1	Municipal Corporation	>5.00	3	38.68
2	Municipal Council	1.00-5.00	11	29.93
3	Municipal Board II	0.50-1.00	39	26.20
4	Municipal Board III	0.25-0.50	58	17.76
5	Municipal Board IV	<0.25	72	14.48
	Total		**183**	**127.05**

3.23 Thus, in our view, the criteria adopted by the State Government for recognizing the urban population, being at variance with the Census criteria, have complicated the analysis of urban problems based on census figures and also the decisions on grant-in-aid. It is apparent from the table that the total Municipal population is 127.05 lakhs as per State notified municipalities but the population of urban areas reflected in 2001 census is 132.05 lakhs. Though, part (a) of census definition of urban areas as mentioned in para 3.18 above cover the State's concept of municipal areas (except for the cantonment area). Part (b) of the census definition of urban areas includes those areas which according to the State might be rural areas.

3.24 The first and the second State Finance Commissions also pointed out towards different criteria being adopted in classification of the urban areas by the Census Department and Urban Local Bodies Department and thereby creation of anomaly. This Commission, therefore, reiterates the issue and strongly feels that the State Government should re-look into the anomaly for appropriate action.

3.25 The Commission feels that while the over all division of funds between urban and rural areas should be done on population ratio, the distribution of population based Governmental assistance should be done on the basis of actual population of notified ULBs. Therefore, for the sake of reliable data we have considered census data for devolution of funds to the Urban Local Bodies as classified by the State Government.

STATUTORY PROVISIONS FOR MUNICIPALITIES IN RAJASTHAN

3.26 The State of Rajasthan is a union of several princely States of Rajputana which came into existence on 30th March, 1949. There were several Acts of the different States relating to Municipalities which remained in force till the Rajasthan Town Municipalities Act, 1951 (Act No. 23 of 1952) was enacted and enforced. The Municipalities in the towns were continued to function according to the existing laws of the princely States, which created differences in administration. Due to reorganisation of the State in 1956, a detailed consolidated comprehensive Municipal Act was enacted which came into force in 1959. It is called the Rajasthan Municipalities Act, 1959 as amended from time to time.

74^{th} AMENDMENT AND THEREAFTER

3.27 With a view to strengthen and provide more powers to Municipalities, the 74^{th} Amendment in the Constitution of India was passed, making the amended provisions mandatory. For implementation of provisions of 74^{th} Amendment, the State Government has also passed Rajasthan Municipalities (Second Amendment) Act, 1994. The main features of the Amended Act relate to: Definitions, Constitution and Composition of Municipalities, various Committees, Reservation of Seats, Duration of Municipalities, Disqualification for Members, Powers, Authority and Responsibilities of Municipalities etc., Powers to impose taxes, funds of Municipalities, District Planning Committee and Metropolitan Planning Committee. The 74^{th} Amendment also provided special dispensation for Metropolitan area having a population of ten lakhs or more, comprised in one or more districts and consisting of two or more municipalities or panchayats or other contiguous areas, specified by the Governor by Notification to be a Metropolitan area. Now that the population of Jaipur is more than twenty three lakhs as per 2001 census, the State government may examine framing necessary Act/Rules for declaring Jaipur a "Metropolitan Area". Though, the second State Finance Commission has also suggested but no action in this regard seems to have been taken by the State Government as yet.

3.28 As a sequel to amendments made in the Rajasthan Municipalities (second amendment) Act, 1994, a few administrative changes have been made over the years. These are related to enhancement of financial powers of the Mayor and Chairman, Committees have been constituted and their numbers have been increased to have better representation of elected members, Representation to ULBs on the District Planning Committees have been granted and some other stray efforts have been made. But in functional domain in Municipal Bodies have, by and large, remained the same. Efforts in the areas of urban environment have been limited to slum improvement programmes as was being done earlier. A highly satisfying area have been the reservation for women, SC/ST and OBCs. Presently, the category wise number of Mayors/ Chairpersons of ULBs is shown in Table 3.4.

Table 3.4

Category-wise Number of Chairpersons of Urban Local Bodies

S.No.	Category	Woman	Man	Total
1	General Category	38	76	114
2	Scheduled Castes	9	18	27
3	Scheduled Tribes	1	4	5
4	Other Backward Classes	13	24	37
	Total	**61**	**122**	**183**

3.29 A study conducted by the Harish Chardra Mathur Rajasthan Institute of Public Administration in 1997 speaks of Government of Rajasthan's urban agenda for the future. It consists of the following:

1. Preparation of Municipal Corporation Act/Nagar Nigam Act.

2. House Tax Simplification.

3. Devolution of powers and function to local bodies according to 74th Amendment Act.

4. Preparation of State Urban Policy.

5. Preparation of Manual to take up technical works in ULBs.

6. Finalising norms and legal provision related to sanitation, street light, slaughter houses etc.

7. Framing guidelines for management of urban services through private sector and community participation.

8. Human Resource Development effort for municipal functionaries including elected representatives.

It appears that no action seems to have been taken by the Department except rationalisation of house tax provisions. The State Government has rationalised the house tax provisions to make it areas based and made it effective from 1.4.2003.

FUNCTIONS OF ULBs

3.30 Urban Local Bodies are the backbone of democracy due to their proximity to the people as they serve the people in a number of ways. ULBs are expected to provide public utilities, civic amenities, community facilities and shelter. Article 243-W of the constitution of India provides for the Legislature of a State to endow by law such powers and responsibilities to ULBs, as may be necessary for preparation, implementation, execution of plans of socio-economic development and social justice. Subjects/functions which are to be performed by the municipalities have been listed in the Twelfth Schedule of the Constitution of India.

3.31 In Rajasthan the functions of ULBs have been clearly laid down in the Rajasthan Municipalities Act 1959, under Sections 98 and 101. Section 98 provides for primary functions which every Municipality is duty bound to perform, Section 101 provides for secondary functions of these bodies. The secondary functions are optional and not compulsory.

3.32 Section 98 of Rajasthan Municipalities Act, 1959, mentions that it shall be the duty of every Municipal Board to make reasonable provisions for the following matters within the Municipality under its authority, namely:

(a) lighting public streets, places and buildings;

(b) watering public streets and places;

(c) cleaning public streets, places and sewers, and all spaces, not being private property, which are open to the enjoyment of the public, whether such spaces are vested in the board or not, removing noxious vegetation and abating all public nuisances;

(d) removing filth, rubbish, night-soil, odour, or any other noxious or offensive matter from privies, latrines, urinals, cess-pools or other common receptacles for such matter or in pertaining or buildings;

(e) extinguishing fires and protecting life and property when fire occurs;

(f) regulating offensive or dangerous trade or practices;

(g) removing obstructions and projections in public streets or places and in spaces, not being private property which are open to the enjoyment of the public, whether such spaces are vested in the board or belong to the State Government.

(h) securing or removing dangerous building or places and reclaiming unhealthy localities;

(i) acquiring, maintaining, changing and regulating places for the disposal of the dead and of the carcasses of dead animals;

(j) constructing, altering and maintaining public streets, culverts, municipal boundary marks, markets, slaughter-houses, drains, sewers, drainage-works, sewerage works, baths, washing places, drinking fountains, tanks, wells, dams and the like;

(k) constructing public latrines, privies and urinals;

(l) obtaining supply or an additional supply of water, proper and sufficient for preventing danger to the health of inhabitants from the insufficiency or unwholesomeness of the existing supply;

(m) naming streets and numbering houses;

(n) registering births and deaths;

(o) public vaccination;

(p) suitable accommodation for any calves, cows or buffaloes required within the municipality for the supply of animal lymph;

(q) arranging for the destruction or the detention and preservations of such dogs within the municipality, as may be dealt with under Section 208 of this Act;

(r) printing such annual reports on the administration of the municipality as the State Government by general or special orders, require the board to print;

(s) paying the salary and the contingent expenditure on account of such police guards as may be required by the board for the purpose of this Act or for the protection of any municipal property and providing such accommodation as may be required by the State Government under the law in force relating to police;

(t) raising volunteer force with such functions and duties in relation to the protection of persons, the security of property and the public safety as may be prescribed.

(u) making arrangements for preparation of compost manure from night soil and rubbish;

(v) establishing and maintaining cattle ponds; and

(w) promoting population control, family welfare and small family norm.

3.33 Section 101 of the Rajasthan Municipalities Act, 1959, provides that Boards may, at their discretion, provide out of the municipal property and fund, either wholly or partly, for:

(a) laying out, whether in areas previously built open or not, new public streets and acquiring land for that purpose, including land requisite for the construction of buildings or cartilages thereof, to about on such streets;

(b) construction, establishing, maintaining or contributing to the maintenance of the public parks, gardens, libraries, museums, reading rooms, radio receiving stations, lunatic asylums, halls, offices, dharamshalas, rest houses, encamping grounds and other public buildings and places;

(c) constructing and maintaining where necessary, suitable sanitary houses for the habitation of the poor and granting loans for the construction of such houses or for effecting necessary improvements connected therewith;

(d) providing accommodation for any class of servants employed by the board or granting loans to such servants for construction of houses subject to the rules prescribed on this behalf;

(e) planting and maintaining road side and other trees;

(f) taking a census and granting rewards for information which may tend to secure the correct registration of vital statistics;

(g) securing or assisting to secure suitable places for the carrying on of the offensive trades mentioned in Section 248;

(h) supplying, constructing and maintaining receptacles, fitting, pipes other appliances whatsoever, on or for the use, private premises, for receiving and conducting the sewage thereof, into sewers under the control of the board;

(i) establishing and maintaining a farm or factory for the disposal of sewage;

(j) providing music for the people;

(k) the promotion of public health or infant welfare;

(l) contribution towards any public fund raised for the relief of human suffering with or without the municipality;

(m) by a resolution passed at a general meeting and supported by one-half of the whole number of members, any public reception, ceremony, entertainment, or exhibition within the municipality;

(n) the organisation or maintenance of shops or stalls for the sale, for necessaries of life during scarcity;

(o) holding fairs and exhibitions;

(p) supply of milk;

(q) establishing labour welfare centres for its employees and subsidising the activities of any association upon or club of such employees by grant of loan for its general advancement;

(r) organising or contributing to a Municipal Board union;

(s) maintenance of ambulance service;

(t) establishing and maintaining public hospitals and dispensaries and providing public medical relief;

(u) providing facilities for anti-rabic treatment and meeting the expenses of indigent persons undergoing anti-rabic treatment within or outside the municipal limits;

(v) housing and maintaining destitute orphans and cripples and maintaining maternity centres and child welfare clinics;

(w) establishing and maintaining primary schools;

  (i) preparation of plans for economic development and social justice.

  (ii) the performance of functions and the implementation of the schemes that may be entrusted by the State Government to it, including those in relation to the matters listed in the Twelfth Schedule of the Constitution of India.

(x) any other matter, not herein, before specifically named which is likely to promote education or the public health, safety or convenience or the advancement of economic condition of the inhabitants or the board or which is necessary for the carrying out of this Act, expenditure whereon is resolved by the board by the votes of not less than two-thirds of the whole number of members and with the approval of the State Government to be an appropriate charge on the municipal fund.

3.34 Although the 74th Amendment and the Twelfth Schedule of the Constitution of India envisages 18 subjects/functions to be discharged by the Urban Local Bodies but the Rajasthan Municipalities Act envisages 23 obligatory and 26 discretionary functions for the municipalities in the State. However, despite of specific provisions for obligatory and discretionary functions in the Municipalities Act 1959, the urban local bodies have not been able to provide satisfactory level of basic civic services and amenities to the citizens. Even the basic civic amenity of sewerage and solid waste management remain a problem in large cities, having

Municipal Corporations and Councils, leave aside small towns. The solid waste management is one of the essential services and an obligatory duty of municipal bodies to arrange for daily street cleaning and transport, processing and disposal of waste in the urban areas. Inspite of this, in most urban areas the management of urban waste is looked at, as an inferior function, fit to be supervised only by the lower level officers. The people at the helm of affairs do not consider solid waste management as a priority area, though, very large percentage of funds of the urban local bodies are spent towards this most essential service. Thus, apathy of the decision makers and planners is also the reason for the poor level of solid waste management in the urban areas.

ON GOING DEVELOPMENT PROGRAMMES OF ULBs

3.35 The ULBs suffer from paucity of financial resources and lack of technical personnel. Thus, the most of ULBs are engaged in routine/normal functions and are unable to pursue urban development programmes in an effective manner. However, in Rajasthan, the ULBs are implementing the following programmes/projects:

- Chief Minister's Employment Scheme
- Environmental improvement programme in *Kutchhi* Bastis

- Strengthening of fire fighting services
- Low cost sanitation programme
- Sahbhagi Nagar Vikas Yojana
- Balika Smridhi Yojana
- National Slum Development Programme
- Scheme of Urban Wage Employment
- Basic Infrastructure
- Valmiki Ambedkar Awas Yojana
- Swaran Jayanti Shahari Rojgar Yojana
- Heritage Walk Project and Heritage Conservation Scheme
- Urban Infrastructure Development Fund
- Jawaharlal Nehru National Urban Renewal Mission
- Integrated Housing Slum Development Programme
- Integrated Development of Small and Medium Towns
- Urban Integrated Development Scheme of Small and Medium Towns (UIDSSMT)

3.36 Besides these schemes/programmes, a number of other activities are being taken up by the ULBs, in addition to obligatory and discretionary functions. Thus, there are vast and extensive responsibilities to be discharged by the ULBs. But the municipalities face many problems in performing the roles and responsibilities due to various reasons, for which several factors are responsible.

3.37 The organisational structure of an ULB depends on its category. While there is no distinction among the various categories of ULBs in the statutory and discretionary functions assigned under Sections 98 and 101 of the Municipal Act, yet the number of sections and personnel differ from Council to Council and Board to Board. The first State Finance Commission had recommended for initiating a study for devising a suitable organisational structure based on the statutory functions. The study does not seem to have been conducted. The organisational structure of a Corporation or Council consists of several sections. The following ten sections exist in almost all the Corporations and Councils:-

1. Revenue
2. Health and Sanitation
3. Public Works
4. Garage
5. Garden and Parks
6. Legal Affairs
7. Street Lighting
8. Fire Fighting
9. Accounts
10. General Administration

3.38 These Sections are headed by officers of respective divisions. Some of the sections do not exist in other categories. In class two, three and four municipalities, section related to gardens and street lighting do not exist separately. In class three and four municipalities, sections related to legal affairs, fire fighting and accounts do not exist separately. The staff of ULBs is drawn from a variety of cadres of Municipal and other services.

3.39 The Directorate of Local Bodes is the nodal agency in the Government to co-ordinate activities of the ULBs at the State level. The Directorate has following cell/sections to perform and co-ordinate activities at the State level. These cells are:

1. Project Cell
2. Engineering Cell
3. Accounts Cell
4. Establishment Cell (separately for officers and employees)
5. Statistical Cell
6. Vigilance Cell
7. Legal Cell
8. Regional Offices

STAFF OF URBAN LOCAL BODIES

3.40 The first Finance Commission had discussed the question of staff under ULBs at length. The staffing pattern, policy and practices have not changes over the years and almost the earlier trends in staffing continue to dominate the scene except for the fact that due to abolition of octroi large number of employees were rendered surplus. Employees who were engaged in octroi collection have already been absorbed against vacant posts in the respective Municipality, and also in some other Government organizations. The position of posts of various categories sanctioned/persons working in the Corporations, Councils and Municipal Boards consisting of officers/staff including safai karamchari, works out to 44191 as furnished in the Memorandum by the Local Bodies Department. The details are available at Annexure-III.1.

3.41 As mentioned earlier, the first State Finance Commission had highlighted the staff related issues and put forward the alternatives for having a viable staff policy in the context of privatisation efforts. Second State Finance Commission has also emphasised the need of the staff policy. During the field visits of the Commission it was brought to our notice that posts of doctors and other health staff were created in municipal bodies, which are no more needed at many places, as these posts/persons have no work in the respective municipalities. But still people are being posted on these posts whereas cleaning staff or sweepers which are very much in demand, due to addition of new colonies and rising population, are not being recruited due to ban on recruitment, imposed by the Department. Thus, the municipalities are required to pay salaries to idle octroi staff, doctors, nurses etc. without much work and at the same time not able to cater to sanitation and solid waste management requirements, due to lack of sweepers. Therefore, there is urgent need for consideration of these issues relating to rationalisation of sanctioned post, abolition of posts which are not needed, allowing recruitment of sanitation staff/sweepers, mechanization and privatization of sanitation functions, so as to ensure proper cleaning of urban areas. During the field visit it was also brought to our notice that for engaging persons for sweeping/sanitation job on contract, on various occasions, the urban local body is required to seek the permission of the Local Bodies Department which is a lengthy process. It was suggested that these powers could be delegated to District Collector, who may permit sweepers on contract, on special occasions, keeping in view the local conditions. The State Government may examine this issue for appropriate action, keeping in view the large number of urban local bodies in the State and the delay involved in seeking/granting such permissions every time.

3.42 As we have mentioned earlier, there is an increasing trend of urbanisation and at this pace of urbanisation it is expected that within the next 15 to 20 years, nearly a half of total population would be urban. The Local Bodies have a significant role to play in the socio-economic development of people. The Municipalities or city government are the backbone of democracy and by their proximity to the people they are expected to be sensitive and alive to the needs and aspirations of the community. They are expected to provide the citizens public utilities, civic services, community facilities and shelter. Besides providing a healthy environment to the citizens, they are also expected to play a significant role in poverty alleviation programmes in their areas. However, Municipal Bodies have not been able to discharge their functions satisfactorily on account of various reasons, mainly, due to paltry resources coupled with poor infrastructure, inefficient staff and general apathy of the decision makers and planners towards providing basic civic amenities.

3.43 The present set up of elected Urban Local Bodies ensures representation of members from Scheduled Castes/Scheduled Tribes/Other Backward classes and women, at all levels. With a view to ensure effective participation of all the elected representatives in the functioning Urban Municipal Bodies, training is necessary, so that they are aware of the latest programmes and schemes to be implemented and the Urban Local Bodies could become effective institutions of city government. Training is particularly necessary for those public representatives who have been elected for first time and do not have any background or experience of the functioning of ULBs. Training to these representations should be imparted at least two times in a tenure i.e. one at the beginning and another in the middle i.e., two and half years later, so that they could be able to discharge their functions as per the Act smoothly.

SUGGESTIONS AND RECOMMENDATIONS

3.44 The 74th Amendment of the Constitution and the consequent amendments in the Rajasthan Municipalities Act, envisages various power, functions and responsibilities to the Urban Local Bodies. However, for achieving functional autonomy in reality for the Urban Local Bodies, State Government decides to transfer a substantial number of functions mentioned in the 12th Schedule to ULBs alongwith requite funds and functionaries.

3.45 There are three Municipal Corporations in the State. The Municipal Corporations and their elected representatives with the large size of population to be served need separate set of Act/Rules, powers, and functional autonomy but at the same Municipal Act is applicable to them which regulates the small Municipalities. The State Government may, therefore, consider framing separate Act/Rules for Municipal Corporation. The 74th Amendment also provides constitution of "Metropolitan Area" for contiguous area having a population of ten lakhs or more. Now that the population of Jaipur has crossed twenty three lakhs, the State government may examine framing necessary Act/Rules for declaring Jaipur a “Metropolitan Area”. The Second State Finance Commission has also stressed the need of framing such separate Act/Rules for Municipal Corporation. But nothing seems to have been done in this direction.

3.46 The issue regarding rationalisation of sanctioned posts and mechanisation/privatisation of cleaning job in urban areas needs to be resolved to enable the urban local bodies to discharge their main civic function of sweeping/sanitation effectively. The State Government may also examine the feasibility of delegating powers relating to hiring the services of sweepers for cleaning on special occasions to the concerned local body or alternatively authorising the District Collector to permit such hiring to the concerned urban local body. The Commission also feels that there is need for close supervision and monitoring of solid waste management function by senior officers and elected representatives of urban local bodies as it is an obligatory duty of every municipality to arrange for daily street cleaning, transport, processing and disposal of waste.

3.47 With a view to ensuring effective participation of the public representatives, particularly, from weaker sections of the society, and women in urban Local Bodies, the State Government should arrange for training/refresher training of the public representatives.

3.48 The basis for categorisation of urban areas as adopted by the Urban Local Bodies Department, is different than that adopted by the Census Authorities. This has created an anomalous situation and leads to problems in adoption of population and other data for study, analysis and distribution of assistance. The first and the second State Finance Commissions also pointed out this anomaly and made recommendations for appropriate solution. This Commission would like to reiterate the issue and expects the State Government to resolve the same.

B. MUNICIPAL LAW IN RAJASTHAN

3.49 The State of Rajasthan is a union of several princely States of Rajasthan which came into existence on 30th March, 1949. This was a symbol of democratic awakening in the State of Rajasthan. There were several Acts of the different States relating to Municipalities which remained in force till the Rajasthan Town Municipalities Act, 1951 (Act. No.23 of 1952) was enacted and enforced. These Acts were as follows:

S. No.	Title of Law or Enactment	Extent of Repeal
1.	The Rajasthan Town Municipalities Act, 1951.	The whole
2.	The Bikaner State Municipalities Act, 1923.	The whole
3.	The Udaipur City Municipal Act, 1945	The whole
4.	The Alwar State Municipalities and Small Town Act, 1934	The whole
5.	The City of Jaipur Municipal Act, 1943	The whole
6.	The Jodhpur Municipal Act, 1943	The whole
7.	The Sambhar Shamlat Municipal Act, 1947	The whole
8.	The Marwar District Municipal Boards (Constitution)	The whole
9.	The Bombay District Municipalities Act, 1901, as adapted and applied to the former Sirohi State	The whole
10.	The Gwalior Raj. Municipal Act, St. 1993 in so far as it applies to Gangapur Town in Bhilwara District of Udaipur Division	The whole
11.	The Ajmer Merwara Municipalities Regulation, 1925	The whole
12.	The Madhya Bharat Municipalities Act, 1954, in so far as it applies to the Sunel area	The whole

13.	The Bombay District Municipalities Act, 1901 in so far it applies to the Abu area	The whole
14.	Any other laws, rules, orders and notifications relating to Municipalities in force in any part of the State	The whole
15.	All laws amending the laws mentioned in items 1 to 14 of this Schedule.	The whole

3.50 The Municipalities in the towns continued to function according to the existing laws of the former princely States, which created different practices in administration. The diverse administrative and functional pattern of different princely States could not be reconciled to suit the needs of the unified State of Rajasthan, and therefore, a detailed consolidated Municipal Act was contemplated to provide a uniform code to all municipalities in the State. Therefore, a Bill was drafted and presented in the State Legislature in 1954, which was referred to Select Committee. The Select Committee submitted its report to the State Legislature, but due to the Reorgnisation of the States on 1st November, 1956, the Bill could not be passed.

3.51 Later on, a fresh bill was presented in the State Legislative, incorporating the necessary provisions for the areas newly merged with Rajasthan in 1957, which was passed and received the assent of the President on 7th September, 1959 and came into force with effect from 17.10.1959.

3.52 The Rajasthan Municipalities Act, 1959, amended from time to time, has Fourteen Chapters comprising 312 Sections and seven Schedules. Chapter XIV relating to notified areas have been omitted by Rajasthan Act No. 19 of 1994. These Chapters cover a variety of subjects like constitution and governance of municipalities, conduct of business, powers of municipalities to make rules and bye-laws, power to acquire and administer municipal properties and to manage municipal fund, their obligatory and discretionary duties, powers of taxation, recovery, powers in respect of street, regulation of buildings, promotion of public health, safety, convenience, prevention of nuisance, prevention of dangerous diseases, power of prosecution, control, municipal accounts and administration reports, etc.

3.53 There are more than twenty four rules excluding several service rules framed under the Rajasthan Municipal Act, to prescribe procedures and guidelines to carry out the functions of the municipalities. But keeping in view the terms of reference we will restrict our analysis of the provisions of the Acts, rules and notifications to the functions and finances of the municipalities and the related areas.

3.54 The Constitution (Seventy-fourth Amendment) Act, 1992, which came into force with effect from the 1st June, 1993 has, with a view to enabling the urban local bodies to perform effectively as vibrant democratic units of self-government, inserted Part IX A in the Constitution.

1. It provides for:

   (a) The constitution of the following three types of municipalities:

      (i) Nagar Panchayats (by whatever name called) for areas in transition from rural to urban areas;

      (ii) Municipal councils for smaller urban areas; and

      (iii) Municipal corporations for larger urban areas.

   (b) The composition thereof, with persons chosen by direct election from the municipal territorial divisions.

2. The constitution (Amendment) Act requires that:

   (a) Reservation of seats in every municipality be made:

      (i) For the scheduled castes and the scheduled tribes in proportion to their population, out of which not less than one-third be made for women belonging to such castes and tribes; and

(ii) For women, which shall not be less than one third (including those reserved for the women of the scheduled castes and the scheduled tribes) of the total number of seats.

(b) A Committee for metropolitan planning be constituted;

(c) Tenure of five years be fixed for municipalities, with provision for re-election before the expiry of their duration or, as the case may be, with regard to a municipality dissolved before the expiration of its duration, within a period of six months from the date of dissolution;

(d) A State Election Commissioner be appointed to constitute the State Election Commission for superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to the municipalities in the State and law be enacted to provide, subject to the provisions of the Constitution, for all matters relating to, or in connection with the elections to the municipalities;

(e) A Finance Commission within one year from the date of commencement of the Constitution (Seventy-third Amendment) Act and, thereafter, at the expiration of every fifth year, be constituted to review the finances of the municipalities and to recommend principle for:

(i) Determining the taxes which may be assigned to the municipalities;

(ii) Sharing of taxes between the State and municipalities; and

(iii) The grants-in-aid to the municipalities from the consolidated fund of the State.

(f) At the district level, a District Planning Committee and in every Metropolitan area, a Metropolitan Planning Committee in accordance with the provisions of any law which the State Legislature may make with respect to matter relating to the composition and functions of such committees, be constituted to consolidate the plans prepared by the Panchayati Raj Institutions and the Municipalities, in district, and to prepare a draft development plan for the district as a whole or, as the case may be, to prepare a draft development plan for the Metropolitan area as a whole; and

(g) All such provisions of the existing law relating to municipalities as are inconsistent with Part IX A of the commencement of the said Constitutional Amendment.

3. It empowers the State legislature to provide, by law:

(a) for the representation in the municipalities of:

(i) persons having special knowledge or experience in municipal administration with no right to vote;

(ii) the members of the House of the People and the members of the State Legislative Assembly representing constituencies which comprise wholly or partly the municipal area;

(iii) members of the Council of States registered as electors within the municipal area; and

(iv) the chairpersons of the ward committees which have to be constituted within the territorial area of municipalities having a population of three lakhs or more.

(b) for the manner of election of chairpersons of municipalities;

(c) for reservation of:

(i) seats in municipalities for backward classes of citizens; and

(ii) offices of chairpersons of municipalities for the scheduled castes, the scheduled tribes and the backward classes as well as for women.

(d) for making grants in aid to the municipalities from the consolidated fund of the State; and

(e) for generally endowing, subject to the provisions of the constitution, municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government, including, to levy, collect and appropriate taxes.

4. Three tier system of municipalities with a provision for direct election and a fixed duration of five years and reservation for scheduled castes and tribes and women already exists in the Rajasthan Municipalities Act, 1959. The provisions regarding levy of taxes and grants-in-aid are also there. With respect to matters relating to the composition and functions of a District Planning Committee, provisions have been made in the Rajasthan Panchayati Raj Act, 1994.

5. The present Bill proposes to give effort to the rest of the provisions of the Constitution (Seventy-fourth

Amendment) Act, 1992, and to remove the provisions inconsistent therewith. With regard to reservation of seats in municipalities, it is proposed to be raised, in the case of women, from the existing thirty percent to not less than one third and that in the case of backward classes, to be introduced on the same lines as those for the scheduled castes and the scheduled tribes. As to reservation of offices of chairpersons, the Bill proposes that such offices be reserved for the scheduled castes, the scheduled tribes and the backward classes and for women and the number of offices, so reserved, be fixed from time to time by the State Government.

6. The indirect election of chairpersons of the municipalities by and from amongst their elected members, as at present provided in the Act, has been retained.

7. Opportunity has also been availed to omit certain provisions which have exhausted their purpose or have become obsolete, and to provide for the appointment and function of the Director of Local Bodies and his deputies and assistants.

3.55 Rajasthan Municipalities (Second Amendment) Act, 1994, came into force with effect from May 1994 as a sequel to the

74th Constitutional Amendment. In consonance with the amended provisions of Articles 243 P to 243 ZG the provisions of the Rajasthan Municipalities Act, were amended to provide for the Election Commission, the State Finance Commission and District Planning Committees, along with the procedural and other changes in the conduct of elections.

3.56 The Ministry of Urban Development, Government of India, have circulated the Model Municipal Law to the States and have recommended suitable amendments to their own State Municipal Laws to reflect the provisions and principles of the Model Municipal Law.

3.57 The objectives that the Model Municipal Law is mandated to achieve, are as follows:

(i) Reflect the full spirit of the Constitution (Seventy-Fourth) Amendment Act, 1992;

(ii) Empower urban local bodies administratively and financially such that they are equipped to perform their functions;

(iii) Enable the introduction of reforms with particular reference to allowing and promoting private sector participation, innovative methods of revenue generations and sound financial management; and

(iv) Incorporate tools such as transparency and accountability and wider civic participation that would strengthen good urban governance in municipal bodies of country.

3.58 Following the direction of Ministry of Urban Development, Government of India, the State Government has awarded task of formulating a new Municipal Act, based on the Model Municipal Law to City Managers Association, Rajasthan (CMAR) with the help of USAID FIRE-D project. Issue paper prepared by the team appointed by CMAR was placed before the Cabinet sub-committee. Based on policy directions by the government, a draft bill was prepared and submitted to Departments of Finance and Law for review. Bill for model municipal Law is still under consideration of the State Government.

CHAPTER – IV

STATE FINANCES - AN ASSESSMENT

4.1 As per terms of reference at para 5 of the order of the Hon'ble Governor dated 15.9.2005, it is mandated that while making recommendations regarding transfer of resources to Panchayati Raj Institutions and Urban Local Bodies, the Commission would consider the financial resources of the State and demands thereon, keeping in view the non-plan deficit and surplus and, in particular, the need for providing adequate resources for funding the plan expenditure for the over all development of the State.

4.2 In this connection the Commission received Memorandum dated 3rd December, 2005, containing various information relating to state finances from the Finance Department of the State Government. The Finance Department in their Memorandum expressed before the Commission that the resources of the State should not be viewed in isolation, rather a holistic view of the situation should be taken keeping in view the resources available to the State to fund the State plan. It has also mentioned that presently, besides, developmental grant and various transfers as per recommendations of the State Finance Commission, the PRIs and ULBs are also getting their share from individual taxes such as land revenue and entertainment tax. The Commission should, therefore, consider the devolution taking into account the overall resources being transferred to the Panchayati Raj Institutions/Urban Local Bodies. It has also been urged by the Finance Department that while making the recommendations on devolution of funds to the Local Bodies, the Commission should keep in view the grant available to these bodies under Twelfth Finance Commission.

IMPORTANT FINANCIAL INDICATORS

4.3 The Finance Department has furnished information containing important financial indicators of the State finances. It would be worthwhile to reproduce the broad data containing vital information so as to understand and appreciate the financial position of the State Government based on actual figures pertaining to the period 1999-2000 to 2004-05 which are given in Table 4.1 below:

Table 4.1

Important Financial Indicators of the State

(Rs. in Crores)

Indicator	99-2000	2000-01	2001-02	2002-03	2003-04	2004-05	Average % increase yearly
1. Revenue Receipts							
A. State's Revenue	6104.67	6987.94	7179.63	7822.34	9317.83	10560.97	11.04
(i) State's own Tax Revenue	4530.89	5299.96	5671.17	6253.34	7246.19	8414.82	12.32
(ii) State's non Tax Revenue	1573.78	1687.98	1508.46	1569.00	2071.64	2146.15	7.25
B. State share in Central Taxes	2184.83	2836.61	2882.36	3063.10	3602.21	4305.61	11.25

C. Union grant etc.	1500.10	2577.23	2091.30	2196.42	2503.81	2897.01	3.97
Total 1 (A+B+C)	9789.60	12401.78	12153.29	13081.86	15423.85	17763.59	9.68
2. Capital Receipts							
A. Internal Debt of the State i.e. Market & other institutional borrowings	8060.36	7640.79	9614.64	12251.10	12842.48	5269.44	-0.22
B. Loans from Centre	3354.60	2693.88	3673.11	4985.26	5762.00	6521.96	25.21
C. Recovery of Loans and Advances	120.04	123.80	69.24	125.24	163.66	124.63	10.91
D. Public & Contingency Fund (Net)	1574.78	1141.14	884.16	1277.04	1436.96	911.21	-0.54
Total-2(A+B+C+D)	**13109.78**	**11599.61**	**14241.15**	**18638.64**	**20205.10**	**12827.24**	6.39
Total Receipts(1+2)	22899.38	24001.39	26394.44	31720.50	35628.95	30590.83	7.08
3. Expenditure							
(i) Revenue Exp.	13429.55	15035.36	15948.98	17015.78	18848.29	19906.18	7.29
(ii) Capital out lay	1517.27	1384.07	1817.81	2027.54	3180.99	3488.30	27.36
(iii) Loans & Advances	324.05	419.35	204.11	277.80	925.36	639.72	46.75
(iv) Repayment of Public Debt.	7132.85	7341.88	8332.71	12605.91	12729.39	6681.55	4.56
Total Expenditure - 3 (i to iv)	22403.72	24180.66	26303.61	31927.03	35684.03	30715.75	7.00
4. Budgetary Deficit / Surplus (1+2-3)	-495.66	-179.27	90.83	-206.53	-55.08	-124.92	-106.15
5. Revenue Deficit/ surplus {1-3(i)}	-3639.95	-2633.58	-3795.69	-3933.92	-3424.44	-2142.59	-0.65
6. Fiscal Deficit [1+2C-{3(i)+(ii)+(iii)}]	-5361.23	-4313.20	-5748.37	-6114.02	-7367.13	-6145.98	10.89
7. Total Debt. of the State Govt.	**30010.86**	**33873.87**	**39969.91**	**45871.39**	**53361.21**	**60134.40**	**15.45**
8. Gross State Domestic Products (GSDP)	67804.94	78982.16	88077.45	85463.85	104483.15	108733.99	8.72
9. Revenue Deficit as % to GSDP	-5.37	-3.33	-4.31	-4.60	-3.28	-1.97	(-) 8.06
10. Fiscal Deficit as % to GSDP	-7.91	-5.46	-6.53	-7.15	-7.05	-5.65	1.96
11. Debt as % to GSDP	44.26	42.89	45.38	53.67	51.07	55.30	6.88

4.4 From the above table, it is evident that during the period 2000-01 to 2004-05, which corresponds to the award period of the Eleventh Finance Commission and that of Second State Finance Commission, the total expenditure of the State increased by an average annual growth rate of 7.00% and revenue expenditure by an average annual growth rate of 7.29% whereas the total revenue receipts increased by 9.68%.

The other indicators include increase in public debt by around 25% during the period. The revenue deficit which was of the order of Rs. 3933.92 crores and Rs. 3424.44 crores in the year 2002-03 and 2003-04 respectively, has reduced to the extent of Rs. 2142.59 crore in 2004-05. The fiscal deficit which was 5.46% of the GSDP in 2000-01, increased to 5.65% in 2004-2005. The share in central taxes has recorded an average growth of 11.25%, whereas Union grants have increased only by 3.97%.

4.5 The State Government, keeping in view the recommendations of the Twelfth Finance Commission (TFC), has enacted Fiscal Responsibility and Budget Management (FRBM) Act. The fiscal targets, as contained in the Act, are summarised below:

(i) Elimination of revenue deficit by 2008-09, following a path of average annual reduction of 3% in the ratio of revenue deficit to revenue receipts.

(ii) Reduce fiscal deficit to 3% of the estimated Gross State Domestic Product by following a path of minimum average annual reduction of 0.4% in the ratio of fiscal deficit to estimated Gross State Domestic Product.

(iii) Ensure that total outstanding debt excluding public account and risk weighted outstanding guarantees in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State, at the close of the financial year.

4.6 Besides the constraints due to the fiscal targets as included in the FRBM Act, there are other conditions imposed by the

Twelfth Finance Commission which have significant bearing on the State finances. The Twelfth Finance Commission has recommended consolidation of central loans contracted upto 31.3.2004 and outstanding on 31.3.2005, and also recommended for debt write-off, equal to the amount of repayment of the consolidated loans during the period 2005-10. For availing the benefit of debt consolidation and debt write-off, the following conditions have been imposed by the Government of India, keeping in view the recommendations of Twelfth Finance Commission:

(i) Enactment of FRBM legislation on the lines recommended by Twelfth Finance Commission;
(ii) Reduction in revenue deficit so as to eliminate it by 2008-09;
(iii) Containing fiscal deficit at the level of 2004-05, in absolute amount during the TFC award period. This is Rs. 6146 crore;
(iv) Reducing fiscal deficit to 3% of GSDP by 2008-09; and
(v) Formulation of own fiscal correction path, in a manner that there is annual reduction in revenue deficit as well as fiscal deficit so as to achieve the targets fixed by TFC.

4.7 The estimated benefit of debt consolidation during the period 2005-10 works out to Rs. 755.11 crores of principal amounts and Rs. 831.35 crore of interest payment. In terms of debt write-off, repayment of Rs. 1543 crore of consolidated loan during the period 2005-10 can be written off provided the State Government besides elimination of revenue deficit by 2008-09, fulfills the other conditions prescribed by Government of India, as indicated at para 4.6 subpara. Therefore, looking at the quantum of relief, which is of the order of Rs. 3871 crores, the State Government is bound to fulfill the conditions even if they are stringent to avail the benefit under debt relief as recommended by the Twelfth Finance Commission.

4.8 As has been indicated above, the State Government through augmentation of its own tax and non-tax revenue, and with strict control on non-productive expenditure, has been able to reduce the revenue deficit during the past three years. For maintaining the pace of reduction in revenue deficit, while maintaining the growth of revenue, it is also desirable to contain the growth of revenue expenditure.

ESSENTIAL EXPENDITURE OF THE STATE

4.9 The expenditure of the State Government on essential items, such as, salary, wages, pension payments, interest, grant-in-aid to various institutions and repayment of loan, has increased considerably. The figures of these expenditures and their percentage to total revenue receipts are shown in Table 4.2.

Table 4.2
Essential Expenditure of the State

(Rs. in Crores)

Item	2000-01	2001-02	2002-03	2003-04	2004-05
Salary	4913.44 (39.62)	5115.97 (42.10)	5070.56 (38.76)	5516.44 (25.76)	5797.55 (32.64)
Wages	187.32 (1.51)	182.10 (1.50)	211.80 (1.62)	228.76 (1.48)	240.86 (1.36)

Pension	1813.42 (14.62)	1799.04 (14.80)	1803.76 (13.79)	1961.46 (12.72)	1757.94 (9.90)
Interest	3339.26 (26.93)	3877.99 (31.91)	4300.14 (32.87)	4777.15 (30.97)	5172.00 (29.11)
Grant-in-aid	2405.46 (19.40)	2539.81 (20.90)	2830.40 (21.64)	2985.75 (19.36)	3801.68 (21.40)
Repayment of Loan	655.41 (5.28)	1023.82 (8.42)	2220.41 (16.97)	2914.41 (18.90)	4787.69 (26.95)
Total Essential Exp.	**13314.31 (107.36)**	**14538.73 (119.63)**	**16437.07 (125.65)**	**18383.97 (119.19)**	**21557.72 (121.36)**
Total Revenue Receipt	**12401.78**	**12153.29**	**13081.86**	**15423.85**	**17763.59**

Note: The figures in the parentheses denote percent to total revenue receipt.

4.10 The analysis of these figures indicates that the total expenditure on essential items or on items of obligatory expenditure which was 107.36% of total revenue receipts in 2000-01 has gone upto 121.36% in the year 2004-05 which consists of salary and wages (34%), pension (9.90%) interest (29.11%), repayment of loan (26.95%) and grant-in-aid (21.40%)to various institutions.

4.11 As has been indicated in the preceding paragraphs, the State Government under the FRBM Act, and also in view of recommendations of TFC, has to contain its fiscal deficit at the level of 2004-05, i.e., Rs. 6146 crores and is also required to bring it to the level of 3% of GSDP by the year 2008-09. The GSDP of the State is, to a great extent dependent on the monsoon conditions. The projections of GSDP indicate that if annual nominal growth of 12.80% is maintained, even then, in absolute terms the fiscal deficit in 2008-09 has to be kept within the level of Rs. 5281 crores. In other words, this means that the State Government by the year 2008-09 will have to further reduce its borrowing, meaning thereby, further compression in expenditure.

4.12 Subsequent to the above analysis, the Chief Minister (also Finance Minister) had presented her budget for 2007-08 and mid term review of the progress achieved under FRBM Act's provisions. An analysis of the same is reflected here under.

FISCAL MNAGEMENT TARGETS UNDER FRBM ACT

4.13 In accordance with Section 7 (2) (b), the State Government has presented a statement of borrowings, ways and means advances/overdrafts availed of, from the Reserve Bank of India alongwith the annual budget in the Legislative Assembly.

4.14 The budget estimates presented in the Assembly are indicated below in Table 4.4.

Table 4.4

Important Financial Indicators

(Rs. in Crores)

Year	2004-05 actual	2005-06 Actual	2006-07 R.E.	2007-08 B.E.	Percentage increase/decrease		
					2005-06 to 2004-05	2006-07 to 2005-06	2007-08 to 2006-07
Revenue Receipts	17763.59	20839.19	25433.57	28599.49	17.31	22.05	12.45
Capital Receipts	12827.24	6586.92	7063.06	7820.17	-48.65	7.23	10.72

Total Receipts	30590.83	27426.11	32496.63	36419.66	-10.35	18.49	12.07
Revenue Exp.	19906.18	21499.21	25337.12	28384.72	8.00	17.85	12.03
Capital Exp.	10809.57	5721.15	7130.75	7675.99	-60.23	66.04	7.65
Total Exp.	**30715.75**	**27220.36**	**32467.87**	**36060.71**	**-16.03**	**25.88**	**11.07**
Revenue deficit/surplus	-2142.59	-660.02	+96.45	+214.77	-69.20	-	122.67
Budgetary deficit/surplus	-124.92	+205.75	+28.76	+358.95	-	-	1148.09
Fiscal deficit/surplus	-6145.98	-5150.27	-5002.74	-5321.52	146.51	-66.98	6.37
Primary deficit	973.98	59.93	710.92	804.11		1086.25	13.11

4.15 Under Section 6 of FRBM Act, it has been provided to reduce revenue deficit to zero within a period of four financial years, beginning from 1st April 2005 and ending on 31st March 2009, by following a path of average annual reduction of 3 percent in the ratio of revenue deficit to revenue receipts (Fiscal Management target No.1). The position in the B.E. 2005-06, R.E. 2005-06, B.E. 2006-07 and targets for next two years shown in the statement of FRBM placed before the House, is as under:

Ratio of Revenue Deficit to Revenue Receipts

2005-06 B.E.	2005-06 R.E.	2006-07 B.E.	2007-08 Projection	2008-09 Projection
-7.42	-4.17	-0.18	0.15	2.61

4.16 The second Fiscal Management Target laid down in Section 6 of FRBM Act, is to reduce fiscal deficit to 3 percent of the estimated Gross State Domestic Product by following a path of minimum average annual reduction of 0.4 percent in the ratio of fiscal deficit to estimated Gross State Domestic Product. According to the statement laid before the Assembly, the position works out as under:

Ratio of Fiscal Deficit to Estimated GSDP

2005-06 B.E.	2005-06 R.E.	2006-07 B.E.	2007-08 Projection	2008-09 Projection
5.70	4.96	3.82	3.50	3.00

4.17 The third Fiscal Management Target is to ensure that total outstanding debt excluding public account and risk weighted outstanding guarantees in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State at the close of the financial year. With reference to this target, the percentage of total outstanding debt and risk weighted outstanding guarantees has been worked out as under in the statement presented in the House:

Ratio of Total Outstanding Gap and Risk Weighted Outstanding Guarantees to Total Receipts in the Consolidated Fund

2005-06 B.E.	2005-06 R.E.	2006-07 B.E.	2007-08 Projection	2008-09 Projection
Not worked out	192	174	172	169

4.18 From a minute study of the above three fiscal Management Targets and the achievement and projections, it is apparent that not only the targets shall be achieved but would be exceeded.

The revenue deficit shall stand reduced to almost zero even during the year 2006-07, if budgeted figures are stuck to. If the assumptions given in the Statement come true, the fiscal deficit target of 3% to GSDP, is not difficult to achieve. The debt liabilities would be within projected range. The only probability indicated is the erratic monsoon on which the entire agricultural economy of the State is dependent.

POSITION OF WAYS & MEANS ADVANCE/ OVERDRAFT

4.19 According to the agreement with the Reserve Bank of India the State Government has entitlement to have ways and Means Advance and Overdraft to temporarily overcome the cash availability problem. The figures given in the Statement under the FRBM Act, are quite favourable as given below in Table 4.5:

Table 4.5

Position of Ways and Means Advances/Overdraft

S. No.		2004-05 (Rs. in Crores)	2005-06	2006-07 up to 31.1.2007
1	Average of way & means advance from RBI	27.90	NIL	NIL
2	Average of overdraft from RBI	NIL	NIL	NIL
3	No. of days of overdraft	NIL	NIL	NIL
4	No. of occasions of overdraft	NIL	NIL	NIL

4.20 It is evident from the above analysis that if monsoon is not erratic, the position of finances would be good, capable of financing developmental requirements of the State, including further strengthening of Panchayati Raj Institutions, and the ULBs particularly, in the areas of basic public utilities which they are deplorably lacking. It would not be irrelevant to mention that the strengthening of these bodies in utility areas is part of the State's development, because no progress can be termed as development unless the citizens are provided with basic utilities.

CHAPTER – V

FINANCES OF PANCHAYATI RAJ INSTITUTIONS

INTRODUCTION

5.1 There is no denying the fact that Panchayati Raj Institutions have been conceived as self-governing and autonomous institutions. Autonomy and self governance have little significance if there is no financial independence in order to be functionally independent. In fact financial independence ensures functional autonomy. One of the reasons why Panchayats in Rajasthan are not effective, and are not able to carry out effectively the functions assigned to them, is their woefully poor financial position. Most of the Panchayats in Rajasthan have no financial resource of their own income (tax or non-tax) and suffer from resource crunch. They are completely dependant for their finances on the State assistance. No doubt State as a major partner in the business of governance has a duty towards Panchayats to strengthen them financially, but it does not mean that Panchayats are not to exploit the revenue resources available to them under the Act. It would be pertinent to recall the observations of Sansthanam Committee, (the report of which was published in 1963) regarding Panchayat finances. The Committee observed that “each Panchayati Raj Institution, being an elected body, has to be self-governing and autonomous. No representative body would be contained to be a subordinate agency. Financial resources have to be adequate for the functions allotted to each PRI. Generally, nowhere in the world, the local bodies can function without substantial assistance from higher level of Government. At the same time it detracts from the dignity and autonomy of self-governing institutions, if it is to be entirely dependent on assistance from Government. It is essential for stability and growth of the institute that they should have substantial and growing and buoyant resources which are entirely within their powers to exploit and develop.”

5.2 Three main sources of revenue of PRIs in Rajasthan are; (i) own income from tax sources (ii) non-tax measures, and (iii) the transfers from the higher level, Governments (Centre and State). Apart from this, the PRIs also perform agency functions to implement various rural development programmes for which funds are channelised through Zila Parishads and some funds are made available to PRIs directly by Government of India and Government of Rajasthan.

5.3 The provisions relating to the taxation by the Panchayat are contained in Section 65 of the Rajasthan Panchayati Raj Act, 1994, which provides that subject to the rules and any orders made by the State Government on its behalf, a Panchayat may impose any or more of following taxes, namely:-

(a) a tax on building owned by persons not exceeding such rate as may be prescribed;

(b) an octroi on animals or goods brought within the Panchayat Circle for consumption or use therein;

(c) vehicle tax except on those which are used for the purpose of cultivation;

(d) pilgrim tax;

(e) a tax for arranging the supply of drinking water within the Panchayat Circle;

(f) a tax on commercial crops; and

(g) any other tax which the State Legislature has, under the Constitution, power to impose in the State and which has been sanctioned by the Government.

5.4 It has further been mentioned that except levy of vehicle tax and octroi of more than half percent, the permission of the State Government will not be required for imposing the taxes mentioned above. For the purpose of this Section, commercial crops include chillies, cotton, mustard, sugarcane, zeera and groundnut.

5.5 Section 66 of the Act empowers a Panchayat to impose a special tax on the adult male members of the Panchayat area for the construction of any public work of general utility for the inhabitants of the said area. It has further been provided that it may exempt any member from payment of this tax in lieu of doing voluntary labour or having it done, by another person on his behalf.

5.6 Section 67 of the Act empowers a Panchayat to charge fees for any licence or permission granted or given by it for making any temporary erection or for putting up any projection or for temporary occupation of any public or other land vested in the Panchayat or for any service rendered by it or in respect of any duty performed by it under the provisions of this Act.

5.7 Section 68 specifies the powers of taxation of Panchayat Samities. This Section provides that a Panchayat Samiti may impose and levy in the prescribed manner, a tax on the rent payable for the use or occupation of agriculture land at the rate of fifty paisa in a rupee of such rent, such tax being payable by the person or persons severally or jointly in cultivatory possession of such land or in receipt of any income therefrom.

5.8 This Section further provides that subject to the provision of Article 276 of the Constitution of India and to any general or special orders of the State Government, a Panchayat Samiti may also impose and levy in the prescribed manner all or any of the following taxes namely:-

(a) a tax on such trades, callings, professions and industries as may be prescribed;

(b) a primary education cess; and

(c) a tax in respect of Panchayat Samiti fairs held within the limits of its jurisdiction.

5.9 The powers of Zila Parishad to levy taxes and fees are contained in Section 69 of the Act. This Section provides that subject to such maximum rate as the Government may prescribe, a Zila Parishad may levy:-

(a) a fee for licence for a fair or mela;

(b) water rate, where management for the supply of water for drinking, irrigation or any other purpose is made by the Zila Parishad within its jurisdiction.

(c) **Surcharge:**

(i) upto five percent on stamp duty on sale of property in rural areas; and

(ii) upto a half percent on the market fees referred to in Section 17 of the Rajasthan Agriculture Produce Market Act, 1961.

5.10 The procedure for recovery of taxes and fees decided to be levied by the Panchayati Raj Institutions after following the due procedure has been indicated in the Rajasthan Panchayati Raj Rules, 1996. Rule 67 of these rules provides that the taxes shall be recovered by the Patwari who will be paid 5% as collection charges by way of deducting such amount from the gross tax receipts. The Patwari is also responsible for maintaining the record of demand, recovery and balance. In case the taxes are not recovered by the Patwari as provided in the rules the same are recoverable as an arrear of land revenue.

5.11 The Rajasthan Panchayati Raj Rules 1996 (to be referred herein after as Rules' 96) clearly provides that surcharge on stamp duty shall be collected by Sub-Registrar for properties transferred in rural areas in the district and transferred to P.D. Account of the Zila Parishad as per procedure laid down by the State Finance Department.

5.12 Similarly, Rule 67(7) of Rules' 96 clearly provides for recovery of surcharge on agricultural produce by the Secretary Mandi

Committee in the district and deposit the same in the PD account of Zila Parishad every month.

5.13 However, during the visit of the Commission to Divisional and District headquarters, the Zila Pramukh, Udaipur, specifically mentioned to the Commission that as per the provisions of Rajasthan Panchayati Raj Act/Rules the Zila Parishad has passed a resolution for levy of surcharge on Stamp Duty and sent to the Sub-Registrar for recovery but he refused to recover the amount for want of instructions from his department or Finance Department. This should be sorted out at the State level by the intervention of Finance Department so that the PRIs can get their legitimate share in these taxes. Rules stipulate that Finance Department is only to lay down procedure for transfer of tax so collected. It is indeed strange that no such procedure has been laid down by the Finance Department as yet, with the result Zila Parishads (ZPs) remain deprived of their legitimate tax share on this account. The Commission recommends that due procedure as laid down in rules be prescribed by Finance Department to help increase in the revenue of Zila Parishad.

5.14 The Rajasthan Panchayati Raj Rules, 1996, also lay down the rates of various taxes and fees that can be levied by the PRIs. Rule 68, of these rules lays down the maximum rates at which a Panchayat may levy fees for the services rendered to the public. These rates are as follows:-

Table 5.1

Maximum Permissible Rates of Taxes and Fees

S. No.	Item	Rate
(i)	Application fees	Rs. 5/-
(ii)	Certificate for residence, caste, income etc.	Rs. 10/- (50% for SC/ST)
(iii).	Certificate of successors for mutation etc.	Rs. 20/- (50% for SC/ST)
(iv)	No objection certificate for electricity or piped water supply	Rs. 20/- (50% for SC/ST)
(v)	Application for purchase of Abadi Land	Rs. 10/-
(vi)	Expenses for preparation of site plan and site inspection	Rs.25/-
(vii)	Ration Card, including application form and printing	Rs. 5/-
(viii)	Registration of Birth and Death after 30 days	Rs. 10/-
(ix)	Permission for building construction	Rs. 1/- (per sq. mtr. For pucca construction)
(x)	Addition/Alteration in site plan already approved by Panchayat	Rs. 50/-
(xi)	Regularisation of unauthorised construction without permission of Panchayat provided there is clear title and right of way is not disturbed	Rs. 2/- (per sq. mtr. maximum Rs. 500/-)
(xii)	Petrol/Diesel Pump	Rs. 500/- (per year) pucca constructions
(xiii)	Hotel/Dhaba/Automobile/Repairs Shop	Rs. 200/- (per year)
(xiv)	Any other business unit	Rs. 100/- (per year)

5.15 The Panchayats are required to pass resolution in general meeting to levy the above fees and publish a notice on Notice Board, inviting objections/suggestions from the residents of the Panchayat circle within 30 days. After expiry of 30 days from the date of notice, Panchayat may again pass the resolution for imposing the fees from first of the next month.

5.16 Rule 73 of the Rajasthan Panchayati Raj Rules, 1996 lays down the rates of tax on buildings, popularly known as house tax. These rates are as under:

Table 5.2

Maximum Permissible Rate of House Tax

S. No.	Particulars	Maximum Rate of tax (per annum)
i.	Where constructed Pucca roof area is upto 500 sq. ft.	Rs. 100/-
ii.	When area is 501 to 1000 sq. ft.	Rs. 200/-
iii.	When area is 1001 to 2000 sq. ft.	Rs. 300/-
iv.	When area is more than 2000 sq. ft.	Rs. 500/-

5.17 However, as per Rule 74, no tax shall be payable for houses not constructed with stone, bricks or not having stone slabs/RCC roof. Similarly, no building tax is to be levied on *kutcha* houses, IRDP selected families, Indira Avas and pucca houses having floor area of less than 200 sq. ft. It further lays down that no house tax shall be levied on inns, dharmshalas, libraries, schools, dispensaries, reading rooms and buildings used for religious and charitable purpose, subject to the provision that no rent is earned from the whole or any part thereof. Further, all buildings within a Panchayat circle belonging to the Central Government or State Government as well as all such buildings belonging to or vested in a Panchayat or Panchayat Samiti or a Zila Parishad or a Municipal Board shall be exempted from the payment of House tax under Rule 73.

5.18 The Panchayat Samities have been authorised under the Rajasthan Panchayati Raj Act to levy tax on trade, callings, professions and industries. The maximum rates of this tax as laid down under Rule 72, are as under:-

Table 5.3

Maximum Permissible Rate of Tax on Trade, Callings, Professions and Industries

S.No.	Particulars	(Rs. Per year)
i.	Advocates	300/-
ii.	Oil presses, cotton presses, printing presses/ware houses and other industries (except cottage industries)	1000/-
iii.	Money lenders	1000/-
iv.	Wholesale and retail traders, auctioneers, contractors, commission agents, brokers, workshops	500/-

v.	Clinics, nursing homes, private hospitals	300/-
vi.	Private practitioners, vaidyas, homeopaths, dentists, veterinary surgeons	150/-
vii.	Architects/engineers	300/-
viii.	Keepers of hotels, lodging houses, boarding houses	500/-
ix.	Editors/proprietors of news papers	250/-
x.	Professional artists, photographers, actors, dancers, musicians	120/-
xi.	Owners of circus/cinema/video shops	1000/- per year (in addition to 100% entertainment tax on sale of tickets)
xii.	Dealers in animals, vehicles, dairy	250/-

5.19 Rules 58 to 60 enumerate the procedures to be followed for levying of these taxes. Happily, these rules provide for levying of these taxes without prior sanction from Government. Prior permission of State Government would be required only if a pilgrim tax under clause (d) of Sub Section 1 of Section 65 is intended to be imposed. If the resolution relates to a pilgrim tax proposed to be imposed under clause (d) or any other tax not specifically narrated in the Act and wholly under the competence of the State Legislative under clause (g) of Sub Section (1) of Section 65, prior sanction of State Government is required to be obtained regarding levy of such tax and for no other tax prior sanction of the State Government is necessary under the Act 94 and Rules' 96.

5.20 A special provision exists under the Rajasthan Panchayati Raj Act, 1994 which empowers the State Government to increase the income of PRIs. Section 73 of the Act provides that if, in the opinion of the State Government, the income of a Panchayat, a Panchayat Samiti or a Zila Parishad falls below, which is necessary for the proper discharge of its duties under the Act, the State Government may require the Panchayat, the Panchayat Samiti or the Zila Parishad to take steps within such period, not being less than six months, as may be specified in the requisition to increase its income to such extent, as the State Government considers necessary. It is quite surprising that despite existence of such a categorical provision in the Act, State Government has never issued such instructions to Panchayati Raj Institutions to augment their income, though, it is a matter of common knowledge that PRIs are unable to discharge their functions satisfactorily due to income constraints.

5.21 Although provisions exist in the Panchayati Raj Act and Rules for levy of various taxes and fees by the PRIs, yet it has been observed that the PRIs have not utilised their powers of taxation and recovering non-tax revenues to the desirable extent due to their lack of awareness of their responsibilities towards their Constituents and political consideration. Some Panchayats have levied vehicle tax, house tax and pilgrim tax.

Octroi was being recovered by some Panchayats till its abolition by the State Government After abolition, grant-in-aid in lieu of octroi was announced to be given by the State Government to the Panchayats based on the income from octroi in the year preceding its abolition, with a ten percent increase every year. The Commission recommends that a uniform policy of giving octroi compensation be observed both for ULBs & PRIs.

5.22 After abolition of octroi the next important local tax which can generate considerable revenue for the Gram Panchayats is the House Tax, which has generally remained dormant in Gram Panchayats and is being levied by only very few Gram Panchayats. This has further dwindled be already meagre resources of the Gram Panchayats. In such a situation to strength the Panchayat Finances, the Gram Panchayats are advised to exercise their already existing power to levy annual fees under Rule 68 of the Rules' 96 on Petrol/ Diesel Pumps, Hotel/ Dhaba/ Automobile/ Repair Shops and any other business unit functioning in the Gram Panchayat area, as provided in Sub-Rule (xii), (xiii) and (xiv) of Rule 68 (i) of Rules' 96. At the Panchayat Samiti level, education cess appear to be the most prevalent imposition.

ADDITIONAL RESOURCE MOBILISATION

5.23 The PRIs have not been able to achieve the nominal targets of additional resource mobilisation as assessed by the first State Finance Commission. The first State Finance Commission while working out the own resources of PRIs, has estimated that the own income of PRIs would increase from Rs 26.84 crores in 1995-96 to Rs. 42.24 crores in 1999-2000. As against this, the PRIs mobilised the additional resources to the extent of Rs. 36.62 crores in the year 1999-2000. No such assessment was done by the second State Finance Commission. However, the Second State Finance Commission has left a gap of Rs. 13.56 crores, to be bridged by additional resource mobilization by the PRIs. As against this, a sum of Rs. 11.21 crores was raised as Additional Resource Mobilisation by the Gram Panchayats of 56 Panchayat Samities of 23 districts. Year wise details of ARM during 2000-01 to 2004-05 are given in Table 5.4 as follows:-

Table 5.4

Additional Resource Mobilisation

Year	Amount (Rs. in Crores)
2000-01	-- --
2001-02	2.79
2002-03	2.31

2003-04	2.48
2004-05	3.63
Total	**11.21**

REVENUE OF THE PRIs

5.24 As indicated earlier, the major sources of revenue of PRIs are as follows:-

(i) Own Revenue:
  (a) Tax Revenue
  (b) Non-Tax Revenue

(ii) Receipts from State Government on the recommendation of SFC

(iii) Other Developmental Grants from Zila Parishads etc.

(iv) Grants from Central Finance Commission (EFC,TFC)

5.25 There is complete paucity of data/ information at the Panchayat level in general, and on finances in particular. With large number of PRIs in the State, it is almost impossible to collect all the data of these bodies. Another problem faced by us is of authenticity and accuracy of data in the absence of regular audit and proper uniform accounting procedures followed by these institutions. There is no choice then, except to use these data, made available to us. Complete data regarding Panchayat Finances is hard to find. However, we have collected primary data from about 1198 Gram Panchayats directly through the questionnaires, sent and analysed them to draw some inferences from these data. With a view to ascertaining the trend and growth of income and expenditure, we sought information from all PRIs. Simultaneously, information was also obtained from the Panchayati Raj Department. Except Gram Panchayats, information in respect of Zila Parishads and Panchayat Samities have been received from the Panchayati Raj Department. But information relating to all the Gram Panchayats has not been received either from the Panchayati Raj Department or directly from the concerned Gram Panchayats. Based on the above information and data provided, the financial position of Zila Parishads and Panchayat Samities has been analysed for the period 1999-2000 to 2004-05 and depicted in the following Table 5.5:-

Table 5.5

Financial Position of PRIs (ZPs and PSs)

(Rs. in Crores)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
A. Zila Parishad						
(District level)						
1. Own income	2.93	2.22	2.39	2.56	3.12	2.47
Percent to Total	2.38	1.07	0.81	.0.82	1.16	0.38
2. Receipts from State Govt. including Grants from Zila Parishad	119.83	204.81	292.37	310.05	266.57	655.11

Percent to Total	**97.62**	**98.93**	**99.19**	**99.18**	**98.84**	**99.62**
Total- A	**122.76**	**207.03**	**294.76**	**312.60**	**269.69**	**657.41**
B. Panchayat Samiti						
(Intermediate level)						
1. Own income	10.71	11.29	13.98	11.55	12.73	14.61
Percent to Total	0.94	1.03	2.88	1.98	2.16	2.07
2. Receipts from State Govt. including Grants from Zila Parishad	1132.84	1079.58	471.09	570.55	577.99	689.58
Percent to Total	**99.06**	**98.97**	**97.12**	**98.02**	**97.84**	**97.93**
Total- B	**1143.55**	**1090.87**	**485.07**	**582.10**	**590.72**	**704.19**
All ZPs & PSs						
1. Own income	13.64	13.51	16.36	14.10	15.85	17.07
Percent to Total	1.08	1.04	2.10	1.58	1.84	1.25
2. Receipts from State Govt. including Grants from Zila Parishad	1252.67	1284.38	763.47	880.60	844.56	1344.53
Percent to Total	**98.92**	**98.96**	**97.90**	**98.42**	**98.16**	**98.75**
Total- (A+B)	**1266.31**	**1297.89**	**779.83**	**894.70**	**860.41**	**1361.60**

5.26 It is evident from the above table that own income constitutes a very negligible portion of the total funds available with these PRIs. It varies in the range of less than 1% to 2% for both, the tier, PSs & ZPs. Receipts from transfers from the higher level of Governments i.e., Centre (CFC) and State Government forms the major chunk of their funds. Transfer of funds from the State Government is sizeable on account of the fact that the State Government have been bearing the cost of establishment of Panchayati Raj employees to the extent of Rs. 244.12 crores.

5.27 Funds transferred from Zila Parishads are for implementation of various rural development programmes and the quantum depends on the funds provided by the Central/State Governments under various schemes and programmes in their budgets.

5.28 Financial position of Gram Panchayats (1198) as analysed based on the data collected by the Commission from these GPs is shown in the Table 5.6.

Table 5.6

Financial Position of 1198 Gram Panchayats

(Rs. in Crores)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
1. Own income	2.91	2.70	2.43	2.75	3.98
Percent to Total	20.09	0.04	0.03	0.03	0.04
2. Receipts from State Govt.	17.91	15.87	26.26	33.64	44.75
Percent to Total	**25.39**	**24.62**	**34.33**	**36.28**	**43.89**
3. . Receipts from DRDA	**48.59**	**44.50**	**46.42**	**54.21**	**51.52**
Percent to Total	**68.89**	**69.05**	**60.69**	**58.46**	**50.53**
4. Others	**1.12**	**1.38**	**1.39**	**2.12**	**1.70**
Percent to Total	**1.59**	**0.02**	**1.82**	**0.02**	**0.02**
Total- A	**70.53**	**64.45**	**76.49**	**92.73**	**101.95**

EXPENDITURE OF PRIs

5.29 The expenditure of all the three tiers of PRIs has been classified in three broad categories, namely, pay and allowances, expenditure on development activities and expenditure on maintenance of services provided by them. The expenditure on development is incurred for implementation of various plan schemes and programmes out of funds released to PRIs for the purpose by the State Government and Zila Parishads. The total expenditure for all the tiers of PRIs for the year 1999-2000 to 2004-05 has been shown in Table 5.7 below and the revenue gap in Table 5.8

Table 5.7

Total expenditure of Panchayati Raj Institutions (PSs & ZPs)

(Rs. in Crores)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
A. Zila Parishad						
(District level)						
1. Salary and Allowances	15.22	26.69	20.32	51.99	37.01	79.77
Percent to Total	18.86	28.08	21.42	19.03	15.77	18.35
2. Development	62.07	67.98	74.24	220.94	197.50	354.68
Percent to Total	76.93	71.54	78.26	80.85	84.14	81.60
3. Maintenance	3.40	0.36	0.30	0.35	0.21	0.19
Percent to Total	**4.21**	**0.38**	**0.32**	**0.12**	**0.09**	**0.05**
Total- A	**80.69**	**95.03**	**94.86**	**273.28**	**234.72**	**434.64**
B. Panchayat Samiti						
(Intermediate level)						

1. Salary and Allowances	799.26	683.35	188.09	140.00	139.60	164.35
Percent to Total	68.81	63.82	36.77	29.17	25.40	26.43
2. Development	348.30	377.89	314.49	328.55	399.04	443.55
Percent to Total	29.98	35.29	61.49	68.45	72.60	71.33
3. Maintenance	14.05	9.56	8.89	11.43	11.03	13.91
Percent to Total	**1.21**	**0.89**	**1.74**	**2.38**	**2.00**	**2.24**
Total- B	**1161.61**	**1070.80**	**511.47**	**479.98**	**549.67**	**621.81**
All PRIs (ZPs & PSs)						
1. Salary and Allowances	814.48	710.04	208.41	191.99	176.61	244.12
Percent to Total	65.56	60.90	34.37	25.49	22.52	23.11
2. Development	410.37	445.87	388.73	549.49	596.54	798.23
Percent to Total	33.03	38.24	64.11	72.95	76.05	75.56
3. Maintenance	17.45	9.92	9.19	11.78	11.24	14.10
Percent to Total	**1.41**	**0.85**	**1.52**	**1.56**	**1.43**	**1.33**
Total- (A+B)	**1242.30**	**1165.83**	**606.33**	**753.26**	**784.39**	**1056.45**

Table 5.8

Financial Position (Revenue Gap) of Panchayati Raj Institutions (PSs & ZPs)

(Rs. in Crores)

Particulars	**1999-2000**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**
Total Receipts	1266.31	1297.89	779.83	894.70	860.41	1361.60
Total Expenditure	1242.30	1165.83	606.33	753.26	784.39	1056.45
Surplus	24.01	132.06	173.50	141.44	76.02	305.15

5.30 Analysis of the above data indicates that the expenditure on maintenance is very low. It has declined from 4.21% to less than one percent in case of ZPs. For PSs, it has become double from 1.21% to 2.24% during the period from 1999-2000 to 2004-05. Expenditure on maintenance is mainly met out of their own income. Since their own income is almost negligible or very meagre, the expenditure level on maintenance of services has also been limited to the availability of funds with them. Comparative analysis of total receipts and expenditure figures of PRIs given in Tables 5.5 and 5.7 at paras 5.25 and 5.29 indicates surplus position of funds with these institutions. This is due to the fact that while most of the funds are transferred to them at the fag end of the financial year. Its utilisation takes time and is spread throughout the year. Further, majority of these funds are transferred by the Zila Parishads for execution of various developmental programmes as the PRIs perform the agency functions. Despite this surplus position, it is a well known fact that PRIs face scarcity of funds for performing their basic civic functions for the obvious reason that they face resource crunch as discussed above.

REQUIREMENT OF FUNDS FOR THE PRIs

5.31 It is evident from the composition of expenditure incurred by the PRIs, as indicated in earlier para of this chapter, the PRIs have been incurring expenditure mainly on establishment and on implementing various development programmes as agency functions. The expenditure on maintenance of civic services has been very insignificant or even negligible due to low levels of their own sources of income and limited amount of grant for the purpose from the State Government and other sources. Requirement of funds has to be assessed keeping in view the functions assigned to them.

5.32 While the Eleventh Schedule and the subsequent provisions made in Sections 50 to 52 of the Rajasthan Panchayati Raj Act, 1994, envisage to transfer 29 subjects to the PRIs, the fact remains that till now all these functions have not been completely transferred to these institutions. A detailed analysis of the so-called transfer of Departments/ subjects as claimed by the Panchayati Raj and Rural Development Department has already been incorporated in Chapter II of this report. However, the Gram Panchayats as Local Level Institutions are supposed to perform the basic or core civic functions. The core civic functions have been identified by the Eleventh Finance Commission, as primary education, primary health care, safe drinking water, street lighting, sanitation including drainage and scavenging facilities, maintenance of cremation and burial grounds, public conveniences and other common property resources. While transfer of these responsibilities to the PRIs is required to be speeded up, the fact remains that in Rajasthan the functions relating to primary education, primary health care have not been transferred to PRIs and continuously remained with the respective departments of the State Government. In case of drinking water supply, although the digging of new hand pumps and their installations in rural areas is with the Public Health and Engineering Department, even their repair and maintenance has not been transferred to the Panchayati Raj Institutions.

5.33 Out of the eight civic services identified by the Eleventh Finance Commission, the PRIs in Rajasthan are presently responsible for maintenance of the following civic services namely:-

1. Street lighting;
2. Sanitation including drainage and scavenging facilities; and
3. Maintenance of cremation and burial grounds, Public conveniences and other common property resources.

5.34 Panchayati Raj Department has submitted a memorandum to the Commission indicating the funds requirement for PRIs**.** As per Memorandum, requirement of funds as intimated by the Panchayat Raj Department is given below:-

GRAM PANCHAYATS

5.35 The Panchayati Raj Department in its Memorandum has classified the requirement of the Gram Panchayats in different heads of expenditure for the award period. The additional requirement as per Memorandum can be classified as under:-

1. Civic functions
2. Administrative functions
3. Miscellaneous functions
4. Development functions

Civic Functions

5.36 The requirement of funds for discharging functions as assessed by the Panchayati Raj Department is expressed in Table 5.9 below:

Table 5.9

Requirement of Funds of the PRIs

Item			Amount (Rs. in Crores)
Civil Functions			
(i)	Drinking Water Supply		
	(a)	Maintenance of hand pumps, Rs 3900/ per hand pump per year for 169473 hand pumps (3900 x169473)	66.00
	(b)	Repairs & Maintenance of village ponds and water Reservoirs- per year	32.20
	(c)	Water Harvesting Structure (Lump sum)	100.00
Total (i)			**198.20**
(ii)	Street Lighting		
	(a)	For replacement of bulbs- 6 Bulbs @ Rs. 10/- per bulb per ward for 1,05,000 wards	0.63

	(b)	Electricity charges- 2 unit per day for 365 days @ Rs. 5/- per unit 3650x1,05,000 wards	38.32
	(c)	Installation charges	1.05
Total(ii)			**40.00**
(iii)	Sanitation		
	Rs. 4800/- per ward per year for 1,05,000		50.40
(iv)	Public Facilities		
	(a)	Maintenance of Internal Roads- Rs. 10/- lakhs per year per Panchayat 9188x10	918.80
	(b)	Construction, Improvement and Maintenance of Panchayat Bhawans (for 207Bhawan @ 125790)	2.60
		Total (iv)	**921.40**
Total Civic Functions			**1128.96**
Administrative Functions			
(i)	Ministerial work on contract, Rs. 3000 per month for 12 months per Panchayat (3000x12x9188)= Rs. 33.08 crores or say		33.00
(ii)	Office Expenses Rs. 1000 per month for 9188 panchayats (1000x12x9188)= Rs. 11.03 crores or say		11.00
(iii)	Audit Expenses		5.00
(iv)	Karishma Project		
	(a)	Maintenance of Computer equipments	5.00
	(b)	Computer operator on contact	4.00
	(c)	Maintenance of accounts	3.67
	(d)	Expansion of Karishma Project	24.00
Total (iv)			**36.67**
Total Administrative Functions			**85.67**
Miscellaneous Functions:			
(i)	Revolving fund for Rural Finance Corporation for Providing Short/Long term Loan to PRIs at concessional rate of interest –		50.00

	Lump sum		
(ii)	Solar Panchayats- 20% Gram Panchayats will be covered every year @ Rs. 1.00 lakh per Panchayat for five years		18.38
(iii)	Incentive Grant for raising own resources by the Gram Panchayats		10.00
(iv)	Outstanding Liabilities		
	(a)	Audit fees	5.15
	(b)	Payment to Hand Pump Mistries on account of T.A. Bill & Medical Bill	2.23
	(c)	Compensation for octroi	30.20
Total-Outstanding Liabilities (a+b+c)			37.58
(v)	Medical and T.A. to H.P. Mistries		0.27
(vi)	Publicity/ Disaster Management		46.00
Total Miscellaneous Expenditure			**162.23**
Grand Total			**1457.90**

Development Functions

5.37 As regards development functions, most of the development activity is funded out of the allocation by State Government under Centrally Sponsored Schemes. The development activities may continue to be taken up under Centrally Sponsored Schemes, MP/MLA Local Area Development Scheme, depending upon the availability of funds. However, if any scheme requires contribution of Panchayat/State the same may be provided out of State Plan Budget.

5.38 Thus, the total additional requirement indicated by the Panchayati Raj Department for Gram Panchayats for the award period (2005-10) is shown in Table 5.10 below:

Table 5.10

Additional Requirement of Funds for Gram Panchayats (2005-10)

Particulars			(Rs. in Crores)
I. Civic Functions:			
(i)	Drinking Water Supply including Water Harvesting		591.00
(ii)	Street Lighting		200.00
(iii)	Sanitation		252.00
(iv)	Community/ Public facilities		
	(a)	Maintenance of Internal Roads	4594.00
	(b)	Construction, improvement, maintenance of Panchayat Bhawans	13.00
Total (iv)			**4707.00**
Total – I			**5550.00**
II. Administrative Functions:			
(i)	Ministerial work on contract		165.00
(ii)	Office Expenses		55.00
(iii)	Audit Fees		25.00
(iv)	Karishma Project		183.35
Total- II			**428.35**
III. Miscellaneous Functions:			
(i)	Revolving Fund for Rural Finance Corporation		50.00
(ii)	Solar Panchayats		91.90
(iii)	Incentive Scheme		74.39
(iv)	Outstanding Liabilities		37.85
(v)	Publicity/ Disaster Management		230.00
Total-III			**484.14**
Grand Total			**6562.49**

5.39 Thus, the total requirement of fund as proposed by the Panchayati Raj Department for Gram Panchayats works out to Rs. 1457.90 crores for one year and Rs. 6562.49 crores for award period. The Panchayati Raj Department has further proposed that out of Rs.1457.90 crores, Rs.248.90 crores may be earmarked for the Directorate of Panchayati Raj for implementation the following programmes as indicated in Table 5.11.

Table 5.11

Scheme-wise Allocation of Fund

(Rs. in Crores)

S.No.	Head	Yearly Amount	Total for five year
1.	Rural Finance Corporation- Lump sum one time	50.00	50.00
2.	Extension of Karishma Yojana	24.00	120.00
3.	Computerisation of Accounts, etc.	3.67	18.35
4.	Maintenance of equipments, etc. installed Under Karishma Yojana	5.00	25.00
5.	Solar Panchayats	18.38	91.90
6.	Incentive scheme for PRIs with 20% annual increase	10.00	74.39
7.	Water Harvesting- Lump sum one time	100.00	100.00
8.	Outstanding Liabilities- Lump sum one time	37.85	37.85
	Total	**248.90**	**517.49**

5.40 Thus, the Department has proposed to transfer Rs. 1209.00 crores (after deducting the funds to be kept at the directorate level) to the Gram Panchayats directly, based on the criteria adopted by the State Finance Commission. The Panchayati

Raj Department has further proposed that the share of Zila Parishads and Panchayat Samitis may also be determined as 3% and 12% respectively, keeping the Gram Panchayats share as 85%. Based on this proportion, the share of Zila Parishads works out to Rs. 36.27 crores for one year which is Rs. 181.35 crores for the award period i.e. 2005-06 to 2009-10. Likewise, the share of Panchayat Samities works out to Rs. 145.08 crore for one year and Rs. 725.40 crores for five years. For GPs, it is Rs. 1209 crores for one year and for the award period Rs. 6045 crores.

5.41 The additional requirement of funds indicated by Panchayati Raj Department in their Memorandum for all the three tiers of PRIs as per details given in the above paras is summarized in Table 5.12 below.

Table 5.12

Additional Requirement of Funds as indicated by Panchayati Raj Department in their Memorandum

(Rs. in Crores)

S.No.	Institutions	Proposed Amount Annually	Lump Sum	Requirement for 5 years
1	Directorate of Panchayati Raj	61.05	187.84	517.49
2.	Zila Parishads	36.27	0.00	181.35
3.	Panchayat Samitis	145.08	0.00	725.40
4.	Gram Panchayats	1209.00	0.00	6045.00
	Total	**1451.40**	**187.84**	**7469.24**

5.42 The Department has indicated that while giving additional requirements the existing provisions have not been kept in view.

5.43 The requirement of fund as indicated by the Panchayati Raj Department is quite substantial. It would not be possible for the Commission to accommodate the entire requirements, even with the improved financial position of the State, due to adhering to the provisions of FRBM Act. In view of this, some of the expenditure needs should be met / dovetailed with the concerned Department's annual plan allocations and activities. The Panchayati Raj Department should gear up their efforts to get included the requirement in the programmes of the concerned departments. The requirements of these programmes are shown in Table 5.13:

Table 5.13

Requirement of Funds for Individual Programme

(Rs. in Crores)

1	Water –PHED/Irrigation	591.00
2.	Maintenance of Roads- KUMS/PWD	3214.00
3.	Construction of Panchayat Bhawan- Plan budget of the Panchayati Raj Department.	13.00
4.	Solar Panchayats- REDA/Plan	91.90
5.	Publicity /Disaster Management- Relief Department	230.00
	Total	**4139.90**

5.44 The balance requirement of fund of Rs 1142.59 (6562.49-5419.90) can be considered for Gram Panchayats. The share of Zila Parishads and Panchayat Samiti would, thus, be Rs.40.33 crores and Rs. 161.32 crores respectively, for five year. The total requirement would, therefore be Rs. 1344.24 crores for five years.

5.45 The Indira Gandhi Panchayati Raj and Gramin Vikas Sansthan, Jaipur had conducted a study to assess the requirement of PRIs at the instance of Second State Finance Commission. The Sansthan had assessed minimum requirement of PRIs at Rs. 124.88 crores per annum. The Institute of Development Studies (IDS) Jaipur had also conducted a study in the year 1999-2000 in this regard for the National Institute of Rural Development, Hyderabad. The IDS, Jaipur study estimated gross annual financial requirement of Rs. 215.33 crores for the PRIs. The first State Finance Commission had estimated additional requirement of Rs. 348.84 crores per annum for the PRIs.

5.46 The National Institute of Rural Development (NIRD), Hyderabad conducted a study for working out the capital as well as operational and maintenance requirements of selected States for the period 2000-01 to 2004-05. While conducting the study, the NIRD adopted certain norms so as to cover the entire population with minimum basic/core civic services by 2004-05. As per the study conducted by NIRD the requirements of Rajasthan were also assessed. According to this study the requirement assessed is indicated in Table 5.14 as under:-

Table 5.14

Requirement of Funds for PRIs for Core Civic Services as Estimated by NIRD (2004-05)

(Rs. in Crores)

S.No.	Activity/Service	Capital Cost	O&M Cost	Total
1.	Drinking Water Supply	225.59	623.58	849.17
2.	Rural Sanitation	3251.74	21.90	3273.64
3.	Street Lighting	0.00	284.88	284.88
4.	Primary Education	239.05	2302.18	2541.23
5.	Primary Health Care	417.21	21.90	439.11
6.	Rural Roads	696.04	5043.04	5739.08
	Grand Total	**4829.63**	**8297.48**	**13127.11**

5.47 A perusal of the assessment made by the NIRD reveals that even the requirements for operation and maintenance of three basic services, namely, Rural Sanitation, Rs. 21.90 crores, Street Lighting, Rs. 284.88 crores and Rural Roads, Rs. 5043.04 crores; totals to Rs. 5349.82 crores. On the present day (i.e. 01.04.2005) price level, this figure rose further to Rs. 6050.65 crores. Out of the six core services namely; (i) Drinking Water Supply (ii) Rural Sanitation (iii) Street Lighting (iv) Primary Education (v) Primary Health Care and (vi) Rural Roads listed in the above assessment, these three (Rural Sanitation, Street Lighting and Rural Roads) are supposed to be maintained by the Panchayati Raj Institutions in the rural areas. It is worthwhile to note that O&M cost in above assessment for the three core services which should be performed by the PRIs is quite sizeable.

5.48 Since no definite guidelines are available for working out the norms and assessment of resources required for providing basic services in the rural areas, the Commission had to rely on the requirements intimated by the department, as also to refer to the studies made by various other organizations for assessment of requirements and the demands voiced by the representatives of PRIs during Commissions interaction's visits in the field.

5.49 Keeping in view the minimum levels of basic services and studies conducted by various other organizations for assessment of requirement of fund, as also requirement indicated by the Department, the Commission has worked out the requirements for the basic civic services which needs to be provided in the rural areas through the PRIs. Accordingly, the additional funds needed for providing these services have been worked out for the Gram Panchayats and presented in Table 5.15.

GRAM PANCHAYATS

Table 5.15
Additional Requirement of Funds for GPs

(Rs. in Crores)

S.NO.	Name of Activity	Additional Requirement of Fund	
		For One Year	For Five Years
1.	Sanitation	50.40	252.00
2.	Street Lighting	40.00	200.00
3.	Administration and other miscellaneous functions	49.38	246.90
4.	Maintenance of Buildings/Public places	18.38	91.90
5.	Provision for creation of public facilities like toilets, bus sheds, water huts etc.	23.00	115.00
6.	Maintenance of roads	276.00	1380.00
7.	Computerisation	29.00	145.00
	Total	**485.16**	**2430.80**

Note : *The detailed calculation sheet containing item wise requirements is placed at Annexure-V.1.*

5.50 Keeping the share of Gram Panchayats as 85%, the requirement for the Zila Parishads and Panchayats Samities would be Rs. 85.79 and 343.17 crores, respectively. The total requirement would, therefore, be Rs. 2859.76 crores for five years. In addition to this, Rs. 37.85 crores for outstanding liabilities, Rs.10.00 crores for training of elected representatives and Rs.50.00 crores for Rural Finance

Corporation as revolving fund would be needed. The total requirement would, therefore, be Rs. 2957.61 crores.

5.51 Thus, the net additional requirements after taking into account the TFC grants (Rs. 1230 crores) for all the three tiers or Panchayati Raj Institutions, for the provision and maintenance of basic services, works out to Rs. 1727.61 crores for the entire period of five years. As has been mentioned earlier, these requirements do not include the funds needed for development and providing employment or housing etc. in rural areas. Though, the first SFC had also worked out the requirements on account of generation of employment and housing, but this Commission is of the view that these aspects are being covered in various employment generation and other development schemes being implemented in rural as well as in urban areas by the Central and State Governments, and therefore, no requirement on this account has been estimated.

5.52 The Commission has, therefore, attempted to estimate the additional requirement of funds for the PRIs at various levels for maintenance of core or basic civic services. The Commission has, however, felt that infrastructure for basic facilities like, bus sheds, toilets, water huts etc. needs to be created and maintained in small towns falling in rural areas.

Since funds for these facilities are normally not provided in other developmental schemes, the Commission has tried to consider the requirements of funds for these purposes.

5.53 The Commission feels that looking to the present inadequate staff in Gram Panchayats and their varied and multifarious nature of work, an additional staff must be provided to the Gram Panchayats, who should be graduate and computer friendly. The department should go for the computerization of accounting, database and office work on contract basis, initially.

5.54 While working out the requirements of the PRIs, the Commission has not considered the escalation in cost that may take place during the next four years. Moreover, the PRIs, as local level institutions, are expected to perform many other functions, which may not have mentioned in the assessment made by this Commission. Keeping these aspects into consideration, the Commission has decided not to account for the meagre resources available with the PRIs under the head own income from tax and non-tax measures, which is a paltry sum of Rs. 26000/- annually, on an average for each Gram Panchayat. Therefore, the resources requirement assessed by us are in addition to the existing level of expenditure being incurred at present by these institutions on the provision and maintenance of civic services out of their own sources.

5.55 In order to provide this level of assistance to the PRIs during the period 2005-06 to 2009-10, the State Government will be required to part with a reasonable amount, which would be specified in subsequent chapters, from State's net own tax revenues, which together with the TFC grants should cover major portion of the requirements of PRIs for maintenance of basic civic services to a considerable extent. The balance requirements should be met by the PRIs by raising additional own resources by levy of taxes and collection of fees under the Act and the Rules for the services being rendered by them and which are at present exclusively in their domain to levy without any prior permission of the State Government.

SUGGESTIONS AND RECOMMENDATIONS

5.56 The Rajasthan Panchayati Raj Act/Rules empowers all the three tiers of PRIs to levy taxes and collect fees for the services rendered by them. But it has been observed that majority of the Panchayati Raj Institutions are neither levying the taxes mentioned in the Act/Rules nor recovering fees for the services being rendered by them. With the result, the own income base of these institutions is deplorably low. There is ample scope for PRIs to levy taxes and collect fees to improve their own income. Panchayati Raj Act/ Rules provide specifically, that after following laid down procedures, they can impose tax. The Commission is of the considered opinion that PRIs should effectively utilize the revenue raising provisions to augment their own income. The State cannot for long meet their major requirement of funds with a view to giving a fillip to revenue – raising efforts; the Commission is also suggesting an incentive scheme in this regard.

5.57 The Panchayati Raj Act and Rules authorize these institutions to levy taxes and collect fees but it has not been made obligatory for these institutions to levy taxes and collect fees. The State Government may, therefore, examine the feasibility of making levy of certain taxes and fees obligatory for these institutions by amending the Panchayati Raj Act/Rules to improve the financial health of these institutions. The Commission is of the opinion that service charges, Licence fees, tax on vehicles etc. be made obligatory in addition to increase existing rate of fees/ charges. In view of the reluctance of elected bodies in levying of any tax, such amendment is necessary.

5.58 Section 69 of the Rajasthan Panchayati Raj Act, 1994 empowers Zila Parishad to impose surcharge upto five percent on stamp duty on sale of property in rural areas. Rule 67 (6) of the Rajasthan Panchayati Raj Rules, 1996 provides that surcharge on stamp duty shall be collected by Sub-Registrar for properties transferred in rural areas in the district and get it transferred to P.D. Accounts of Zila Parishads as per procedure laid down by Finance Department. However, the Panchayati Raj Department as also during the Commission's visits to Ajmer Division and other districts, it was mentioned by the elected representatives that the surcharge duly imposed by the Zila Parishads is not being recovered by the Sub-Registrar as the required procedure has not been laid down by the Finance Department. The Finance Department should lay down at the earliest the procedure for recovery of surcharge on stamp duty and mandi tax and issue appropriate instructions for their recovery and credit to PD Account of Zila Parishad as provided under the PR Act/Rules so as to facilitate the additional resources mobilization at the PRIs level.

5.59 Similarly, surcharge on market fees on agricultural produce is not being recovered by the Secretary, Mandi Committees for want of instructions from the Agriculture Department. During the field visits of the Commission to various divisional head quarters and districts it was mentioned by the elected representatives that for making this applicable, necessary amendments to this effect is required to be made in the Agriculture Marketing Act. The State Government (in Agriculture Department) should take immediate action for amendments in the Acts so that Zila Parishads are not deprived of their legitimate income.

5.60 The Panchayats in Rajasthan have been shying away from levying tax for fear of losing votes. They need to be wriggled out from no tax syndrome for accelerating the pace of rural development. We, therefore, are suggesting an incentive scheme linked with additional revenue mobilisation. Therefore, while working out the requirement of funds for PRIs the Commission has earmarked adequate funds to incentivise the Panchayati Raj Institutions to mobilise more revenue by resorting to new avenues of taxes and increase their own income. Increasing dependence of Panchayati Raj Institutions, as is evidenced from the ratio of internal revenue (own income fund) to external funds, to say the least, is deplorable and does not speak well of self-reliant institutions.

5.61 During the field visits of the Commission to the districts, it was complained by the elected representatives that owing to non-availability of income/funds, the Panchayats are not in a position to provide basic services even scavenging and cleaning on some important occasions like, Independence day, Republic Day etc. The Panchayati Raj Department and PRIs should ensure such services at least on these occasions.

Panchayati Raj Finances- A perspective

5.62 The devolution to Panchayati Raj Institutions by I & II SFC & from Central Government is reflected blow:

Table: 5.16
Devolution to PRIs

Items	Amount (Rs. in Cores)
Ist SFC	305.60
IInd SFC	594.61
EFC	490.95
TFC	1230.00

During this period of 2005-06 they are also going to receive a sizeable amount on the basis of the recommendations made by the Third Finance Commission of the State, as accepted or modified by the State Government.

5.63 The main problem of the PRIs finances are that their own income is not more than 1% to 2% of the total devolution of funds made to them through State Finance Commission and

Eleventh Finance Commission and Twelfth Finance Commission of the Central Government. With the result, the own income base of these institutions is abysmally low.

5.64 There is ample scope for PRIs to levy taxes and collect fees to improve their own income to meet their statutory obligations mentioned in the Act' 1994 and Rules' 96 towards their rural masses. Panchayati Raj Act/Rules provide a very simple procedure for imposing a tax by passing a resolution of the Gram Panchayat and notifying the same to the residents of the Gram Panchayat for calling their objections for thirty days and after considering their objections, the Gram Panchayat can again by passing a resolution in the Gram Panchayat, impose a tax or levy a fees and thereafter take action for publication and operation of the resolution under Rule 62 of Rules' 96 without any prior sanction of the State Government, except in the matter of pilgrim tax.

5.65 The Commission is of the view that Panchayats need to be incentivised (to take initiative) for levying taxes/fees for which sufficient provisions have been made by this Commission in the Chapter on Devolution. Higher provision for incentive has been suggested.

5.66 The Commission recommends and suggests that to augment the resources of the Gram Panchayats, they should consider levy of fees under Rule 68 of the Rules' 96 on Petrol/Diesel Pump up to maximum rate of Rs. 500 per year; on Hotel/Dhaba/Automobile /repair shop up to Rs. 200 per year and any other business unit up to Rs. 100 per year as provided in Sub-Rule (xii), (xiii), and (xiv) of Rule 68. This will enable all Panchayats to mobilize new resources to fulfill their basic civic duties under the Act and Rules.

5.67 The Expert Group on Planning at the Grassroots Level has rightly observed, "raising of local revenues by Panchayats remain neglected in stocktaking. Planning and implementation ………….. in several States, while taxes are assigned to local bodies by law, collection is unsupervised and neglected in practice. Experience suggests that given encouragement and with adequate capacity, building, Panchayats are capable and enthusiastic about collection of taxes. There has to be a substantial emphasis in local planning process to estimate local revenues………".

5.68 Time has come when PRIs in Rajasthan must muster enough courage to come out of the no tax, no non tax, no fees syndrome. They must realize that the Gram Panchayats of other developing states like Kerala (though they are three times of our size), are realizing from their own sources of taxes, indirect taxes, non taxes and fees etc. an amount of Rs. 25 lakhs to Rs. 50 lakhs annually. We, in Rajasthan, expect the Gram Panchayat to achieve a figure of Rs. 1.5 lakhs to Rs. 2 lakhs annually from its own tax, non tax, levy of fees, for which the Act' 94 and Rules' 96 have fully empowered them. The PRls representatives are exhorted to have a re-look on the provisions of the Act and Rules. It is the basic duty of the State Government to impart the PRls representative's sufficient knowledge and information of the enabling provision of tax, indirect tax, non-tax, and provisions regarding levy of fees enshrined in the Act and Rules. The Commission has made sufficient provisions for capacity building of the PRls representatives throughout the State in the proposed devolution.

5.69 The Commission would like to recommend to the State Government if need be, to invoke its duties and power enshrined in Sub Sections (3) and (4) of Section 65 to do whatever is essential in raising resources of the Gram Panchayats so that they may perform their basic duties towards sanitation and rural cleanliness and other essential obligations.

5.70 As per Rule 70 of Rule' 96, there exist a provision as under:

Rule 70. Octroi on country liquor

(1) 2% Octroi on country liquor shall be deposited in concerned Panchayat by a country liquor licensee running shop/sub shop within the Panchayat area.

(2) Amount of Octroi shall be deposited on the basis of Stock Register and Excise pass maintained at such shop/sub-shop.

(3) It shall be duty of the Excise Inspector of the area to ensure that Octroi is being regularly deposited in the concerned Panchayat.

(4) Secretary of the Panchayat shall get cost of such country liquor verified from the Excise Inspector incase of doubt.

(5) If Octroi is not deposited on demand it shall be recovered as arrear of land revenue.

5.71 The above rule has come into force on 31.12.1996 and has not been implemented at all in any part of Rajasthan. Country liquor shops are existing more or less in each Gram Panchayat area or within two Gram Panchayats area and as per Sub Rule (2) of Rule 70, amount of Octroi shall be deposited on the basis of Stock Register and Excise pass maintained at such shop/sub-shop by country liquor licensee. Sub Rule(3) of Rule 70 says that it shall be the duty of the

Excise Inspector of the area to ensure that Octroi is being regularly deposited in the concerned Panchayat. It is patent that the State Government's Excise Department has never bothered to implement the above rule which would have been important source of raising resources of the Gram Panchayats in the whole of Rajasthan. In the year 2007 -08 it would have yielded around Rs. 8.5 crore, to the Gram Panchayats. All said and done the non implementation of the mandate of the above Rule' 70 has deprived Gram Panchayats of an amount of around Rs. 80 crores in the last 11 years. Both Panchayat Department and Excise Department have been slipshod in this regard.

5.72 The Commission recommends that the State Government should take effective steps to implement the mandate of the above Rule, enacted by Government itself in letter and spirit. The Finance Department of the State must see that this Rule 70 is implemented, forthwith, seriously to augment the resources of the Gram Panchayats of the State.

5.73 Section 69 of the Rajasthan Panchayati Raj Act, 1994 empowers a Zila Parishad to impose surcharge up to five percent on stamp duty on sale of property in rural areas and up to half percent on market fees. Rule 67 (6) of the Rajasthan Panchayati Raj Rules, 1996 provides that surcharge on stamp duty shall be collected by Sub Registrar for properties transferred in rural areas in the district and get it transferred to PD Accounts of Zila Parishads as per procedure laid down by Finance Department. During the Commission's visits to Ajmer Division and Udaipur District it was mentioned by the elected representatives that the surcharge duly imposed by the Zila Parishads is not being recovered by the Sub- Registrar on the venial pretext that the procedure required has not been laid down by the Finance Department as yet or necessary directions have not been issued by Finance Department.

5.74 The Commission feels that Section 69 of the Act' 94 read with Rule' 67 (6) and Rule' 67 (7), gives the Zila Parishads clear cut powers to impose Surcharge up to 5% on the Stamp duty and up to half percent of the market fee, under Sub-Section (c) of Section 69 of the Act. The Act and Rules do not stipulate any prior permission of the State Government or of the Finance Department for imposing the above Surcharge for which the Zila Parishads have been empowered under the Act and Rules.

5.75 The Commission is pained to see that many Zila Parishads lawfully passed the resolution for imposing Surcharge on Stamp Duty and on market fees which has not been implemented because of misgivings in the minds of concerned officers.

5.76 The situation which emerges is that though Legislature has empowered the Zila Parishads under the Act and Rules to impose Surcharge on Stamp Duty up to 5% and market fee up to 1/2%, this privilege has been denied to them by administrative fiat.

5.77 The Commission strongly recommends that Government should help facilitate the recovery of lawfully imposed stamp duty and market fees/ surcharge by prescribing the desired procedure as early as possible.

CHAPTER – VI

FINANCES OF URBAN LOCAL BODIES

INTRODUCTION

6.1 As per UNFPA, 2000 projections, the two thirds of the world's population would be living in cities by 2025. Most of urban growth is taking place in the so-called developing countries, where 85 percent of the people reside in urban areas. The UN estimates that by 2025 the level of urbanization would reach 57.1%, and an average urban growth rate of 3.21% per annum (UNCHS, 1996). In India also, the process of transition from rural to urban society is undergoing at a rapid pace.

6.2 A look in the past fifty years of India, and the empirical evidence around the world, indicates that the future of India would be inescapably urban. While India's population remains substantially rural, it is emerging as one of the fastest urbanising countries in the world, and already has a staggeringly large urban population around 285 million. It is estimated that by the middle of this century or probably even earlier, India would reach the same milestone that the world had reached at the beginning of this century, of becoming more urban than rural.

6.3 The economic base of the nation through expanding industries, trade, commerce and services, has already shifted to the urban centres. The cities have strongly emerged as the growth engines of the Indian economy and generations of national wealth.

6.4 The rapid growth of urbanization and the influx of rural and semi-urban population into the cities throws diverse and formidable challenges before ULBs, and increases their civic responsibilities manifold. While the expenditure responsibilities of Municipalities are increasing day by day, their own revenue efforts for revenue generation have more or less remained stagnant. There is a complete mismatch between the expenditure responsibilities of urban local bodies and their revenue augmentation - efforts. Even after the 74^{th} Constitutional Amendment, the financial position of the municipal institutions in Rajasthan has not improved commensurate with their functions and responsibilities. Further, the position of the smaller municipalities is much worse, and at times, they find it difficult to even meet their establishment costs.

6.5 Rajasthan is one of the moderately urbanized States in India with 23.38 percent urbanization. In terms of quantum of population, however, the largely desert State has a low population figure of 56.5 million (census 2001) out of which 13.2 million people (23.38%) are residing in Municipal areas. The average annual growth of urbanization in Rajasthan (census 2001) is 3.1 per cent. This process of urbanization poses many challenges before the urban local bodies like the problems of massive high land and housing prices, increasing house shortages, inadequate infrastructure facilities, lack of basic civic amenities, eradication of urban poverty and the problem of solid waste management, etc.

6.6 The finances of municipalities in Rajasthan are in a very bad condition. Infact the financial position of majority of the Urban Local Bodies is so poor that they are hardly in a position to meet the ever rising demand of funds for rendering municipal core services. Most of the urban local bodies are constrained in discharging their obligatory functions due to a limited resource base. Rapid growth of cities and towns is not matched by a corresponding increase in the revenue of ULBs. While the expenditure responsibilities of Municipal Bodies have augmented manifold, inflating their resource requirement, but their performance have been dismal with regard to augmentation of resources to carry out these functions. Even the statutory avenues of raising resources remained either unexploited or under exploited, due to complete apathy of the public representatives to resort to revenue augmentation measures, which may commensurate with the level of services they wish to provide. The ULBs with inadequate taxation efforts, coupled with inefficient financial management, both, together render the municipal services far from satisfactory level. Out of 183 local bodies except, only 3 municipal corporations and 11 class I municipalities (with population ranging from 1 to 5 lakh), majority of urban settlements are of the small and medium size, with less than 1 lakh population. These small ULBs face the common problem of limited obligatory taxation powers, giving rise to a situation of poor financial health, resulting in absolute dependence on the State Government.

6.7 The state of basic services and public works is also far from satisfactory level. It is primarily due to inadequate financial resources at their disposal, institutional bottlenecks, low skills of urban Governments Officials, neglect of urban local Governments by higher echelons of Government. The paltry resources of ULBs hardly leave any scope for development of infrastructure, commensurate with growing and rapid urbanization. As the rendition of satisfactory civic services hinges on sound financial position, it is high time that the high officials of local-self and Urban Development Department of the State Government and municipal officials become conscientious about their role in ensuring good financial performance of Urban Local Bodies in the State.

6.8 The infrastructure development of Urban Local Bodies is not in a position to keep pace with the population growth of cities resulting in serious imbalance in services. The abolition of octroi, though compensated by the State Government, has taken away a buoyant tax source from ULBs. The abolition of House Tax w.e.f. 24-2-2007 and its restoration w.e.f. 29.8.2007 as Urban Development Tax, with reduced revenue potential, has further worsened the financial position of UBLs. Municipalities are not able to discharge even their obligatory functions properly. The Table 6.1 gives some indicators of fiscal health of urban local bodies in Rajasthan.

Table 6.1
Some Indicators of Fiscal Health of Urban Local Bodies in Rajasthan (1998-99 and 2002-03)

Key Indicators	1998-99	2002-03
Proportion of local government expenditure to total State expenditure (%)	12.34	11.47
Transfers as proportion of State revenue (%)	13.21	10.13
Tax devolution as percent of State Own Tax Revenue (OTR)	1.95	1.97
Proportion of Own Source Revenue (OSR) to total expenditure	34.9	23.6
Growth in total expenditure of ULBs	9.48%	

Source: Oommen, M.A. (2006), “Fiscal decentralization to Sub-State Level Governments”. *Economic and Political Weekly*, March 11-17.

6.9 Before going for analysis in detail it would be worthwhile to look at the resource – raising provisions and assess the performance of these bodies with respect to their revenue mobilization.

SOURCES OF MUNICPAL REVENUE

6.10 The revenue sources of the UBLs can broadly be classified into:-

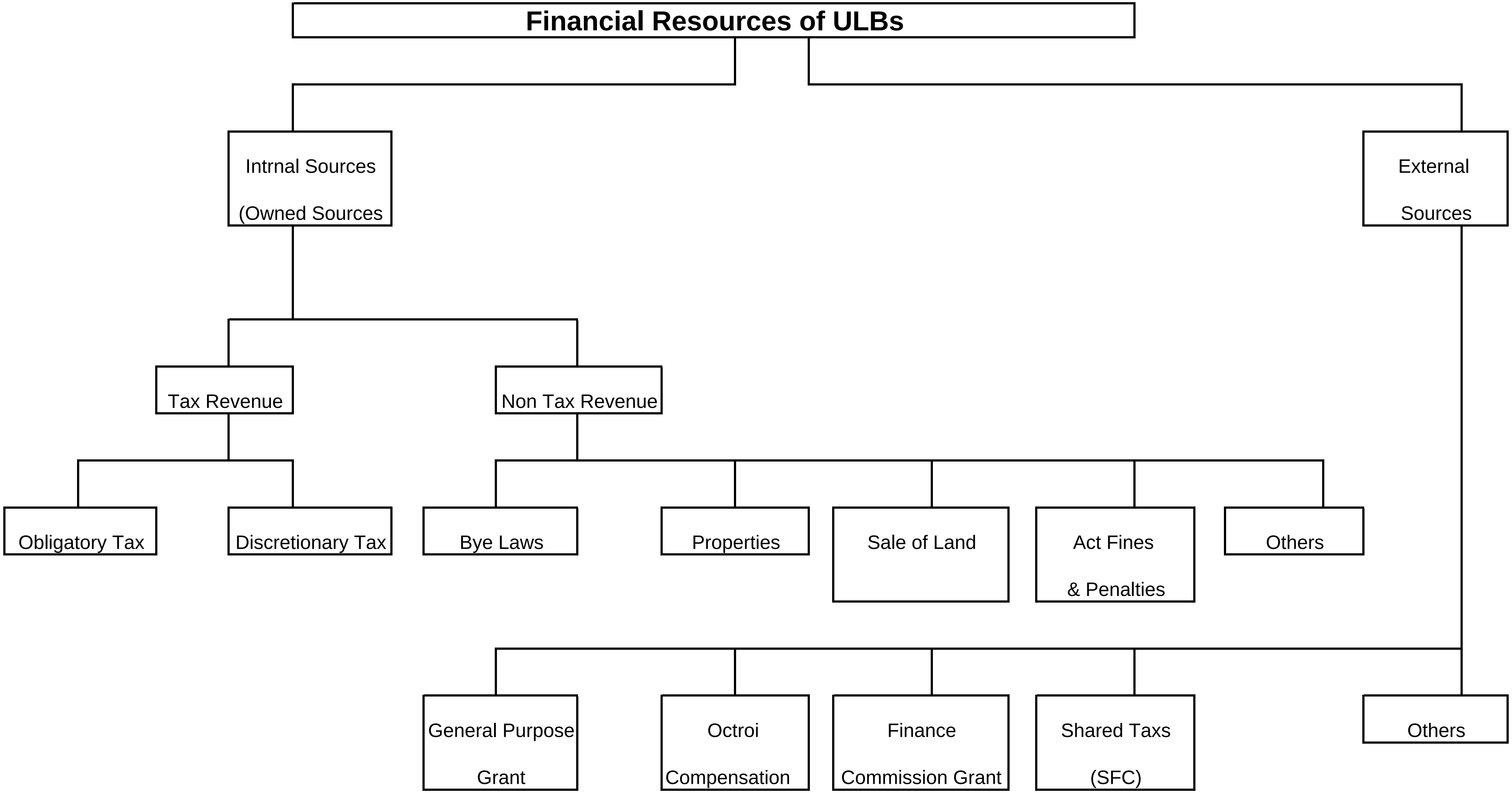
(a) Tax; and

(b) Non-tax revenue

6.11 The main source of revenue to ULBs is from taxes levied and collected by the Municipal bodies, whereas the non-tax revenue is generated from fees charges, penalties, sale of land, income from property, loans, assistances etc. The tax revenue can further be classified into obligatory taxes and discretionary taxes and the non-tax revenue classified into revenue from internal sources and external sources.

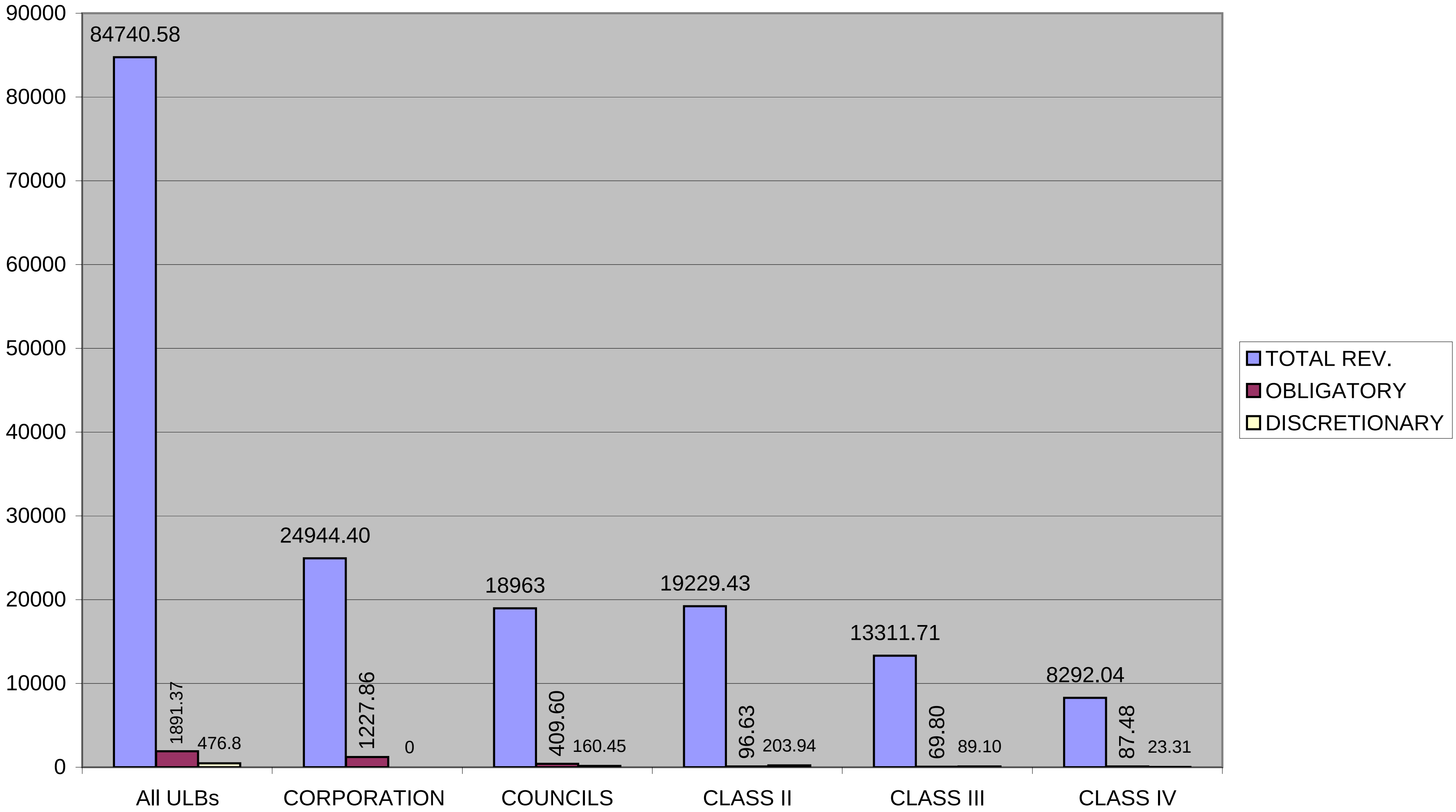
MUNICIPAL TAXES

6.12 Sections 104 and 105 of the Rajasthan Municipalities Act, 1959 contain provisions for imposition of obligatory and discretionary taxes similar to the two categories of functions these Municipal bodies are required to discharge.


Financial Resources of ULBs
Intrnal Sources
(Owned Sources
External
Sources
Tax Revenue
Non Tax Revenue
Obligatory Tax
Discretionary Tax
Bye Laws
Properties
Sale of Land
Act Fines
& Penalties
Others
General Purpose
Grant
Octroi
Compensation
Finance
Commission Grant
Shared Taxs
(SFC)
Others

CONTRIBUTION OF OBLIGATORY/ DISCRETIONARY TAX REVENUE OF ULBs TO TOTAL REVENUE -2004-05

FIGURE Rs IN LACS



OBLIGATORY TAXES

6.13 The provisions regarding Obligatory Taxes are contained in Section 104 of the Rajasthan Municipalities Act which are as under:-

(i) Every Municipal board shall, levy at such rate, and from such date, as the State Government may in each case direct by notification in the official gazette and in such manner as is laid down in this Act, and as may be provided in the rules made by the State Government in this behalf, the following taxes, namely:

(1) a tax on annual letting value of buildings or lands or both situated within the municipality;
(2) an octroi on goods and animals brought within the limits of municipality for consumption or use or sale therein; and
(3) a tax on professions and vocations.

6.14 Proviso to this Section mentions that the land and building tax shall not be levied on “Kham Houses”. Similarly, octroi shall not be levied on motor vehicles and profession/vocation tax shall not be levied on artisans.

6.15 Thus, there are three obligatory taxes envisaged in the Act. Out of the three Obligatory Taxes, namely, Land and Building

Tax, Octroi and Profession Tax, the Profession Tax has not been levied by any of the ULBs due to administrative directive of the State Government.

6.16 As regards Land and Building Tax (popularly known as House Tax) it has chequered history in Rajasthan in recent past. Land and Building Tax was abolished by the State Government vide its Notification dated 24.2.2007. Even prior to its abolition, this Tax was not levied and recovered by as many as 60 Urban Local Bodies, as per details given in Table 6.2 below.

Table – 6.2

Number of ULBs Not Levying House Tax

S.No.	Class of ULBs	No. of ULBs with no House Tax (Revenue)
1	Municipal Corporation	1
2	Municipal Council	2
3.	Municipality Class II	8
4	Municipality Class III	25
5	Municipality Class IV	24
	Total	**60**

Position as on 31.3.2005 as intimated by Director, Local Bodies.

6.17 It is, indeed, strange that even large ULBs like Municipal Corporation, Kota, Municipal Council, Udaipur and Municipal Council, Sikar did not exploit this important source of revenue generation.

6.18 The situation even prior to abolition of house tax was not at all satisfactory in Rajasthan. The ULBs either did not recover House Tax or recovered it with great reluctance. As a result the recovery even against assessed tax did not go beyond 40%. Having remained abolished from 24.2.2007 to 28.8.2007, this tax has been re-imposed under the nomenclature of Urban Development Tax, with effect from 29.8.2007 with reduced revenue potential.

6.19 House Tax/ Property Tax is a major tax being levied by the Urban Local Bodies across the country. The income from this tax to the Municipalities in the country is sizeable. Unfortunately in Rajasthan, the full potential of this tax has never been exploited so far. In the State, this tax has not emerged as an alternative source of revenue after the abolition of octroi in 1998. It is a matter of serious concern that with respect to per capita house tax revenue of municipalities, the State of Rajasthan is far behind as compared to other States as given below:

State	Per capita house tax revenue (Rs.)
Andhra Pradesh	55.4
Gujarat	68.7
Kerala	54.9
Punjab	24.8
Rajasthan	13.3

This comparison is self-explanatory and indicates the lacklustre attitude of Urban Local Bodies of Rajasthan towards exploiting this important source of revenue generation. As against the target of Rs. 150 crore set for House Tax for the year 2005-06, by Director, Local Bodies, a paltry sum of Rs. 43 crores has only been recovered, constituting 28% of the targeted amount. The prime reason for this abysmally/ abnormally low recovery appears to be the indifferent attitude of the Urban Local Bodies, coupled with the uncertainty on the part of State Government, of whether to retain or abolish the tax.

6.20 The Commission also seriously concerned over the non recovery of massive arrears of the assessed tax. The records of arrear amount were not complete in some of the ULBs and the Director Local Bodies, on being asked, was unable to furnish the amount of arrears of recoverable House Tax. The Commission, therefore, recommends that the outstanding amount should be recovered expeditiously by incentivising the staff. The State Government has already clarified that the quashing of the House Tax Rules 2003, on 24.2.2007, has no retrospective effect and the dues under the Rules are to be recovered. Director, Local Bodies may draw out an Incentive Scheme giving higher incentive for recovery of older outstanding dues and the targets for recovery of this amount may be fixed and rigorously monitored. The Commission has made adequate provisions in the devolution for the incentive on this account.

6.21 Thus, as on today, there is only one obligatory tax imposed and levied by the Urban Local Bodies which has come into force by Government Notification dated 29.8.2007, namely, Urban Development Tax. It would be pertinent to mention here that the obligatory tax assigned to the ULBs are only obligatory in name. ULBs are obliged to levy and recover the obligatory tax. But the power to impose tax and decide the rate as well as the date from which the tax is to be recovered is decided by the State Government. The Commission, therefore, is of the considered opinion that the powers of the State Government to ordain the extent of the obligatory tax does not help the urban local bodies, financially. Far from strengthening the constitutional status of the ULBs, conferred by 74th Amendment of the Constitution, such developments only reinforce the perception that ULBs are subordinate entities in the day to day control of the State Government, beholden to them not only for the development of the city but often for their very survival. Even for revision for rates, ULBs are required to approach the State Government resulting in inordinate delay. Therefore, it would be meaningful in keeping with the spirit of 74th Constitutional Amendment, if power of revision of rates are decentralized and conferred on the ULBs by Act and/ or by Rules. The Commission recommends the same.

6.22 Octroi was a major and buoyant source of municipal revenue till its withdrawal by the State Government w.e.f. 1st August, 1998. The, then, Finance Minister in his budget speech presented to the Rajasthan Vidhan Sabha on 9th July, 1998, in para 133, made following announcement:

"अतः चुंगी की वर्तमान व्यवस्था से होने वाली कठिनाइयों से राहत दिलवाने के मन्तव्य से सरकार राज्य भर में 1 अगस्त 1998 से चुंगी समाप्त करने की घोषणा करती है ।"

6.23 Thereafter in para 134 of the Budget Speech, the then Finance Minister further stated as under:

"चुंगी से नगरपालिकाओं को वर्तमान में लगभग 280 करोड़ रूपये की वार्षिक आय होती है । अतः चुंगी समाप्ति से होने वाली आय में कमी की राशि के पुनर्भरण का दायित्व सरकार लेती है।"

6.24 In order to fulfill the above declaration and assurance made by the Government of Rajasthan on the floor of the Assembly that the State Government is going to give grant-in-aid to compensate the loss of Octroi income of Urban Local Bodies. It was also assured that this compensation grant would be increased by 10% every year. But during the visits of the Commission to the districts and divisions, the representatives of the Urban Local Bodies irrespective of their political affiliations, voiced strong resentment and grievances over the octroi issue on various counts. Their main grievances were as follows:

- that octroi was the main source of revenue of the municipalities;
- that octroi was a buoyant source of municipal revenue;
- that withdrawal of octroi has crippled the municipalities financially;
- that after abolition of octroi the municipalities have become totally dependent on the State Government financially;

- that the State Government is giving only 10 percent increase in grant-in-aid in lieu of octroi whereas the growth of octroi in State Government, revenue is much more;

- that even the 10 percent annual increase has been reduced to 5 percent from the financial year 2001-02 to 2003-04 and restored to 10% in the year 2004-05 ignoring the impact of the decrease during the three years of 2001-02 to 2003-04 and ignoring the actual amount of octroi which would have been paid had the 5% decrease not taken place at the whim of the State Government;

- that even the grant in aid amount of octroi is not being released in time, regularly.

6.25 The decision of the State Government to lower down the rate of annual increase in grant-in-aid from 10 percent to 5 percent during the years 2001-02 to 2003-04 is against the assurance given by the Government. It has further worsened the financial position of municipalities, particularly, small and financially weak municipalities, which are completely dependent on octroi grant for meeting their committed establishment expenditure. With effect from 2004-05 the compensation for octroi grant has been restored to 10 percent.

6.26 Therefore, the Commission would recommend to the State Government to fulfill its promise made on the floor of the Assembly with regard to grant of octroi compensation with

10% annual increase. The octroi compensation needs to be restored from the year 2008-09. The octroi compensation rate of 10% per annum increase should be maintained.

DISCRETIONARY TAXES

6.27 Section 105 of the Rajasthan Municipalities Act, 1959, provides for a long list of discretionary taxes that may be imposed. This section provides that subject to any general or special orders of the State Government on this behalf, a municipal Board may impose and levy, in the whole or any part of the municipality for which it is established, all or any of the following taxes, namely :

(i) a tax on Vehicle and other Conveyance plying for hire or kept within the municipality;

(ii) a tax on dogs kept within the municipality;

(iii) a tax on animals used for riding, driving, draught or burden when kept within the municipality;

(iv) a toll on vehicles and other conveyances and on animals entering the municipality;

(v) a tax on boats moored within the municipality;

(vi) a scavenging tax;

(vii) a tax for the cleansing of private latrines or privies;

(viii) a general sanitary tax for the construction or maintenance or both of public latrines and for the removal and disposal of refuse;

(ix) a lighting tax;

(x) a water tax for water supplied by the board, which may be imposed in the form of a rate assessed on the annual letting value of building or lands or both or in any other form;

(xi) a tax on trades and callings carried on within the municipality and driving special advantages from, or imposing special burdens on municipal services;

(xii) a tax on artisans; and

(xiii) any other tax which the State legislature has power to impose under the Constitution.

6.28 The Act further stipulates the usual procedure to be followed for levy of any of these discretionary taxes, e.g. resolution to be passed in the general meeting, selection of any one or the other taxes, preparation of draft rules, persons or property or both to be covered, the amount or rate of tax and notification to be issued. The cumbersome procedure prescribed for imposition of these taxes coupled with the lack of awareness and apathy of elected representatives to discharge their public duty towards the residents of the town, who have elected them, accounts for non levy of these taxes. The taxes provided in Section 105 have not been levied at all or levied by a very few municipalities. It is strange to observe that no municipal corporation is collecting discretionary tax. Some of the ULBs have levied discretionary taxes, like, tax on vehicles, terminal tax, passenger tax, etc. but the total revenue from all these taxes is only Rs. 4.76 crore, contributing 0.56% in total revenue in the year 2004-05. The details are shown in Table 6.3.

Table – 6.3

Composition and pattern of Discretionary Taxes Revenue of the ULBs

(Rs. in Lakhs)

S. No.	Head	Yearwise revenue under discretionary taxes with percentage to total revenue									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
1	2	3	4	5	6	7	8	9	10	11	12
	(ii) Discretionary Taxes										
	1. Tax on Vehicles	7.52	0.01	11.66	0.02	13.44	0.02	14.71	0.02	19.43	0.02
	2. Tolls	8.23	0.01	6.55	0.01	5.17	0.01	7.02	0.01	4.45	0.01
	3. Terminal Tax	22.84	0.04	25.02	0.03	30.08	0.04	24.92	0.03	24.27	0.03
	4. Passenger Tax	100.85	0.17	139.21	0.19	158.74	0.22	182.94	0.25	184.21	0.22
	5. Other Taxes	63.04	0.11	195.72	0.26	323.71	0.46	462.56	0.63	244.44	0.29
	Total (Distcre. Taxes)	**202.48**	**0.34**	**378.16**	**0.51**	**531.14**	**0.75**	**692.15**	**0.94**	**476.80**	**0.56**

6.29 Another problem voiced before this Commission during its visits to the districts, was that of massive outstanding of electricity dues. Almost all Chairmen of the ULBs, with whom

Commission interacted, expressed their inability to make payment of electricity dues because of weak financial position of the ULBs. The Table 6.4 below indicates the position of outstanding of electricity dues against municipalities as also their recurring liability on this account:

Table 6.4

Position of Outstanding Electricity liabilities and Recurring Dues (2004-05)

(Rs. in Crores)

S.No.	Class of ULBs	Outstanding Liabilities	Recurring Liability
1	Municipal Corporation	60.94	15.01
2	Municipal Council	10.00	12.89
3.	Municipality Class II	5.35	10.45
4	Municipality Class III	3.67	6.03
5	Municipality Class IV	3.59	4.11
	Total	**83.55**	**48.49**

6.30 The Commission is of the considered opinion that providing street lights is an obligatory municipal function and ULBs have to discharge this function under all circumstances. As the financial position of majority of municipal bodies is quite weak and does not permit them to make payment of outstanding dues of electricity. Therefore, the Commission recommends that the State Government may consider the burden of Electricity Bills of all ULBs for providing street lighting and take a conscious decision to solve this problem. Surcharge on electricity duty to the extent of meeting the street lighting bill of ULBs can be considered in this regard.

6.31 It has also been brought to the notice of the Commission that the proposals sent to the Government for imposing discretionary taxes, languish for years in the Directorate of Local Bodies and the concerned Government Department. The Commission recommends that State Government must facilitate such discretionary tax proposals by according timely sanction and by issuing relevant Notification in the Gazette.

NON-TAX REVENUE

6.32 Non-tax revenue sources can be broadly classified into revenue from internal sources and external sources. Income from properties, sale of land, fines and penalties, fees etc., are the internal own sources, while income from external sources are mainly consists of grants and assistance from the Centre and the State Government, released for various purposes and the loans. The contribution of non-tax sources in total revenue for all ULBs in the year 2004-05 is given in Table 6.5.

Table – 6.5

Composition of Non-Tax Revenue and its share in Total revenue 2004-2005

(Rs. in Crores)

S. No.	Name of ULBs	Total Revenue	Non-tax revenue			% of non-tax revenue to the total revenue	
			Internal	External	Total	Inter.	Exter.
1	Municipal Corporation	249.44	33.18	203.99	237.17	13.30	81.78
2	Councils	189.63	20.62	163.31	183.93	10.87	86.12
3	Class II	192.30	39.59	149.70	189.29	20.59	77.85
4	Class III	133.12	24.19	107.34	131.53	18.17	80.63
5	Class IV	82.92	14.76	67.05	81.81	17.80	80.86
	Total	**847.41**	**132.34**	**691.39**	**823.23**	**15.62**	**81.59**

6.33 It transpires from the above table that internal income forms a meagre share of 15.62 percent in the total income. Income from internal non-tax sources shows an irregular pattern with different classes of ULBs. While Municipal Corporations account for 13.30% internal income, the municipal councils' internal income is 10.87% of their total income. It is interesting to observe that smaller ULBs (like class III and class IV) have generated more internal income as compared to larger ULBs. This is evidenced from the fact that class II, III and IV Municipalities have accounted for 20.59%, 18.17% and 17.80% respectively of their total revenue from the internal sources which is higher than that of larger Urban Local Bodies like municipal councils and municipal corporations.

6.34 It indicates that the smaller municipalities are more particular in mobilizing resources from internal non-tax revenue than the larger ULBs. The larger ULBs like Municipal Councils and Municipal Corporations need to intensify their efforts for generating income through internal sources so that they may improve their financial position and render better civic services.

6.35 The overall ratio of internal income to external income is 15.62 : 81.59, i.e., the external income is more than five times the internal income, indicating clearly, heavy dependence on external funds. Non tax sources of revenue have immense revenue potential, which, if properly exploited and recovered, can go a long way in enabling the ULBs to perform their basic functions efficiently and in a more responsive manner. The present level of internal income is not sufficient to cover even the administrative expenditure of the ULBs.

6.36 In the total income of ULBs (2004-05), internal income forms only 15.62%. This indicates that ULBs are mostly dependent on the external income. The main sources of external income are grants under State Finance Commission, compensation of octroi, general purpose grant, etc., and EFC and TFC dispensation by Government of India.

MUNCIPAL RECEIPT

6.37 The total receipts of Municipalities in the State for the year 1999- 2000 to 2004-05 have been analyzed and given in the Table 6.6.

Table 6.6

Revenue composition and Pattern of ULBs

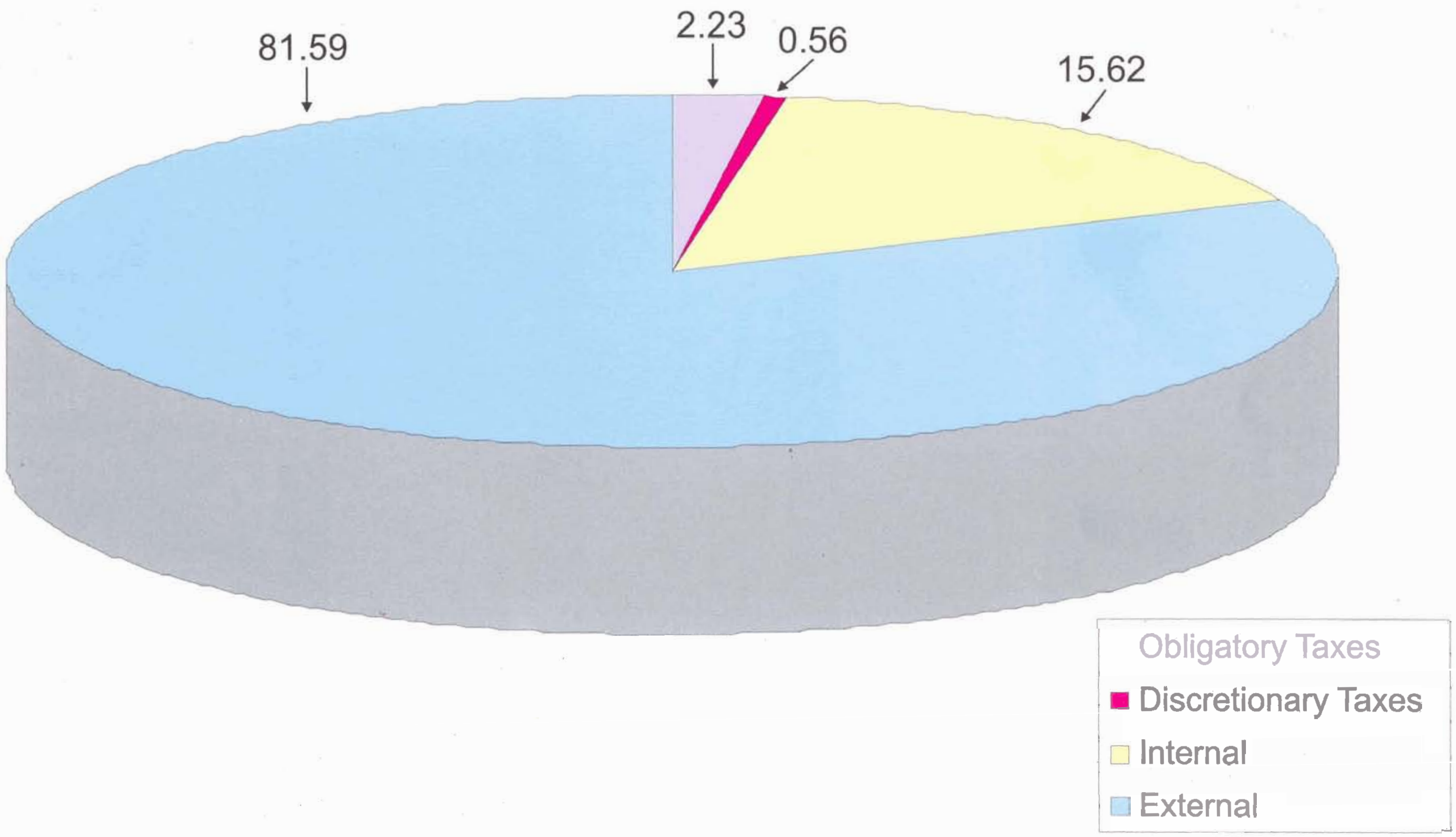
(Rs. in Crores)

Revenue Head	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
A. Tax Revenue						
(i) Obligatory Taxes						
1. Octroi	28.12	0.17	0.02	0.69	11.60	2.87
2. Land & Building Tax	12.55	18.73	22.08	20.23	11.66	16.04
Total- (i)	**40.67**	**18.90**	**22.10**	**20.92**	**23.26**	**18.91**
(ii) Discretionary Taxes	1.79	2.02	3.78	5.31	6.92	4.77
Total- A (i+ii)	**42.46**	**20.92**	**25.88**	**26.23**	**30.18**	**23.68**
B. Non-tax Revenue						
(i) Internal						
1. Sale of Land	31.51	38.92	59.76	47.71	45.31	53.50
2. Others	45.41	52.49	82.65	85.70	71.81	78.84
Total- (i)	**76.92**	**91.41**	**142.41**	**133.41**	**117.12**	**132.34**
(ii) External						
1. Compensation for Octroi	286.70	350.05	367.51	385.47	403.78	443.90
2. Grants from the State/ TFC etc	105.36	125.16	204.84	161.02	178.79	241.70
3. Loans	6.81	5.58	2.14	1.85	4.20	5.78
Total- (ii)	**398.87**	**480.79**	**574.49**	548.34	586.77	**691.38**
Total- B (i+ii)	**475.79**	**572.20**	**716.90**	**681.75**	**703.83**	**823.72**
Grand Total (A+B)	**518.25**	**593.12**	**742.78**	**707.98**	**734.06**	**847.41**

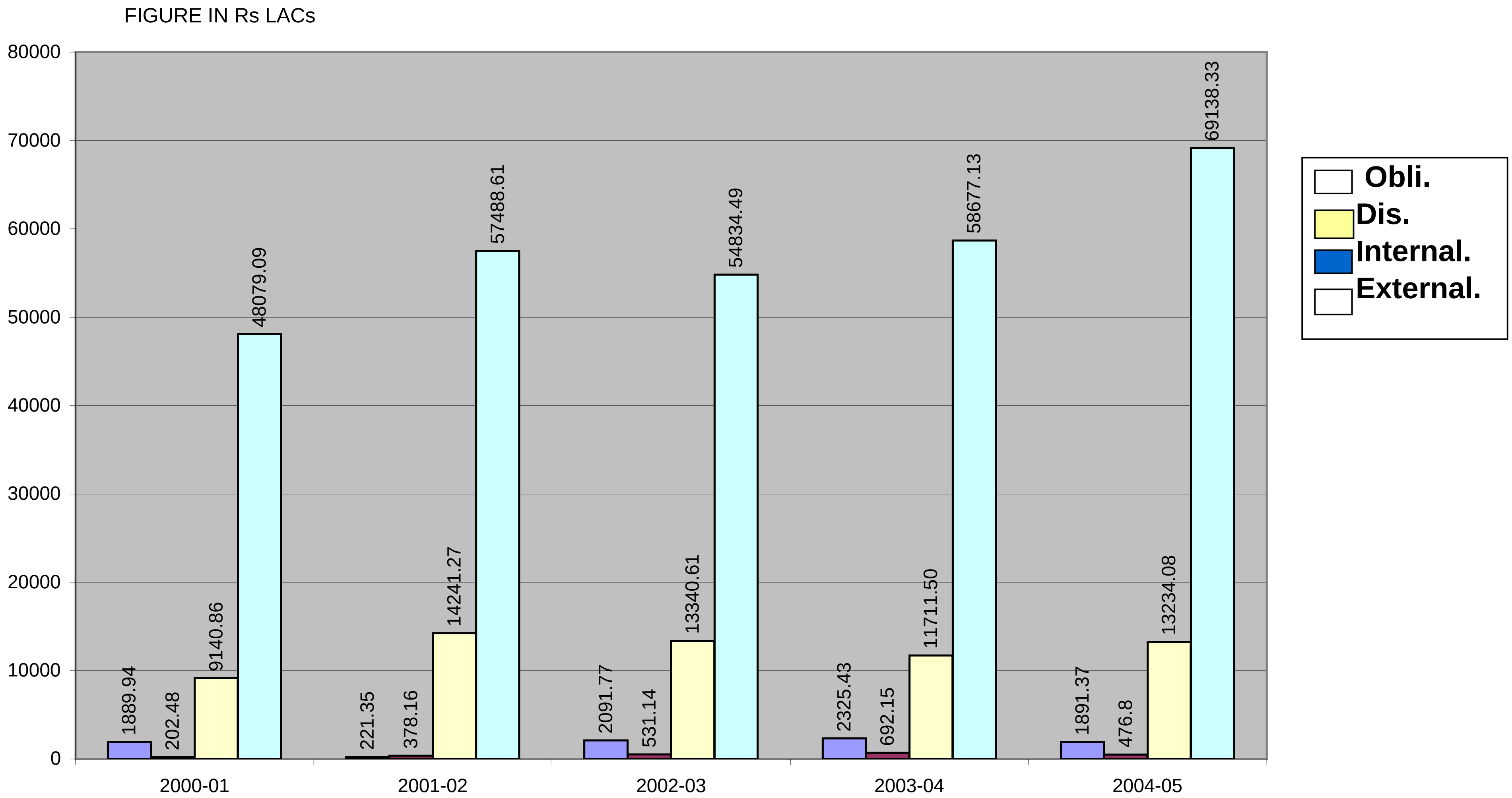
Detail statements indicating item wise figures of Municipal receipts have been given in Annexure- 6.1, (a),(b),(c),(d) and (e).

Headwise contribution of Municipal Revenue in Rajasthan 2004-05

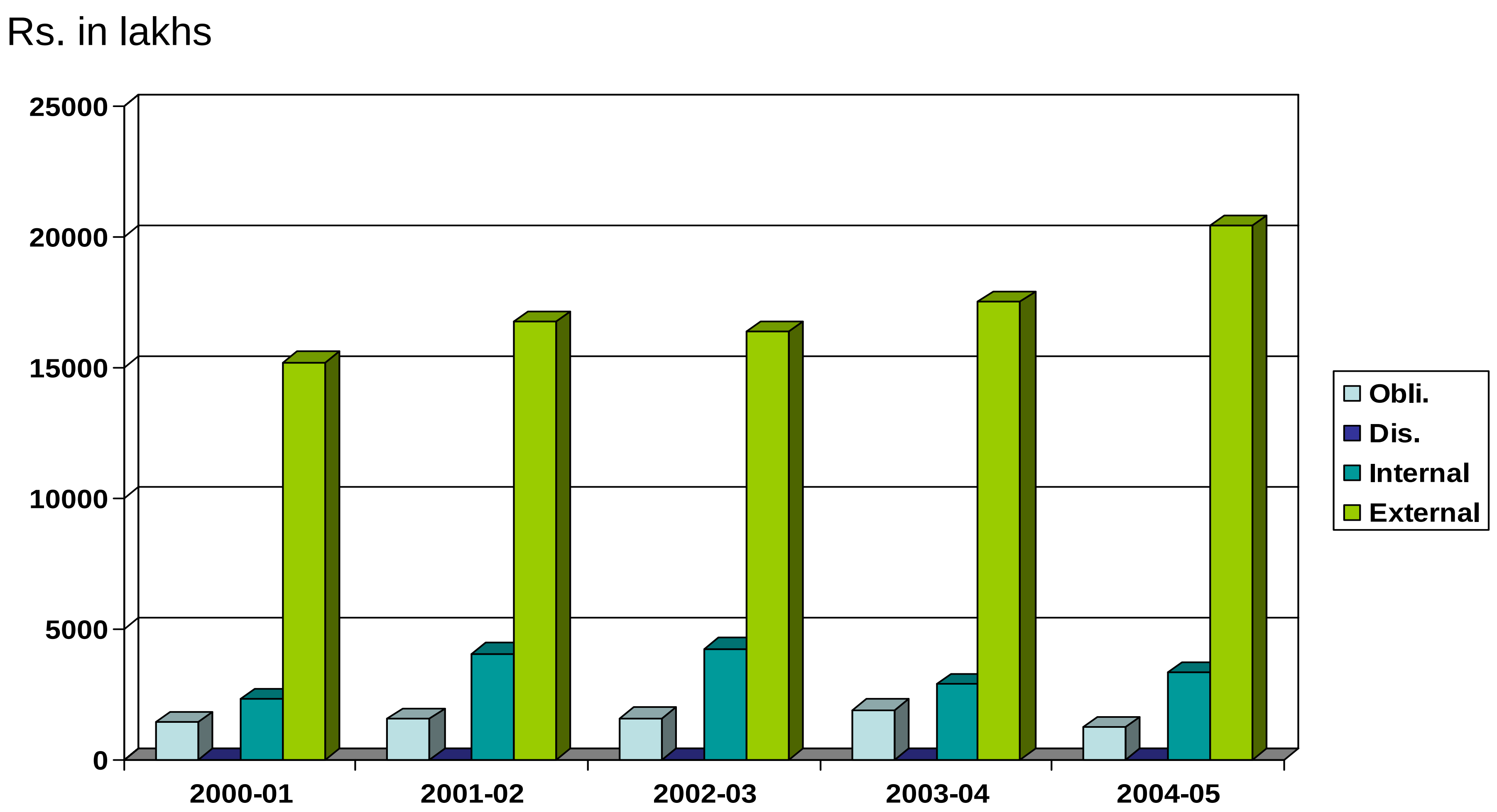
In Percentage (%)

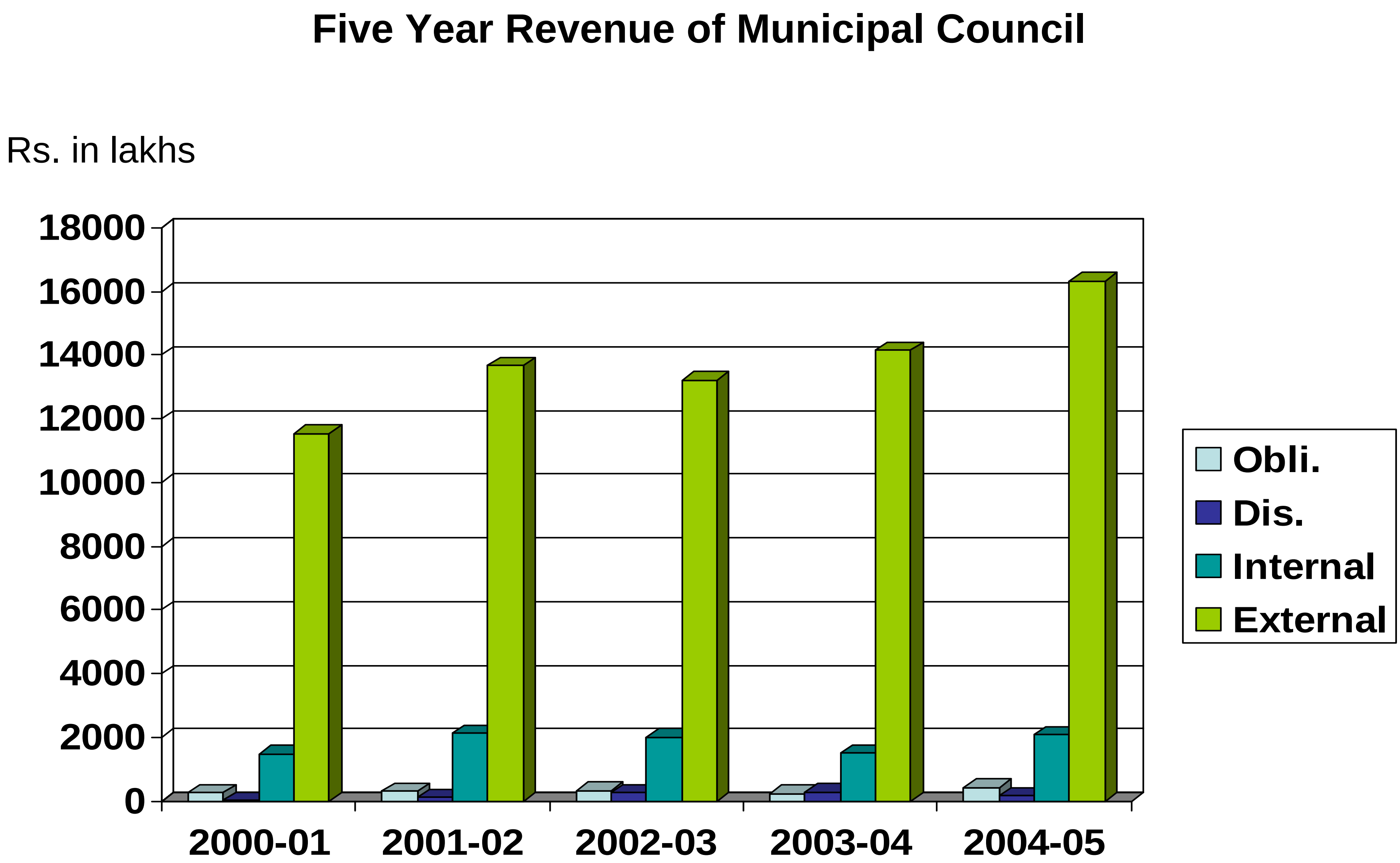


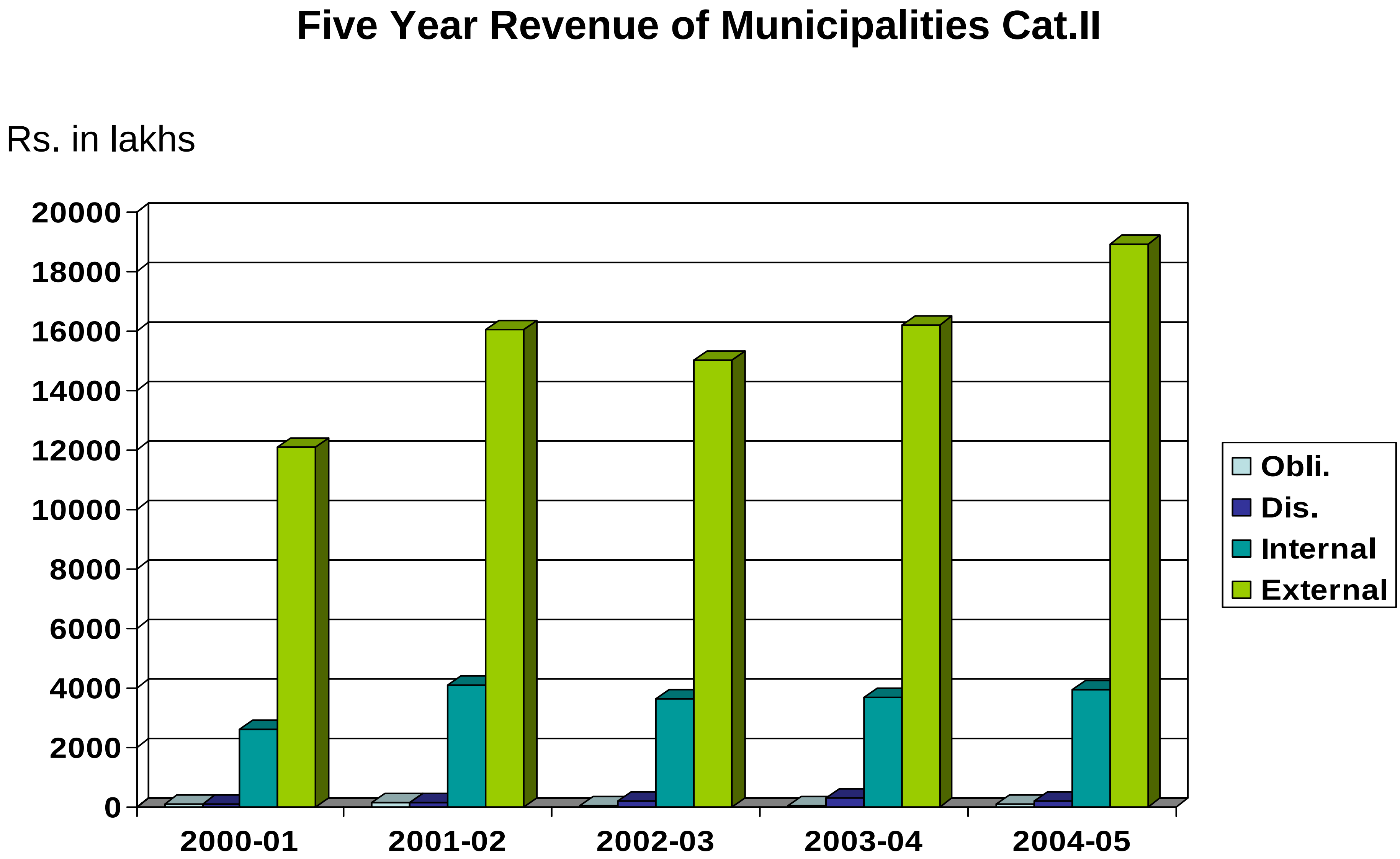
FIVE YEAR REVENUE OF ALL ULBs
2000-01 TO 2004-05

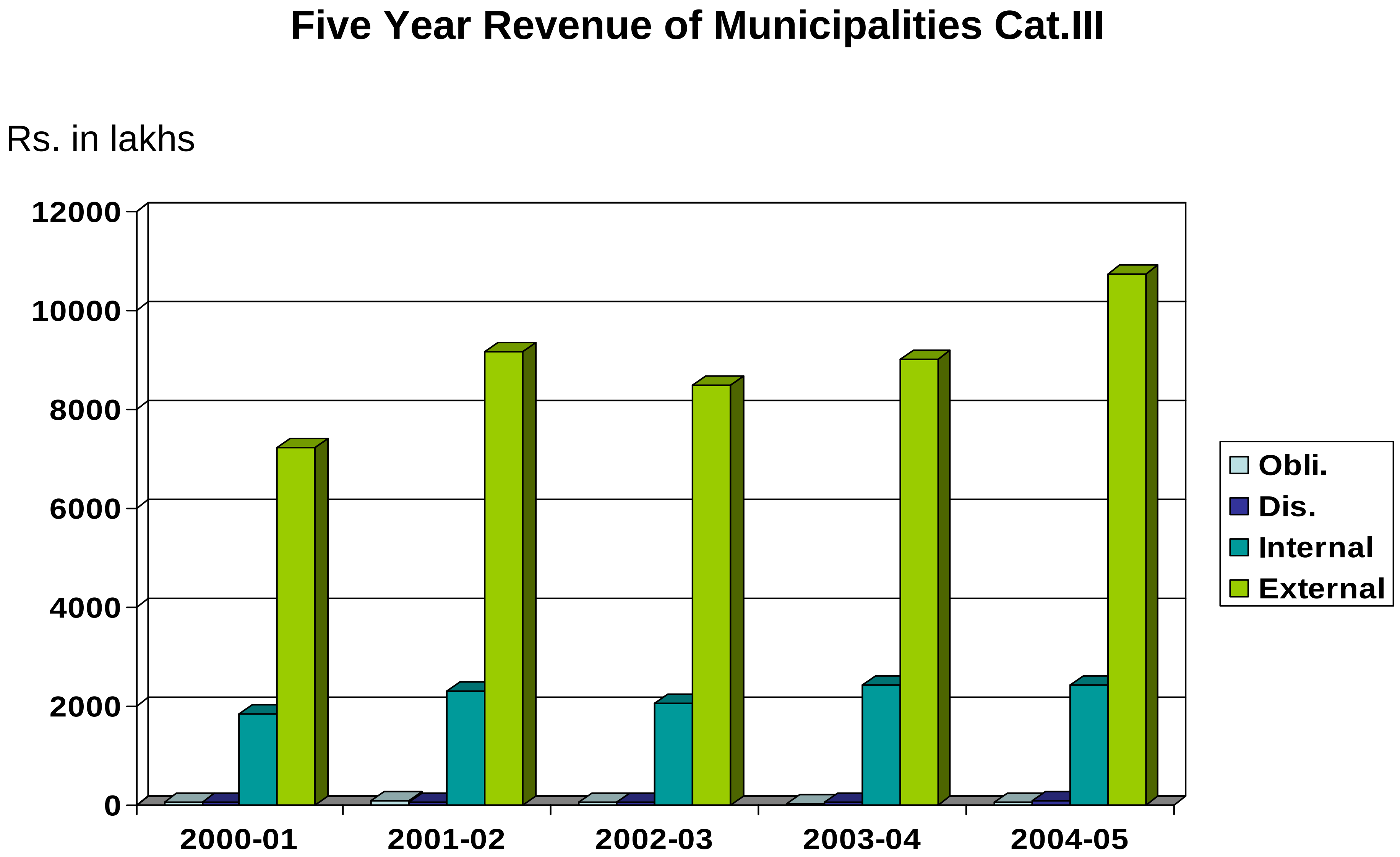


Five Year Revenue of Municipal Corporation

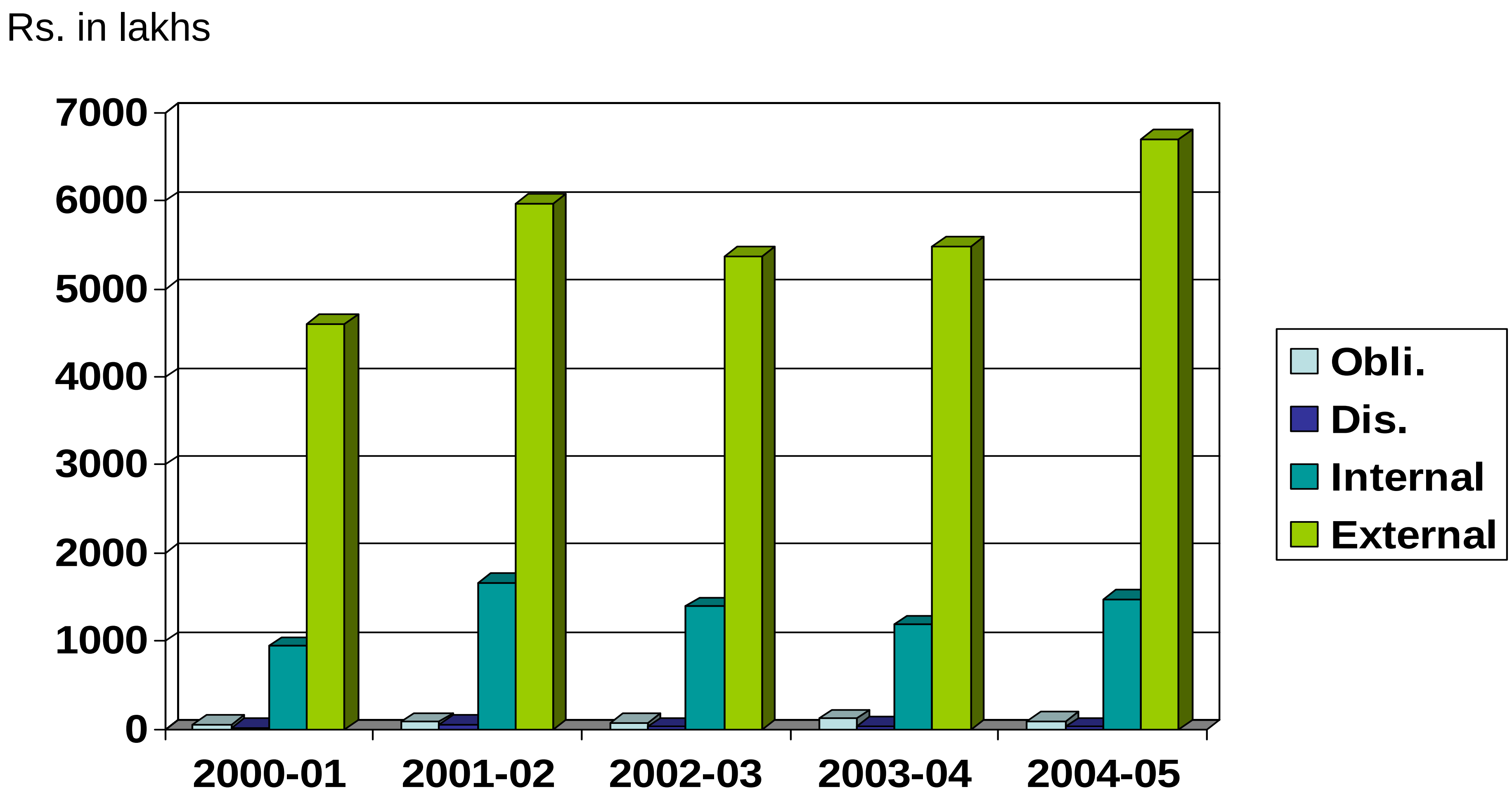



Five Year Revenue of Municipal Council
Rs. in lakhs
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
2000-01
2001-02
2002-03
2003-04
2004-05
Obli.
Dis.
Internal
External


Five Year Revenue of Municipalities Cat.II
Rs. in lakhs
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
2000-01
2001-02
2002-03
2003-04
2004-05
Obli.
Dis.
Internal
External


Five Year Revenue of Municipalities Cat.III
Rs. in lakhs
12000
10000
8000
6000
4000
2000
0
2000-01
2001-02
2002-03
2003-04
2004-05
Obli.
Dis.
Internal
External

Five Year Revenue of Municipalities Cat.IV



6.38 An analysis of the figures given in Table 6.6 above indicates that under tax revenue, till the date of abolition of octroi, it was the major source of tax revenue for the ULBs. Compensation for octroi alone contributes 52.38% (2004-05) in the total revenue of ULBs. It appears that because of substantial revenue from the compensation of octroi, revenue efforts by way of levy of other taxes get discouraged. The recovery of land and building tax i.e. house tax is woefully poor. Its contribution in total income ranges hardly between 2% and 3%. The highest income from this very potent source of revenue was only Rs. 22.08 crores in the year 2001-02. It is, indeed, a matter of serious concern for the Commission that a revenue source having potential of more than Rs. 150 crores yielded a paltry sum of Rs. 22.08 crores only to the ULBs. The contribution of revenue from discretionary taxes has also not been encouraging at all.

6.39 The another regular item under Municipal receipts is general purpose grant which is given by the State Government on per capita basis. The existing rate of general purpose per capita grant is Rs. 12.50 for Municipal Corporation and Councils; Rs. 25.00 for Municipalities class B and Rs. 37.50 for Municipalities class C&D.

6.40 This grant is being released on population figures of 1991 census. Now that the census figures of 2001 are available the Commission recommends that it should be worked out on the basis of census figures of 2001 and released accordingly. Apart from this, grants are released under dispensation of Central and State Finance Commissions. Sometimes special grant are also released for specific purposes like, construction of roads, drains etc. However, after abolition of octroi, compensation for grant-in-aid in lieu of octroi has been the major chunk of transfers by the State Government to urban local bodies.

OVERVIEW OF THE FINANCIAL POSITION OF MUNICIPALITIES IN RAJASTHAN

6.41 The poor quality of services rendered by the ULBs is due to not only by a constraint of resources but also due to poor staffing and poor quality of management, among other reasons. The resource potentials of ULBs do not match with their functional responsibilities, leading to near absolute fiscal dependence on State Government. Most of the ULBs are financially weak, generate negligible own resources considering the work they are expected to do, and hence are heavily grant dependent. Obligatory taxes (like house tax etc.) are grossly under exploited and have never been given a fair chance of implementation as per Rules prescribed by the State Government itself.

6.42 The Commission needs to assess the vertical gap between resource availability and expenditure responsibilities of local governments with reference to functional assignments. The SFC should do its utmost to gradually introduce and enforce fiscal responsibility/ discipline norms at the level of ULBs also.

THE FISCAL SCENARIO OF MUNICIPALITIES IN RAJASTHAN

6.43 Municipalities in Rajasthan have been in a financially poor shape. Both the first and second SFCs have noted this situation with great concern. Due to their poor financial conditions Municipalities are not able to discharge even their obligatory functions properly. Table 6.1 provides an overview of the major factors shaping up the municipal finance scenario in Rajasthan.

6.44 The Table 6.1 shows that even though the Urban Local Governments have been made dependent on State Government, the latter devolves only a very marginal part of their revenues to them.

POOR OWN SOURCE REVENUE REALISATION

6.45 Avenues of revenue generation at the local level are not being utilised to the fullest extent by the Municipal Governments in Rajasthan. This is indeed a matter of concern for the future sustenance of urban local bodies and for the quality of service provisions as well.

MUNICIPAL EXPENDITURE

6.46 Expenditure need is the amount a city must spend to provide public services of a given quality. The expenditure of Municipalities can broadly be classified in following four categories:

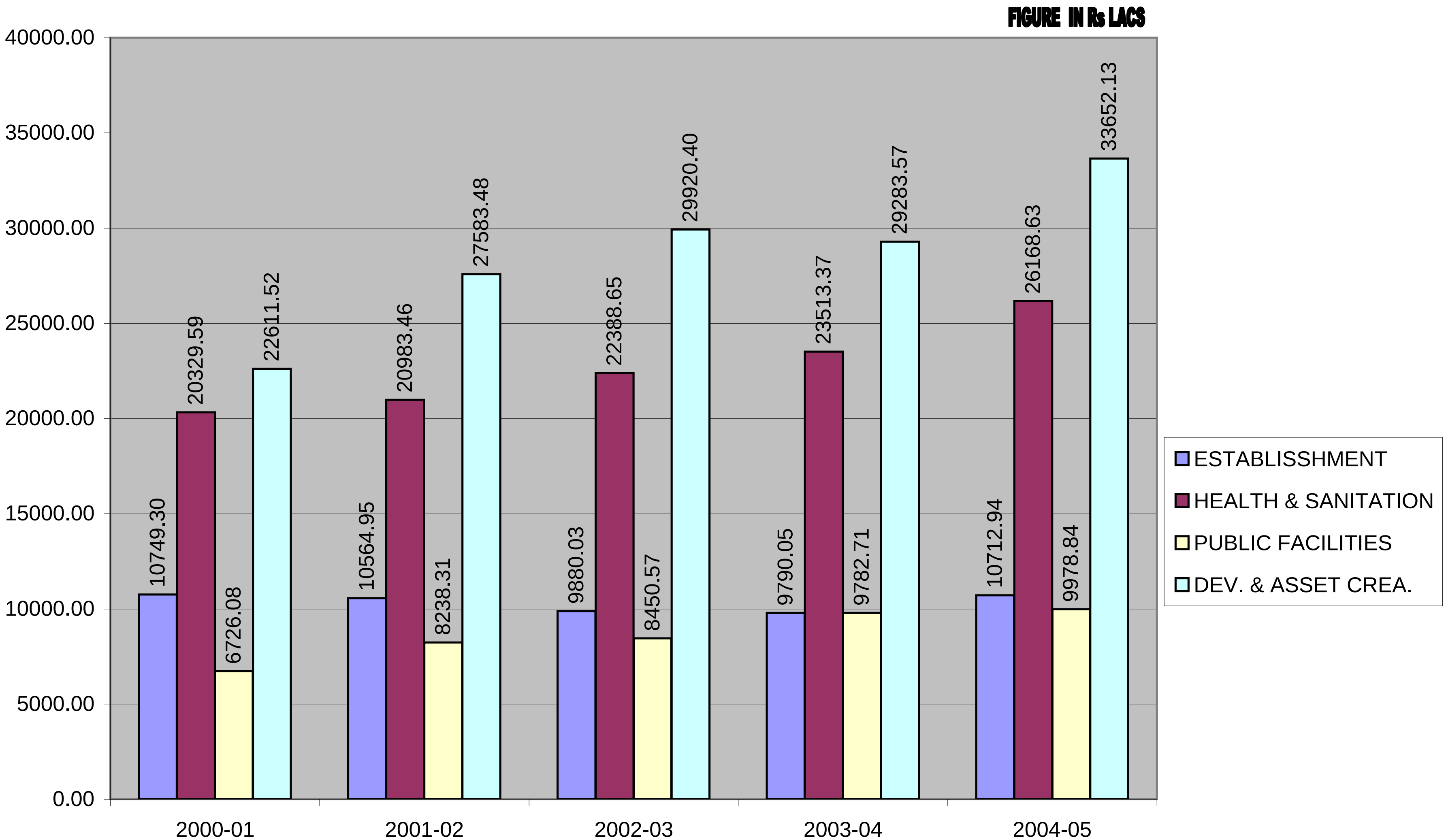
a. Establishment;

b. Health and Sanitation;

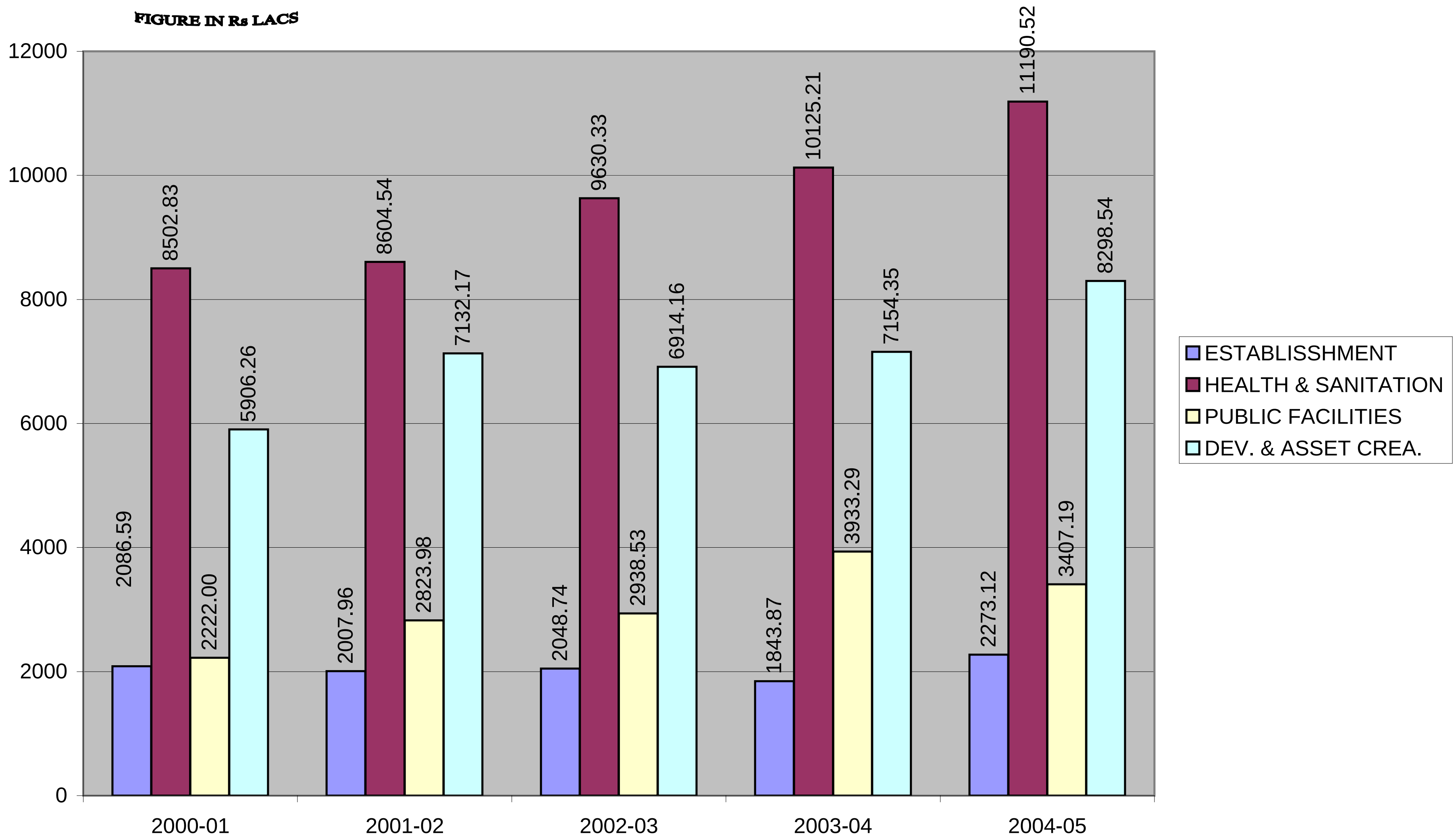
c. Public Facilities; and

d. Development and Asset Creation.

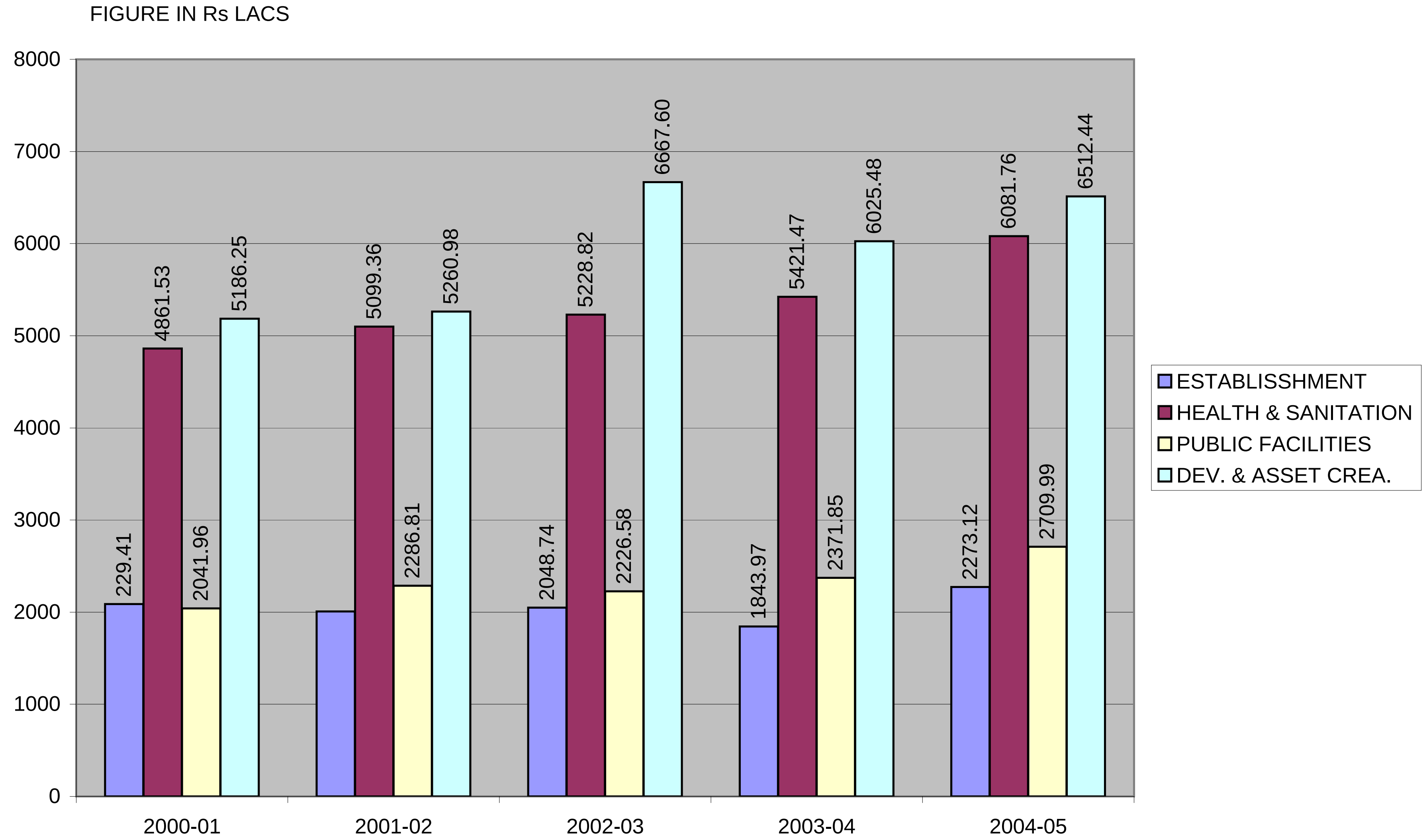
FIVE YEAR EXPENDITURE OF ALL ULBs IN RAJASTHAN
ITEMWISE/ YEARWISE (2000-01 TO 2004-05)

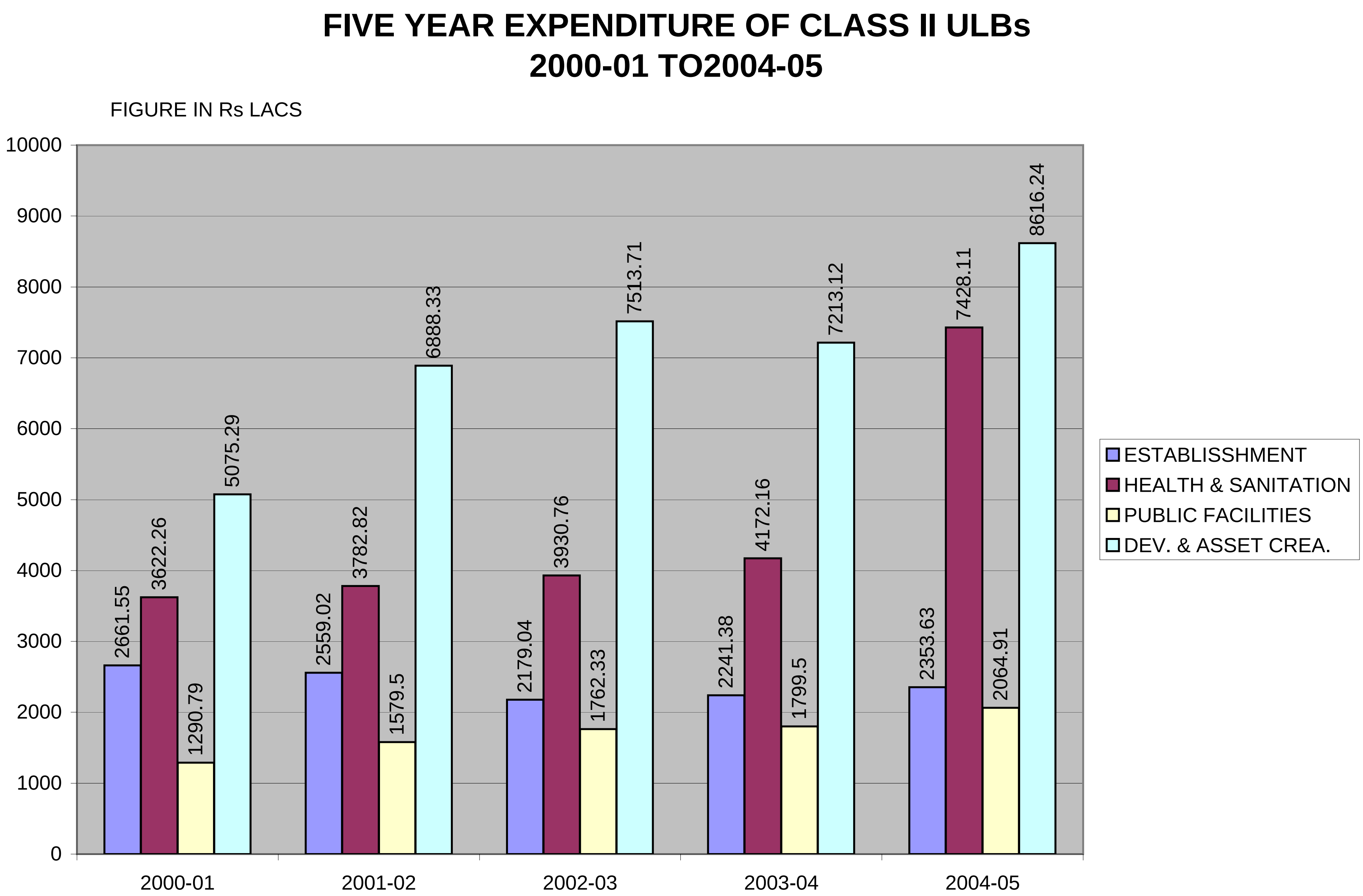


FIVE YEAR EXPENDITURE OF CORPORATIONS (2000-01 TO 2004-05)

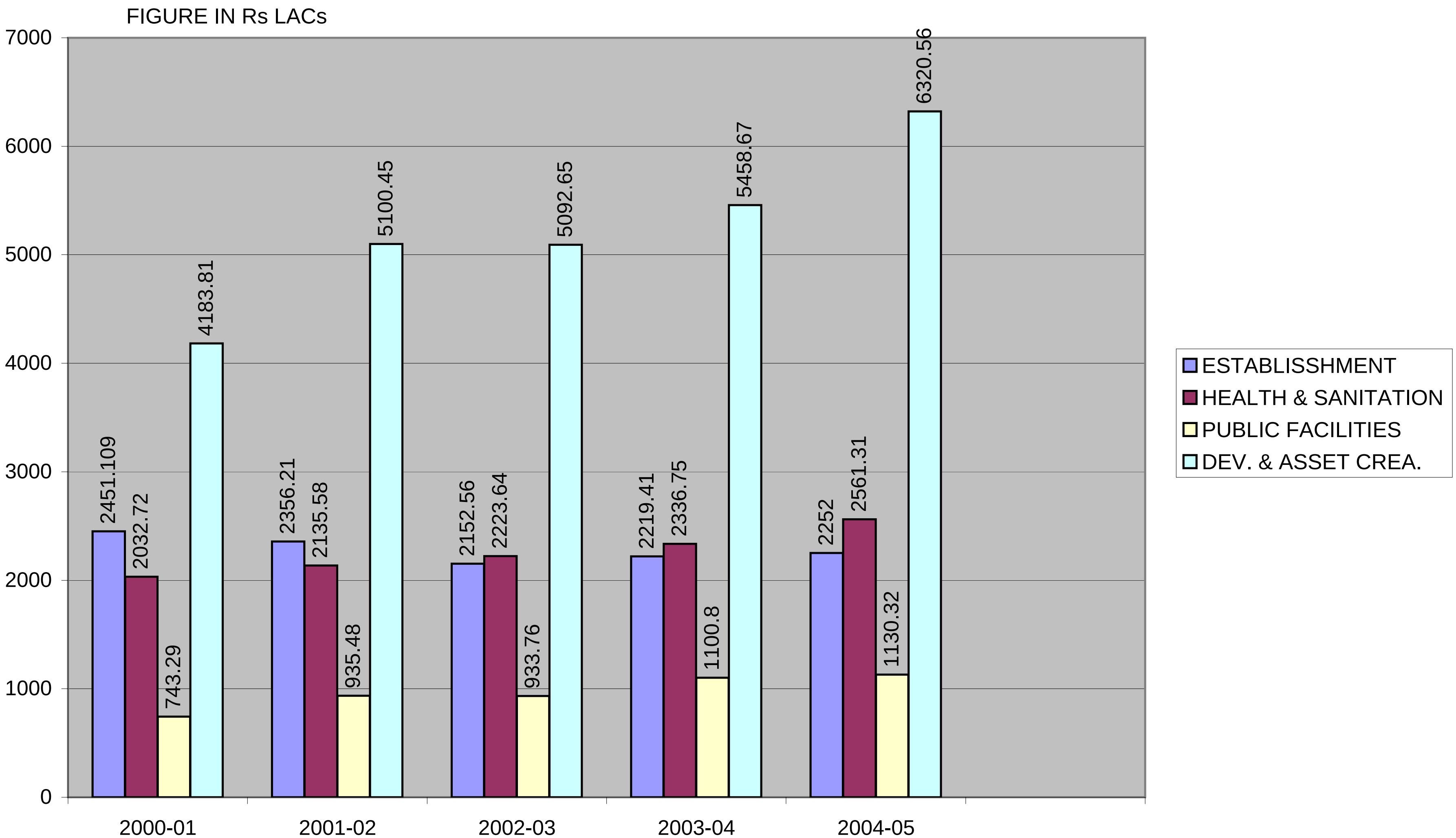


FIVE YEAR EXPENDITURE OF COUNCILS
2000-01 TO 2004-05

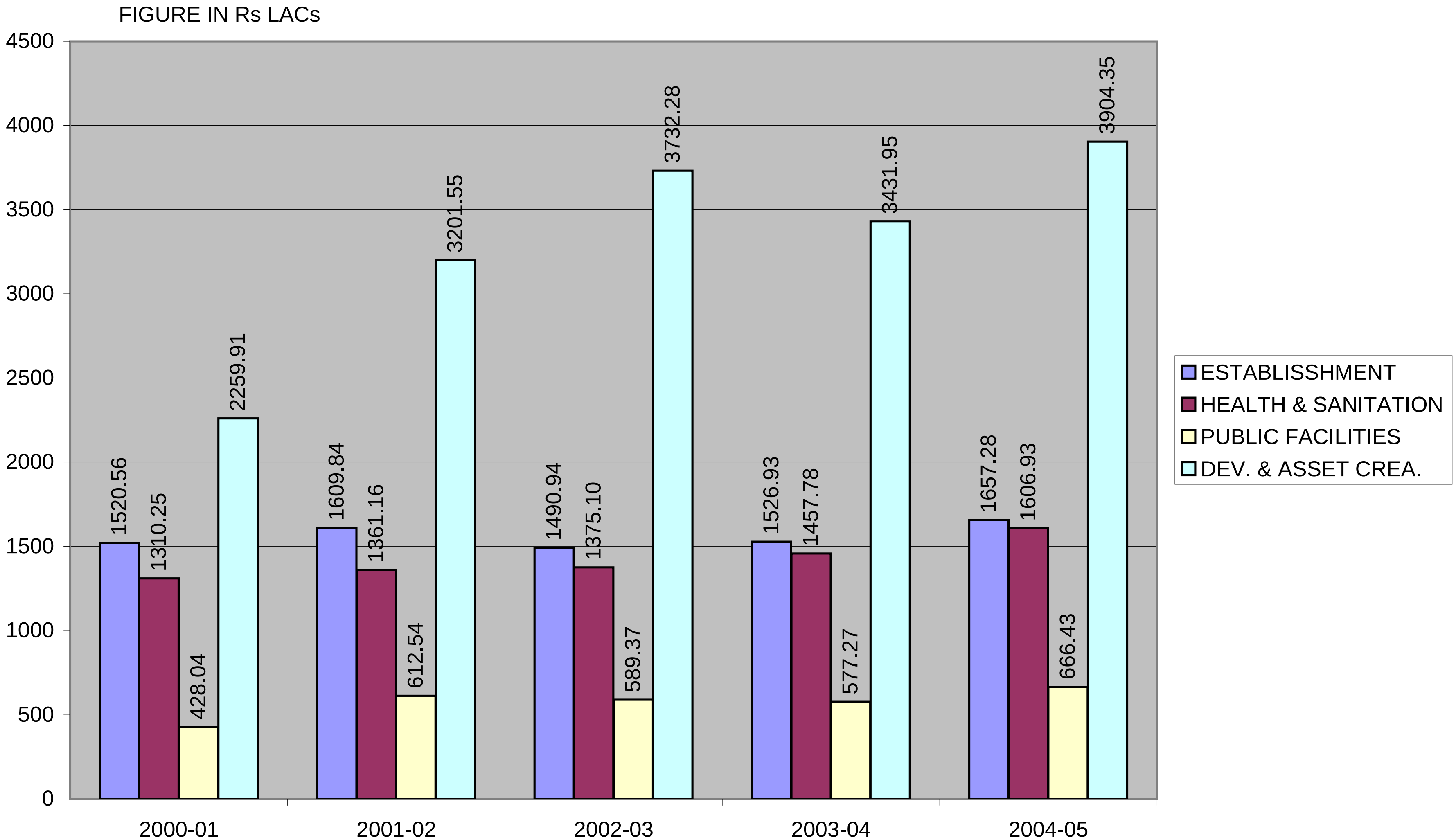



FIVE YEAR EXPENDITURE OF CLASS II ULBs
2000-01 TO2004-05
FIGURE IN Rs LACS
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
2661.55
3622.26
1290.79
5075.29
2559.02
3782.82
1579.5
6888.33
2179.04
3930.76
1762.33
7513.71
2241.38
4172.16
1799.5
7213.12
2353.63
7428.11
2064.91
8616.24
2000-01
2001-02
2002-03
2003-04
2004-05
ESTABLISSHMENT
HEALTH & SANITATION
PUBLIC FACILITIES
DEV. & ASSET CREA.

FIVE YEAR EXPENDITURE OF CLASS III ULBs
2000-01 TO 2004-05



FIVE YEAR EXPENDITURE OF CLASS IV ULBs
2000-01 TO 2004-05



6.47 The details of expenditure incurred by the ULBs under these categories for the year 1999-2000 to 2004-2005 are given in the Table 6.7.

Table 6.7

Expenditure Pattern of Urban Local Bodies in Rajasthan (1999-2000 to 2004-05)

(Rs. in Crore)

Function	**99-2000**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**
A. Establishment						
1. General Administration	48.57	59.41	64.10	75.68	78.52	86.15
2. Recovery of Octroi	42.34	27.92	25.00	9.16	6.32	6.51
3. Recovery of Land & Building tax	3.87	14.60	12.34	11.16	9.95	12.00
4. Other Taxes	3.66	5.50	4.21	2.80	3.11	2.47
Total- A	98.44	107.49	105.65	98.80	97.90	107.13
B. Health & Sanitation	183.44	203.30	209.83	223.89	235.13	261.69
C. Public Facilities	52.97	67.26	82.38	84.51	97.83	99.79
D. Development & Asset Creation	168.05	226.12	275.84	299.20	292.84	336.52
Grand Total (A+B+C+D)	502.90	604.17	673.70	706.40	723.70	805.13

Detail statement indicating item wise figures of Municipal expenditure has been given in Annexure- VI.2, (a),(b),(c),(d) and(e).

6.48 While the Commission collected information on municipal expenditure under different heads for the purpose of analysis, the figures have been clubbed into four broad categories. While the establishment expenditure has been classified into general administration and recovery of taxes etc., other broad categories are Health and Sanitation, Public Facilities, Development & Asset Creation. An analysis of the above reveals the following:

(i) The Expenditure on general establishment comprising salary and allowance has registered an alarming increase of 77.37% (Rs. 48.57 crores in 1999-2000 to Rs. 86.15 crores in 2004-2005) whereas non tax (internal) revenue increased by only 44.78%, indicating that revenue efforts are highly inadequate and the revenue of ULBs is not increasing at the rate and pace at which expenditure is increasing. The average establishment expenditure of ULBs during 2000 to 2005 is 14.84% of their total expenditure. The average expenditure on Health and Sanitation, Public Facilities and Development & Asset creation was 32.37%, 12.31% and 40.48% respectively. The comparative figure as given in Table 6.6 & 6.7 above viz., the revenue from taxes and expenditure on collection of taxes indicates that the establishment cost of staff engaged in collection of taxes is disproportionate to the amount of total tax collected. It is pertinent to mention here that the Non-Tax (internal) Revenue of ULBs is Rs.132.34 crores whereas the expenditure on establishment alone is Rs. 107.13 crores .This goes to suggest that the Tax and Non Tax Revenue of ULBs barely covers establishment cost and there is no money left for carrying out other basic civic amenities and infrastructure facilities. These activities are carried out only through the finances provided by external sources.

(ii) It is surprising to note that though octroi has been abolished w.e.f. 1998 yet sizeable expenditure is incurred on staff engaged on octroi collection. The total expenditure on octroi establishment which was Rs.

42.34 crores in the year 1999-2000, though has come down to Rs. 6.51 crores in the year 2004-05, as against the income from octroi (recovery of old dues) of Rs. 2.87 crores. This is wholly unwarranted and needs to be drastically curtailed and staff posted for the recovery of octroi may be deployed elsewhere. After establishment, the other major item of expenditure is Health and Sanitation, wherein the salaries and other expenditure on cleaning, garbage collection, its disposal, and stray expenditure on dispensaries for some ULBs are charged. Some large municipalities have Health Officers and also run dispensaries. Since street cleaning, drains and removing of garbage is the primary municipal function, this constitutes the major item of municipal expenditure.

(iii) Another area of municipal expenditure is public facilities such as street lighting, civil defence, fire fighting, maintenance and upkeep of parks, shelter for animals etc. The municipalities are required to incur sizeable expenditure for these services as is evident from the table 6.7 above. Apart from the maintenance expenditure the municipalities also undertake developmental works like creation of public facilities, parks, parking spaces, construction of roads, drains, purchase of equipments and machinery for cleaning, fire services etc. The expenditure under these heads ranged from 33.43 percent and 42.36 percent during the period 1999-2000 to 2004-05. Comparative analysis of total receipts and expenditure figures of ULBs given in the tables 6.6 and 6.7 indicates surplus position with ULBs. This is due to the fact that while most of the funds are transferred to these institutions at the fag end of the financial year, their utilisation takes time and is spread through out the year. Further, the funds are transferred by the State Government for execution of specific development schemes which have not been completed.

However, the ULBs face scarcity of funds for performing their basic civic functions.

ACCUMULATED ARREARS

6.49 The Department of Urban Local Bodies has, through its Memorandum, submitted to the Commission, brought to our notice the financial problems being faced by various Municipal bodies in payment of salary, arrears of salaries and allowances, arrears of gratuity, pension, Provident Fund dues and electricity bills due to lack of resources available with the ULBs.

The amount of arrears of these claims of employees and of electricity bills at the end of year 2004-05 has reached at a staggering figure of Rs. 125.20 crores. The financially weak Municipalities have been facing serious problems in making payment of salaries. Sometimes the State Government wriggles weaker ULBs out from adverse financial position by giving special grant-in-aid for payment of salaries. Moreover, this problem has assumed serious proportions with the arrear amount under various heads piling up year after year, rising to the level of Rs. 125.20 crores as on 31.3.2005. As per information furnished by the Local Bodies Department the bifurcation of this arrear amount among different heads works out as shown in Table 6.8.:

Table 6.8

Headwise Amount of Arrears as on 31.3.2005

(Rs. in Crores)

S. No.	Head	Amount
1	Arrears of Salary	7.71
2	Pension Fund	4.96
3	G.P.F.	16.20
4	Gratuity	12.78
5	Electricity Bills	83.55
	Total	**125.20**

6.50 The State Finance Commission is aware of the weak financial position of the small municipalities which have limited revenue - raising sources and large amounts of liabilities towards employees and others. The Commission has, therefore, recommended increased level of transfers to these municipalities in its Interim Report presented to the Governor in February, 2006, which has been accepted and implemented. It is hoped that our final report would help these financially weak municipalities to some extent in discharging of their functions and responsibilities in a better way.

REQUIREMENTS OF FUNDS FOR URBAN LOCAL BODIES

6.51 The Urban Local Bodies are responsible for providing civic services to the people. So far we have seen their level of expenditure on maintenance of civic services, the amount they are incurring out of their resources and out of grants provided to them by Central Finance Commission & State Finance Commission, and grants by the State Government. While the cities have larger population to provide civic services and expanding boundaries to shoulder, their financial base remains as fragile as ever, because of numerous factors, and the weakening of obligatory tax base of ULBs and apathetic attitude of ULBs to increase their revenues through discretionary tax base.

6.52 As discussed in the Chapter III relating to the functions of Urban Local Bodies in Rajasthan, Section 98 of the Rajasthan Municipalities Act, 1959, lays down several obligatory duties/ functions for the municipalities. Most important of them are (i) street lighting, (ii) sanitation, including drainage and scavenging facilities, (iii) maintenance of cremation and burial grounds, (iv) public convenience and other common property resources. The 74th Amendment of the Constitution stipulates 18 subjects to be shouldered by ULBs. The transfer of eighteen subjects will augment the expenditure responsibilities of the ULBs manifold and unless ULBs develop capacities to carry out these functions, they will not be able to provide even minimum desirable level of services leaving apart the quality of services. It would be pertinent to assess the existing capacity of ULBs to carry out the functions assigned to them under the Act. As mentioned earlier, the fragile financial base of the ULBs does not permit them to render basic and essential civic amenities satisfactorily.

6.53 Even in revenue raising areas, specially obligatory taxes, the ULBs do not have full autonomy. They are dependent on Government in respect of the rates of the tax and the date from which it is to be levied. Even revision in rates is not in their domain. Experience shows that financial autonomy becomes a reality only when it is accompanied by functional independence.

6.54 The Twelfth Schedule attached with the Constitution (Seventy-fourth) Amendment Act 1992, has proposed a larger functional domain than what the municipalities have historically been responsible for. The new functions envisaged for them comprise of, planning for social and economic development, urban poverty alleviation, urban planning, including town planning, regulation of land use, urban forestry and protection of the environment and promotion of ecological aspects, promotion of cultural, educational and aesthetic aspects, prevention of cruelty to animals.

6.55 The Eleventh as well as Twelfth Finance Commissions in their reports have also recognized the above functions as core or basic functions of Local Bodies.

6.56 The EFC has also considered, besides others, primary education and primary health care as core functions of local bodies. However, in Rajasthan these two functions are being looked after by the respective departments of the State Government. It is, therefore, not necessary for the Commission to assess the funds required for maintenance of these two services namely, education and primary health care, although some large municipalities do have certain health care staff, including doctors.

6.57 Another important aspect of assessment has been that this Commission is assessing only the maintenance requirements of various civic services, presuming that the investment requirements for creation of infrastructure and other facilities would be met from various Central Government Programmes (centrally sponsored schemes JNNURM), State Plan funds including the assistance from external funding, international agencies like the World Bank, Asian Development Bank, etc.

6.58 The Commission is mandated by Terms of Reference (TOR) to assess the financial requirements of ULBs. The assessment of financial requirements depends on the functions (expenditure responsibilities) of municipalities and the expenditure required to be incurred in carrying out these functions at a satisfactory level of service. While in case of Rural Local Bodies, there are no definite standards or norms for maintenance of various civic services and the Commission had to formulate its own standards, but in case of Urban Local Bodies, we do have studies and guidelines to arrive at the norms and requirements of funds for them. However, before looking to the studies and guidelines, it is worthwhile to see the requirements assessed and other issues highlighted by the Local Bodies Department in their Memorandum submitted to the Commission. The Local Bodies Department has mentioned that-

(i) the actual annual increase in octroi revenue before abolition was 20% and the State Government should allow 20% increase per year in the grant amount;

(ii) entire amount of entertainment tax (net) should be transferred to ULBs for development of municipal areas;

(iii) at least 50 percent proceeds of road tax should be transferred to ULBs;

(iv) appropriate share in proceeds from registration and stamp duty should be given to ULBs;

(v) the undistributed amount of Rs. 7.50 crores of development loan for setting up a Municipal Finance Corporation and Rs. 3.84 crores of incentive grant as recommended by second SFC be passed on to ULBs; and

(vi) the overall amount of grants to be recommended by the Third SFC should be increased to at least 6.25%.

6.59 As regards total requirement of funds for civic services the department has mentioned that urban areas are being controlled / supervised / maintained by various departments/ organizations such as, PWD, JDA/Urban Improvement Trusts, without clear cut demarcation of their jurisdiction. Therefore, exact requirement of funds is some what difficult and yet to be worked out. The department has also referred to the study carried out by Harish Chandra Mathur, Rajasthan Institute of Public Administration in November 1997 titled "Rajasthan State Urban Profile" wherein the amount required for providing basic civic amenities viz., roads, drains, sewerage, electricity, improvement of slums and miscellaneous services in 14 class-I towns (Corporations and Councils) was assessed at Rs. 520.41 crores. Based on this study and other assumptions the department has indicated the requirement of funds for all the Urban Local Bodies at Rs. 2000 crores in addition to sanitation, per annum.

6.60 With a view to improving the solid waste Management services, the Local Bodies Department has prepared an Action Plan for all the 183 ULBs, according to which the total cost for implementing the various activities as per TFC guidelines works out to Rs. 254.04 crores. The TFC has recommended a grant of Rs. 220 crores for ULBs for five years. The balance of Rs. 34.04 crores has to be provided through State Budgetary resources/State Finance Commission/ULBs share. Thus, the total requirements indicated by the Local Bodies Department to the Commission in its Memorandum works out to Rs. (2000+254.04) = Rs. 2254.04 crores for providing civic services in the urban areas.

ZAKARIA COMMITTEE NORMS

6.61 The future financial requirements of ULBs, is the difference between the expenditure needs and revenue– raising capacity of municipalities that constitutes the revenue gap. One way of looking at the requirements of urban local bodies is to determine the level of services/amenities according to some prescribed norms or standard of services/amenities. The Zakaria Committee suggested norms (maintenance and creation of facilities) for some of the basic services in terms of per capita expenditure. The Zakaria Committee in its Report identified the essential functions to be discharged by the ULBs and the requirement of financial resources for discharging these functions. The Zakaria Committee norms are for the year 1963 for operation and maintenance of core civic services. The same have been updated to 2004-05 price level for various categories of urban local bodies of the State. The details are shown in Table 6.9 below:

Table 6.9

Per Capita Norms for Operation and Maintenance of Core Civic Services in Urban Local Bodies (2005-06)

(In Rupees)

S. No.	Activity/ Services	Mun. Corpn.	Mun. Councils	Mun. Class II	Mun. Class III	Mun. Class IV
1	Sewerage and Sewerage disposal and storm water drainage	252.03	228.74	196.97	184.26	173.68
2	Roads and Paths	46.60	38.13	28.59	25.41	23.30
3	Street Lighting and Electric distribution	60.36	52.95	48.71	45.53	42.36
4	Fire Services	8.47	6.36	4.24	2.11	1.06
5	Horticultural Operation	8.05	4.24	1.70	1.27	1.06
6	General Municipal Admn. includes Gen. Admn. Tax Admn. Debt services and Miscellaneous	84.72	63.54	42.36	42.36	21.18
	Grand Total	**460.23**	**393.96**	**322.57**	**300.94**	**262.64**

Note: Based on Zakaria Committee Report as updated at 2004-05 price level.

6.62 While the Zakaria Committee norms for operation and maintenance of civic services includes drinking water supply for urban areas through the municipal bodies the drinking water supply service is not with the urban local bodies in the

State of Rajasthan and therefore, while working out the normative requirements of funds the requirement on account of water supply has been excluded.

6.63 Based on above the per capita norms the total requirements of funds for operation and maintenance of the civic services in respect of the Urban Local Bodies of the State based on 2001 census population, for the one year period (2005-06) has been worked out by multiplying the per capita requirement to total population of the respective category of Urban Local Bodies. The total amount as estimated required for the year 2005-06 is presented in Table 6.10 below.

Table 6.10

Requirement of funds for Operation and Maintenance of Core Civic Services in Urban Local Bodies (2005-06)

(Rs. in Lakhs)

S. No.	Activity / Services	Mun. Corpn.	Councils	Mun. Class II	Mun. Class III	Mun. Class IV	Total
1	Sewerage and Sewerage disposal and storm water drainage	9748.52	6846.19	5160.61	3272.46	2514.89	27542.67
2	Roads and Paths	1802.49	1141.23	749.06	451.28	337.38	4481.44
3	Street Lighting and Electric distribution	2334.72	1584.79	1276.20	808.61	613.37	6617.69

4	Fire Services	327.62	190.35	111.09	37.47	15.35	681.88
5	Horticultural Operation	311.37	126.90	44.54	22.56	15.35	520.72
	Total	**14524.72**	**9889.46**	**7341.50**	**4592.38**	**3496.34**	**39844.40**
6	General Municipal Admn. includes Gen. Admn. Tax Admn. Debt services and Miscellaneous	3276.97	1901.75	1109.83	752.31	306.69	7347.55
	Grand Total	**17801.69**	**11791.21**	**8451.33**	**5344.69**	**3803.03**	**47191.94**

6.64 An analysis of above tables (Tables 6.9 & 6.10) indicates that while the per capita requirement of funds ranges from Rs. 262.64 (for class IV municipalities) to Rs. 460.23 (in case of Corporation), the requirement in absolute terms ranges from Rs. 178.02 crores, in case of Corporation to Rs. 38.03 crores (in case of Class IV municipalities). The total requirement of funds works out to Rs. 471.92 crores for one year (2005-06) on 2004-05 prices. Notwithstanding the norms, the pattern of actual expenditure being incurred against these norms by the municipalities in the State is given in Table 6.11.

Table 6.11

Expenditure on Civic Services of Urban Local Bodies (2004-05)

(Rs. in Crores)

S. No.	Activity / Services	Mun. Corpn.	Councils	Mun. Class II	Mun. Class III	Mun. Class IV	Total
1	Sewerage and Sewerage disposal and storm water drainage	111.91	60.82	47.28	25.61	16.07	261.69
2	Roads and Paths	6.96	5.99	2.18	1.96	1.21	18.30
3	Street Lighting and Electric distribution	15.01	12.89	10.45	6.03	4.11	48.49
4	Fire Services	3.49	4.32	4.60	1.56	0.63	14.60
5	Horticultural Operation	5.31	3.09	1.98	0.83	0.29	11.50
	Total	**142.68**	**87.11**	**66.49**	**35.99**	**22.31**	**354.58**
6	General Municipal Admn. includes Gen. Admn. Tax Admn. Debt services and Miscellaneous	22.73	21.77	23.54	22.52	16.57	107.13
	Grand Total	**165.41**	**108.88**	**90.03**	**58.51**	**38.88**	**461.71**

6.65 The above table (Table 6.11) reveals the level of actual expenditure which was incurred by the municipalities on maintenance of civic services as also on General Administration during 2004-05. A comparative analysis of the two Tables (Table 6.9 and 6.10) reveals that while the total normative requirement of funds for all the municipalities on operation and maintenance (on 2001 census population) was Rs. 398.44 crores whereas the actual expenditure incurred was Rs. 354.58 crores leaving a gap of Rs. 43.86 crores only. This means that the municipalities are already spending large sums on maintenance of civic services. The Zakaria Committee norms have separate heads for different services, the actual expenditure has been clubbed in these categories so as to make it comparable. On the item of expenditure on general administration, the municipalities are incurring more expenditure than the norms which would be evident from the fact that while the normative level of expenditure for all the municipalities works out to Rs. 73.48 crores, the actual expenditure during 2004-05 has been Rs. 107.13 crores. Thus, while including the item of general administration the municipalities have incurred expenditure of Rs. 354.58+107.13 = Rs 461.71 crores as compared to the normative level of expenditure of Rs. 471.92 crores during 2005-06.

INVESTMENT NORMS

6.66 Apart from working out the requirement of funds based on operation and maintenance norms the other way could be to work out the requirements based on investment norms set up by the Zakaria Committee and the Planning Commission. The First State Finance Commission adopted this criteria while working out the funds requirement of Urban Local Bodies. The Second State Finance Commission estimated the requirement of funds for the core civic services. But based on investment norms as suggested by the Zakaria Committee, the requirement of funds for core civic services works out to be alarmingly large and is unaffordable and therefore, it is suggested that the requirement ought to be met from plan funds including centrally sponsored schemes and externally funded projects. We have also undertaken this exercise according to which the total requirement of funds for investment in core civic services in the municipal areas of the State (for 2001 census population) works out to Rs. 1402.91 crores for 2005-06. We have also worked out the gap by reducing the own income of Rs. 599.93 crores of all the municipalities for the year 2004-05 from the investment requirement mentioned above and the gap for one year would be of Rs. 1402.91-599.93= Rs 802.98 crores. The details of the investment norms, the requirements of funds and the own income figures are indicated in the Tables 6.12, 6.13 and 6.14 below. The Commission is, however, of the view that Municipalities by themselves cannot meet such a large requirement of funds for investment. Therefore the infrastructure investment requirements should also be met from other sources namely externally funded projects.

Table 6.12
Per Capita Requirement of Funds as per Investment Norms

(Rs.)

S. No.	Category of ULBs	Services					
		Road	Street Lighting	Solid waste disposal	Drains	Total	Population in 2001 (lakhs)
1	Municipal Corporations	603	325	159	382	1469	38.68
2	Municipal Councils	428	293	100	325	1146	29.93
3	Mun. Class-II	309	279	100	293	981	26.20
4	Mun. Class-III	235	213	100	250	798	17.76
5	Mun. Class IV	178	149	100	215	642	14.48

Table 6.13
Investment Requirement of Funds for Core Services (based on per capita norms of Investment) (2005-06)

(Rs. in Lakhs)

S. No.	Category of ULBs	Services					
		Road	Street Lighting	Solid waste disposal	Drains	Total	Population 2001 (lakh no.)
1	Corporation	23324.04	12571.00	6150.12	14775.76	**56820.92**	38.68
2	Councils	12810.04	8769.49	2993.00	9727.25	**34299.78**	29.93

3	Class II	8095.80	7309.80	2620.00	7676.60	**25702.20**	26.20
4	Class III	4173.60	3782.88	1776.00	4440.00	**14172.48**	17.76
5	Class IV	2577.44	2157.52	1448.00	3113.20	**9296.16**	14.48
	Total	**50980.92**	**34590.69**	**14987.12**	**39732.81**	**140291.50**	**127.05**

Table 6.14

Gap between Investment Requirement and Own Income of ULBs as on 31.3.2005

S. No.	Category of ULBs	Resources Required as per norms on 2004-05 prices		Own Income during 2004-05		Gap in 2004-05	
		Per Capita Rs.	Amount (Rs. In Crores)	Per Capita Rs.	Amount (Rs. In Crores)	Per Capita Rs.	Amount (Rs. In Crores)
1	Mun. Corporations	1469	568.21	526	203.57	**943**	364.64
2	Councils	1146	343.00	493	147.41	**653**	195.59
3	Mun. Class II	981	257.02	473	124.01	**508**	133.01
4	Mun. Class III	798	141.72	454	80.58	344	61.14
5	Mun. Class IV	642	92.96	306	44.35	336	48.61
	Total		**1402.91**		**599.92**		**802.99**

6.67 Two widely used and often referred ways of working out the requirement of funds for civic services relating to urban local bodies have been discussed above. However, determination of standard or norms of basic services is a complex and sensitive task, and depends upon the quantification of desired level of services, prices, wage rate, and the technology available or proposed to be adopted for providing specific service. It is a common knowledge that availability of services is awfully poor in comparison to available standard of basic services. The level and standard of services relating to sanitation, sewerage, collection and disposal of garbage are not available on record. Therefore, until we assess the current level of these services through conduct of physical surveys, assessment of definite financial requirement would not be possible in the absence of these data. Even if we presume that we could evaluate the basic structure and essential level or norms of services through surveys, it would not be an exaggeration to state that thousands of crores of rupees would be required to maintain that standard. It may not be possible to provide the entire required amount from limited State resources. Hence, the Commission considers it better not to set such targets which are impossible to achieve both in physical and financial terms. The Commission, therefore, considers it appropriate to work out trend growth rate in providing the basic civic services. The Commission has done this exercise based on the average growth in own income and expenditure of ten years period, commencing from 1994-95 to 2004-05 of these bodies and projected gap for the next five years period 2005-06 to 2009-10 based on average trend of last ten years. The position thus worked out is indicated in the Table 6.15.

Table 6.15

Revenue Gap of Municipalities on the basis of average actual Growth Rate of Own Income and Expenditure (1994-1995 to 2004-05)

(Rs. in Crores)

	Corporation		Council		Class II		Class III		Class IV	
	Own Rev.	**Total Expd.**	**Own Rev.**	**Total Expd.**	**Own Rev.**	**Total Expd.**	**Own Rev.**	**Total Expd.**	**Own Rev.**	**Total Expd.**
Actual average growth rate 94-95 to 2004-05 (percentage)	9.63	11.23	10.58	12.10	12.08	14.25	13.03	14.52	12.44	15.24
Basic figure (2004-05)	203.57	251.69	147.41	174.81	124.01	177.63	80.58	122.64	44.35	78.35
Years										
2005-06	223.17	279.95	163.00	195.96	138.99	202.94	91.08	140.45	49.87	90.29
2006-07	244.66	311.39	180.25	219.67	155.78	231.86	102.95	160.84	56.07	104.05
2007-08	268.22	346.36	199.32	246.25	174.60	264.90	116.36	184.19	63.05	119.91
2008-09	294.05	385.26	220.41	276.05	195.69	302.65	131.52	210.93	70.89	138.18
2009-10	322.37	428.52	243.73	309.45	219.33	345.78	148.66	241.56	79.71	159.24
Total	**1352.47**	**1751.48**	**1006.71**	**1247.38**	**884.39**	**1348.13**	**590.57**	**937.97**	**319.59**	**611.67**
Rev. Gap	**399.01**		**240.67**		**463.74**		**347.40**		**292.08**	

		(Rs. in Crores)
Total Revenue Gap for Five Years		**1742.90**
Gap to be financed by:		
i)	**General Purpose Grant @ Rs. 27.22 crore per annum**	**136.10**
ii)	**TFC Grant (as per recommendations of The TFC)**	**220.00**
iii)	**Transfer from the Line Deptt. of the Govt. (Assumed)**	**500.00**
	Total	**856.10**
Uncovered Gap Rs. (1742.90-856.10)		**886.80**

6.68 The analysis of above table reveals that while the total gap works out to Rs. 1742.90 crores, there is large gap variation among these municipal bodies.

6.69 The Commission has also worked out the amount of revenue gap that remains uncovered after accounting for the likely receipts of funds from various sources including State Government grants released on per capita basis for general purposes, the TFC dispensation, the likely transfer of funds from line departments based on past trends. The net gap which remains uncovered after accounting for the receipts works out to Rs. 886.80 crores for the five year period 2005-06 to 2009-10. There are two ways to cover this gap. One is that this much amount should be devolved to the urban local bodies based on the recommendations of this Commission, and the other is revenue mobilisation measures which need to be undertaken by these bodies by levy of additional taxes/fees or other measures taken and their improved recoveries. This Commission is of the opinion that in order to bridge the gap ULBs must augment their own resources and at the same time, besides, increasing the share of devolution some funds should be earmarked from out of devolved amount which may encourage the revenue mobilization efforts of the ULBs.

6.70 While we will discuss the measures needed to fill the revenue gap as worked out above in subsequent chapter it is worthwhile to mention here that the amount of Rs. 886.80 crores is the total revenue gap of all the municipalities in the State based on their ten years average growth in actual revenue and expenditure as furnished by them to the Commission and does not include the amount of pending liabilities on account of arrears of salaries, allowances, pension and provident funds etc. which is an outstanding amount due to one or the other reason. When we add the outstanding amounts under these heads of Rs. 125.20 crores to the revenue gap, the total gap would reach the level of Rs. 1012.00 crores.

6.71 Accordingly, the ways and means to fill the revenue gap of municipal bodies would be discussed in subsequent Chapter VIII on Devolution from the State.

SUGGESTIONS AND RECOMMENDATIONS

6.72 No proper attention has been paid by municipalities to prudent financial management. One reason attributable to such a phenomenon may be the special grants and assistance by the State and Central Governments which assists in keeping the municipalities afloat despite their poor financial performance. Another reason may be the unwillingness to adopt highly transparent accounting standards that can exercise some check on the unfair or irregular practices usually perceived to be associated with municipalities. This list is fairly large as is revealed from the audit report of Local Fund Audit, with Government gradually withdrawing from such a dole-out and bail-out mode of assistance, it is high time the municipalities learn to fend for themselves by exploiting their revenue potential fully and operating in a fiscally efficient manner.

6.73 Strangely but quite truly, House Tax an important and potent obligatory tax of municipal revenue was abolished by the Government vide order No. F5(4)B.P/ Home Tax/ DCB/ 2003/ 912 dated 24.2.2007 and re-imposed under caption Urban Development Tax. The State Government's decision to exempt Land and Building Tax upto 300 square yards from the levy of tax needs rethinking and reconsideration as it takes away sizeable revenue potential from the Municipal Bodies. The revenue potential of Houses/ Plots of below 300 yards have enough value in cities.

6.74 The abolition of octroi which was the most buoyant source of municipal finance has crippled the municipalities financially. Although the State Government is releasing the grant in lieu of octroi yet it is irregular and not reaching the concerned municipalities on 1st of every month. The State must ensure that octroi compensation reaches to ULBs on 1^{st} of every month.

6.75 The Rajasthan Municipalities Act empowers the municipalities to levy discretionary taxes of various nature and recover fees for various services rendered by them. However, the figure of revenues from discretionary taxes and fees are negligible. The municipalities should explore the possibilities of levying these taxes, fees so as to become self reliant financially which in turn would enable them to discharge their civic functions properly. Municipalities should mobilize/ exploit their own resources and endeavour to become self-reliant financially and not to be a burden on state exchequer for financial help as the State Government cannot afford to provide unlimited financial assistance to these bodies indefinitely.

B. REFORMS IN URBAN AREAS - INDIA'S BEST PRACTICES

6.76 All the cities in the World are facing critical problems. An estimate says that by the year 2010, the population of urban areas will have grown to 3.3 billion over ninety percent of which will accrue to the cities of the developing countries. In our countries the population in urban sector is likely to grow with twice the speed than the rural sector. This tremendous and exploding growth demands more number and good quality services for better living environment in the urban areas. In the past few years the cities have witnessed significant changes in the development of urban services.

6.77 The physical social and health infrastructure provided in the cities is highly inadequate as the infrastructure development has not been able to keep pace with the population growth, though services have increased in absolute terms, they do not match with the growing urban population. Environmental degradation, diseases, haphazard growth and unrest are, therefore, the inevitable outcome of such a situation.

6.78 Cities are also a medium of economic growth and social development Urban concentration can produce growth and break the cycle of poverty and deterioration, only if the problems generated by urbanization are rectified on time.

6.79 Local Bodies are faced with the uphill task of managing the rapid growth. Scarcity of resources, lack of knowledge and technology are hampering their ability to respond to the challenges faced. Information crisis and lack of endeavors to take innovative steps, is aggravating the situation. Moreover, there is little appreciation and support to indigenous efforts made to tackle the problem effectively.

6.80 Existing tools for urban development have been largely inadequate. Nowhere is the urban challenge more starkly evident than in Asia. Today 38 percent of the population is urban; by 2020 the percentage will be 50. There will be doubling of urban population between 2000 and 2025 with an urbanization rate of around three percent per year.

6.81 Even within the above limitations, some of the City Managers venture to take innovative steps to fund solutions to meet challenges. Some of their initiatives achieve good results, others do not. A deeper analysis of these efforts made can lead to probable solutions of the problems that our cities are facing. Our cities are facing identical problems. They look alike and have similar issues to address such as growing slums, water shortages, environmental degradation, inadequate infrastructure, lack of finances etc. Similarity of the problems has given us an opportunity to find the common solutions to these problems.

6.82 Initiatives that have been successful in solving some problems in a city can be replicated to solve similar problems in other cities. Such best practices can be transferred and similar results can be reaped in other cities. This will encourage the local bodies to adopt and evolve new ideas leading to the setting of new paradigms for effective governance and efficient urban management. Such good/best practices can be replicated in other cities and similar results can be reaped there. The identification and documentation of such practices will provide valuable database for capacity building of local bodies. It will also encourage the local bodies to adopt and evolve new ideas leading to the setting of new paradigms for effective governance and efficient urban management in future.

6.83 A best practice initiative could be a specific project, an innovative programme, a strategy to deal with some specific problem or a policy reform that had a positive impact on the performance of the ULBs and led to better urban governance.

6.84 Best practices initiatives have a tangible impact on improving people's quality of life and living environment and are proven to be sustainable in their economic, environmental social and cultural components. They should have a lasting effect on policy and decision-making, use of resources and management systems. They would be the result of effective partnerships between the public, private and civic sectors of the society, and would be socially, culturally, economically and environmentally sustainable.

6.85 International city/Country Management Association presented En Route To Reforms in Urban India – India Best Practices Catalogue 2003. This contains the best practices adopted by the some of ULBs of different States. We have arranged these best practices activity-wise to be followed, if feasible, by the ULBs for harnessing the better results.

6.86 Activity-wise best practices adopted by the ULBs in various States have been described in the following paragraphs.

ACTIVITIES-WISE BEST PRACTICES ADOPTED BY THE ULBS IN VARIOUS STATES

6.87 SOLID WASTE MANAGEMENT

(a) Community Participation in Solid Waste Management in Hyderabad Municipal Corporation

Solid waste management is a concentrated resource service. It requires high manpower as well as high-mechanized support to perform this function efficiently. Municipal Corporation of Hyderabad (MCH) found citizens' participation in solid waste management as a sustainable measure to improve the level of service in the city. In association with Residents' Welfare Associations, MCH took several steps to mobilize citizens' participation and achieved an effective solid waste management system in the city. Citizens were told about segregation of waste. Vermicomposting of solid waste was promoted at local level.

(b) Privatization Initiatives in Rajkot Municipal Corporation – Solid Waste Management

Rajkot Municipal Corporation undertook its first initiative of privatization in 1998 with the privatization of transportation and collection of solid waste. Encouraged by the results achieved in the first attempt, RMC undertook a number of privatization initiatives including privatization of telephone, EPABX system, public toilets maintenance, employment of security guards, drainage complaints management etc. The initiatives have demonstrated that privatization of small works helps an urban local body to achieve efficiency in administration and good governance.

(c) Compost Plant in Valsad Municipality – Solid Waste

Valsad municipality has set up a composting plant for the disposal of solid waste. It is expected that this will be an effective solution to minimize the quantity of solid waste finally disposed at the landfill daily, Moreover; some of the expenses could be recovered through the sale of compost.

(d) Development of Bio-Compost Plant and Landfill Site in Bhopal Municipal Corporation – Solid Waste Management

Bhopal Municipal Corporation has signed a contract with Madhya Pradesh Agro Industries Development Corporation Ltd. for composting of the solid waste generated in the city. Bhopal MC collects the organic waste supply it to MPAIDC. BMC in return gets 4% royalty every three months on the sale of compost. Bhopal Municipal Corporation has developed greenery around the landfill site in order to improve environmental conditions around the site.

(e) Community Participation in Solid Waste Management in Municipal Corporation of Greater Mumbai

Solid waste management comes under the mandatory duties of a Municipal Corporation. MCGM has adopted a scheme wherein citizens and the Municipal Corporation employees work hand-in-hand for the improvement of the solid waste management services. It is also a way to handle various other civic problems and developmental works in 700 localities participating in ALM scheme. The concept was recognized as an effective modal for citizen's participation in the waste management.

The scheme started in July 1997 with only one locality as participant. By December 2000, the number of societies registered in ALM scheme grew up to 666. These ALM societies are actively involved in segregation of garbage into dry and wet waste and vermin- culture of biodegradable waste.

(f) Express Cleaning Services in Bhubaneswar Municipal Corporation – Solid Waste Management

In the year 1999, Bhubaneswar Municipal Corporation introduced a new system of collecting biomedical waste and other municipal solid waste separately. The system was termed as 'Express Cleaning Services'. The Municipal Corporation constituted three unique associations consisting corporation officials and citizens to monitor the cleaning services. The initiative has developed a concept of participatory approach in Solid Waste Management. The service is available for Hospitals, Nursing homes, Hotels, Restaurants and apartments. The project was introduced on experimental basis and it yielded positive results.

(g) Public Private Partnership in Development of A Bio-Compost Plant in Puri Municipality

In 1998 under the Indo Norwegian Development Corporation support and with the active participation of the Govt. of Orissa, a Bio-compost plant was set up in the town. This initiative assumes importance since Puri is a popular tourist center for national and international tourists. A private firm manages the plant. The project is an example of feasibility of Public –private Partnership in the development of infrastructure for the city.

(h) Comprehensive Solid Waste Management Strategy in Tirupur Municipal Corporation

Rapid growth of Tirupur city motivated the urban local body to strengthen its waste management system.

Tirupur Municipal Corporation experiment the comprehensive approach in solid waste management by involving NGOs, CBOs, private parties and media. The various sectors were involved at the different stages of solid waste management process. Media supported awareness campaigns; NGOs provided intellectual and institutional support and activities like collection and transportation of waste were privatized. The initiative yielded positive result and sanitary conditions in the city have considerably improved.

(i) ‘Zero Garbage Town’ Namakkal Model

Vision of the Namakkal city municipality is to develop Namakkal as ‘Eco-City’. The ‘Zero Garbage Drive’ is Municipality’s first step in this direction. With the concentrated efforts of municipal officials and citizens’ cooperation, it was possible to introduce door-to –door collection of garbage, and segregation of waste at household level successfully. Attention is also given on the concept of minimizing garbage that reaches landfill everyday. To reduce the quality of waste finally dumped at the landfill site, Namakkal Municipality is promoting Vermicomposting and recycling of waste.

(j) Compost Plant in Valsad Municipality – Solid Waste

Valsad municipality has set up a composting plant for the disposal of solid waste. It is expected that this will be an effective solution to minimize the quantity of solid waste finally disposed at the landfill daily, Moreover; some of the expenses could be recovered through the sale of compost.

6.88 WATER SUPPLY & SANITATION

(a) Initiatives for Rain Water Harvesting in Indore Municipal Corporation

Indore Municipal Corporation (IMC) in the year 2000 established a separate cell called Rain Water Harvesting and Recharging Department, primarily to create awareness among the citizens and assist them in adopting rainwater-harvesting techniques in the existing as well as new construction. The department has executed rainwater-harvesting technologies in public buildings and gardens.

(b) Improvement in Water Supply Through Efficient Infrastructure Management Techniques in Jabalpur Municipal Corporation

Jabalpur is situated on the banks of River "Narmada". Narmada is the major source of drinking water for the town. It is perennial river water is turbid during rains while during the remaining part of the year, water is clear and non-turbid. The capacity of filter media is determined assuming the maximum value of turbidity observed in water during rains. The corporation took an initiative to increase the supply using same machinery in summer months.

(c) Provision of Sanitation Facilities For Slum Dwellers in Municipal Corporation of Greater Mumbai

The Slum Sanitation Program (SSP) is an integral part of the Bombay Sewage Disposal Project (BSDP). The program started in 1997-98 with funding from the World Bank. Under this project, MCGM has awarded 20 contracts worth Rs. 600 million for construction of 400 toilet blocks with 8000 seats spread over 24 wards of Mumbai.

The objective of the slum sanitation program is to eliminate wastewater discharges from slum areas into nallas (drains) and thereby improve public health and the environment. The work is demand driven, i.e., it is provided only in slum areas where there is a request from the majority of residents, and the work is coordinated with Community Based Organization and Non Governmental Organizations. Thus, SSP is a participatory program involving communities in the entire implementation process by forming a Community Based Organization (CBO), educating the residents about the benefits of the facilities, using and maintaining them. They would also be involved with the design of the facilities, their construction and collection of charges for their operation and maintenance.

The total number of seats has constructed under this scheme is 8000. Almost 28% of the sanitation services to the slum dwellers in Mumbai are provided by MCGM, which is now covered under SSP.

MHADA’s financial contribution to sanitation facilities to the slum dwellers is 45%, however, after construction, the toilet block are handed over to MCGM for maintenance. MCGM has always been facing difficulties in maintaining these toilet blocks. SSP has been introduced with the aim to inculcate awareness and sense of responsibility among the slum dwellers to maintain their toilet blocks by forming their own community organizations.

(d) Strategy for Reducing Unaccounted for Water in Nagpur Municipal Corporation

Almost all urban local bodies in India face the problem of illegal water connections in their cities with a sense of helplessness. Estimates of “unaccounted for water” in Indian cities range from 30% to 50% High water losses not only reduce the revenue of the local body but also undermine efforts to conserve water. The Nagpur Municipal Corporation’s recent initiative for regularization of illegal water connections has been highly successful as it used a variety of innovative approaches to elicit cooperation from the public. The scheme also achieved impressive progress on its twin objective of universal metering. The key reason for its success was its reasonableness, transparency and clarity of the approach.

(e) Reduced Water Rate Deposit Scheme in Thane Municipal Corporation

The income from the water charges of Thane Municipal Corporation was almost stagnant over the years owing to stagnant water rates. The revenue from the water tax was Rs. 20 crores in the last three years, while the expenditure of Rs. 50 crores per year was almost double. This resulted in a gap of almost 60% between the expenditure and the income. This initiated the Thane Municipal Corporation to launch REWARDS i.e., Reduced Water Rate Deposit Scheme that was basically an advance water-billing scheme. The scheme was launched in September 2002.

Under this scheme the domestic water users received immunity from the 15% annual in water charges for 5 years plus a lump-sum discount of 5 months, if they pay an advance bill for 5 years. The flat rate per family per month in the last three years from 1999-2000 to 2001-2002 for building was Rs. 60 per family per month and for slums Rs. 30 per family month.

(f) Initiative for Ground Water Recharging by Bhubaneswar Development Authority

Inadequate water supply and growing demand on water has led to uncontrolled tapping of ground water through bore wells in the city. There is also no ground water law in the country that checks this mushrooming of private bore wells in cities. The degradation of ground water resources has been exacerbated due to increased built form in the city that provides non-recharging cover over the surface. During rainy season more than 80% of the rainwater gets washed away as runoff.

In order to conserve ground water resource, BDA has taken up a drive for promoting rainwater harvesting in the city. The harvesting pit technique has been experimented in open plots, public parks, institutional and administrative complexes, within the premises of residential buildings, and along the roadsides.

The new Building regulations enacted in the year 2001 also states that all multistoried buildings must construct a water harvesting structure in its premises.

(g) Development of Waste Water Lake into a Recreational Areas by Bhubaneswar Development Authority

The Comprehensive Development Plan of Bhubaneswar has proposed a strip of land in the valley to be developed as a lake in order to meet the recreational requirements of Bhubaneswar. Water in the lake is treated under the Project "Water" funded by Indo-Canadian agency. The water is treated by natural processes using peisciculture and duckweed method. A project was implemented jointly in collaboration with National Insulated Cable Company (NICCO) to develop an amusement park. The amusement park is equipped with modern equipments like amusement guides, striking cars etc. It has become a popular recreation spot and consequently a source of revenue income for the Bhubaneswar Development Authority.

(h) Peoples' Participation in Underground Sewerage Project in Alandur Municipality

Underground sewerage network in Alandur was developed with the help of citizens' financial contribution. Municipal officials made a lot of effort in convincing people to contribute money in favour of development of their own city. Problems were faced in the beginning but continuous efforts and determined approach of the municipal officials made the tough task happen. Moreover, continuous progress in works assured citizens that their money would not be misused.

6.89 STREET LIGHT – ENERGY EFFICIENCY – STREET LIGHTING

(a) Privatization of Street Light Maintenance by Jaipur Municipal Corporation

For improving level of illumination in the city, Jaipur Municipal Corporation decided to privatize the maintenance of street lighting. The initiative in its first phase was experimented in only six municipal wards. As a result of privatization the municipal corporation is now able to provide a better level of service using less of its internal resources.

(b) Energy Efficient Street Lighting Systems in Vadodara Municipal Corporation

A uniform lighting system though appears good, but it may not be efficient in photometry, installation and electrical consumption point of view. In municipal administration, this service is often given a less preference and streetlights are installed in an unplanned manner. As a result, lighting system in the city becomes uneven, inefficient and poor. Another disadvantage of an unplanned street lighting system is that, the municipal corporation has to bear high operational, capital and maintenance cost, Vadodara Municipal Corporation has tried to improve illumination by consuming minimum possible electrical energy. Thus VMC could achieve maximum possible-electrical efficiency and serve functions and benefits of public lighting.

(c) Privatization of Street Light Maintenance in Bangalore Mahanagara Palike

The BMP privatised the maintenance of streetlights. The contract has been awarded to three reputed companies namely, Bajaj, Crompton and Philips. The initiative has produced highly favorable results for the BMP as well as for the city.

6.90 ROADS

(a) Peoples' Partnership in Development of Internal City Roads in Indore Municipal Corporation

Condition of roads in Indore city was pathetic and required immediate attention. On the other hand financial condition of the municipal corporation was not in a position to bear cost of the project. It was decided to mobilize citizens' contribution to raise funds for the improvement of public infrastructure in the city. Idea came into action in the year 2000 – 2001. Contribution made by citizens in the first year of initiative, supported around 34% of the total cost incurred on various projects undertaken for the improvement of internal roads in the city; rest 66% was spent by the IMC. Citizens consistently supported the initiative and their contribution covered 33% of the project cost in the second year (2001 - 2002). Citizens' contribution in 2003 – 2003 is expected to cover 41% of the total cost that is estimated to be spent on the internal roads improvement projects this year.

(b) Integrated Development of Urban Roads by Nagpur Municipal Corporation

Usually when urban local bodies undertake road development projects, the project scope is limited to road widening and reconstruction. Few cities conceive projects that include development of footpaths and drains together with roads. The integrated Road Development Project (IRDP), that was implemented in the city of Nagpur during the last two and a half years, is unique as its scope includes redesign of all major road junctions, a modern street lighting and signage system, and extensive development of greenery as well as construction of footpaths and storm water drains along all major roads of the city. Under this project nearly 265 km of roads have been development along with 9 road over-bridges and 5 flyovers. This ambitious project has been implemented in record time and without cost over-runs. The IRDP is a model of excellent design, construction and project management practices.

6.91 E-GOVERNANCE

(a) E-Governance using City Cable Network in Vijayawada Municipal Corporation

The biggest criticism of any e-governance initiative is that, all the benefits of e-governance are confined to the upper-middle class and the rich class. People from the weaker sections rarely have an access to facilities like Internet. The Vijayawada Municipal Corporation has broken the jinx. Now all the information that was available on the website of Vijayawada Municipal Corporation (wwwourvmc.org) can be accessed through the local cable network. The citizens of Vijayawada Municipal can now access database of the municipal corporation through local cable network. The facility can be accessed through dialing any of the two dedicated numbers- 2496655 or 2496767. On dialing these numbers, caller gets connected to the municipal server, phone instrument works as the key board, and the television set serves as the monitor.

(b) "Saukaryam" – An E=Governance Initiative in Vishakhapatnam Municipal Corporation

In order to bridge up the communication gap between the citizens and the Municipal Corporation, Vishakhapatnam Municipal Corporation decided to make use of the Information Technology. A website was designed through which citizens could access intranet of the municipal corporation. It facilitated online registration of complaints against civic services, online tax payment and many more services. City Civic Centers were set up in the city, which was an alternative source to access these services.

(c) City Civic Centres and E=Governance in Ahmedabad Municipal Corporation

Transparency, accountability and citizen focus are being recognized as the most important principles of urban governances. At the same time, advances in information and communications technologies have made it possible to achieve these objectives through e-governance application. The Ahmedabad Municipal Corporation has implemented a major initiative in this area by setting up six City Civic Centered where citizens can transact with urban local body in a hassle-free environment. The initiative also promises major efficiency gains for the AMC along with significant savings.

(d) E-Governance Initiatives of Tirunelveli Municipal Corporation

Our society is moving from an industrial age to information age, and governments have to keep pace with this change. Urban local bodies have realized the importance of transparent, accessible and user-friendly citizen services and hence E-governance is catching up in this realm of government sector.

6.92 ACCOUNTING SYSTEM

Accrual Based Accounting

(a) Modified Accrual Based Accounting System in Municipal Corporation of Hyderabad

In the absence of efficient accounting systems, Municipal Corporation of Hyderabad (MCH) was unable to know its exact financial position. Lack of proper information was the reason for inefficient budget planning. As a reform, MCH adopted Accrual Based Accounting System. In order to improve department's performance, a Management Information System was also introduced. Systems were set up consultation with the private consulting firms.

(b) Public Private Partnership in Slum Networking Programme in Ahmedabad Municipal Corporation

Around 40% of Ahmedabad's population lives in slums/chawls. Ahmedabad Municipal Corporation undertook Slum Networking Project to improve the living condition in the slums. In a unique experiment, AMC involved slum dwellers, NGOs and private sector for raising the basic infrastructure in slums. Slum dwellers actively participated in the implementation as well as they also made financial contributions.

(c) **Public Private Partnerships in River Cleaning and Construction of Check-Dams in Kodinar Municipality**

Kodinar Municipality carried out cleaning of river ‘Singoda’ and construction of check dams with the help of Ambuja Cement Foundation. Farmers from the surrounding villages also come forward and participated in project.

(d) **Public Private Partnership for Improving Municipal Effectiveness in Bangalore Mahanagara Palike**

The Public Private Partnership between the Bangalore Mahanagara Palike (BMP) and the Bangalore Agenda Task Force (BATF) is more than three years old. During this period, these organizations have collaborated on a number of initiatives aimed at improving the quality of life in the city. While all partnerships have some difficulties, the outcomes of these efforts of BMP and BATF are truly impressive. Other local bodies can learn from this experience and explore how the private sector and they can work together for the benefit of their cities.

6.93 RESOURCE MOBILISATION, FINANCE, BUDGETING, EXPENDITURE MANAGEMENT, ETC.

(a) Sustained Resource Mobilisation Strategies in Ahmedabad Municipal Corporation

Despite having a very large budget, the Ahmedabad Municipal Corporation (AMC) faced a serious financial crisis in 1993-94 as it had been spending beyond its means. The corporation implemented effective measures to raise its octroi and property tax collections substantially in a short period of time. Thereafter it issued municipal bonds in a pioneering format and reformed its system of property tax assessment. Due to the success of these initiatives, the AMC's financial condition has completely turned around.

(b) Municipal Debt Management by Vadodara Municipal Corporation

In many of the urban local bodies in the country, a large amount of income is consumed in debt servicing. Lack of vision may be the reason behind the situation. Another and most probable reason might be the lack of resources. Vadodara Municipal Corporation adopted innovative debt management strategies to overcome these limitations.

(c) Innovations in Municipal Budgeting and Financial Management Systems in Bangalore Mahanagara Palike

Almost all urban local bodies in India follow traditional line-item budgeting systems, which only serve the purpose of expenditure control but do not facilitate managerial efficiency or planning. Similarly the accounting systems of most of the urban local bodies are based on cash basis of accounting rather than on accrual basis. The BMP has undertaken a number of initiatives during the last four years aimed at reforming its accounting, budgeting and financial management systems using the principles of Enterprise Resource Planning. These reforms have led to significant improvements in revenue mobilization, expenditure rationalization and performance measurement. What is unique about the BMP approach is that most of these initiatives have a citizen focus.

(d) Mobilisation of Financial Resource in Indore Municipal Corporation

Indore city is the largest city of the Madhya Pradesh (MP) State with a population of 1.64 million as per census 2001. The city is one of the major trans-shipment centers, center for oil extraction, manufacturing and also the largest grain and vegetable markets of Madhya Pradesh.

Since 1997, the city's growing size required significantly high level of expenditure on services and amenities while at the same time IMC was facing extreme financial situation. In response to financial pressures, IMC embarked upon a sustained path of strengthening its revenue base. The IMC prepared a vision for the city 1999 with the active participation of its citizens.

The IMC helped local citizens to form resident associations and encouraged them to participate in the city's development programs and through city consultations with the stakeholders IMC formulated vision and strategies for its development. The corporation led a consultative process and adopted a participatory framework to prepare a vision of a people friendly city.

Major areas of reform as chalked out after consultation were:

(a) Increasing revenue through measures for better coverage, assessment, billing, collection and enforcement;

(b) Controlling growth of expenditure;

(c) Improving the organization and efficiency of the tax administration system; and

(d) Communicating more closely with stakeholders.

The vision emphasized delivering municipal services with greater efficiency, reliability, transparency, and accountability.

(e) Bill Validation System for Managing Municipal Expenditures in Indore Municipal Corporation

In today's challenging times, the impact that energy has on organizational cost, is putting major emphasis on energy related expenditure. Energy is often overlooked as a cost savings opportunity, it being one of the largest operating expenses. It is often regarded as the least controllable expense.

The purpose is to achieve cost reductions, improve efficiency and avoid budget surprises. To achieve energy cost reductions, some activities that are needed to be carried out primarily include exception based reporting, bill validation, benchmarking facilities, monitoring utility contract compliance, and accurately forecasting energy loads. For example with exception-based reporting, a report on actual vs. predicted amount on energy across all switching points, pumping stations, tube wells and buildings can be generated. By choosing the greatest anomalies and responding to those first, one can discover where and why problems exist, understand the amount associated with the problem and take correction action.

6.94 COMPUTERISATION

(a) Digitisation of Development Plan by Bhubaneshwar Development Authority

Bhubaneswar Development Authority (BDA) felt that government institutions, developers as well as citizens were not able to access the information on development plan due to time consuming official procedures. In 1998 BDA took an initiative of digitizing the Development plan using GIS techniques. The objective was to make information readily available for the users.

The system has enabled BDA to deliver plot level detail of any section of the development plan within a day. The system also provides relevant information related to building byelaws. The computerization of Information has strengthened the information base of the Authority and has improved its customer services. The initiative has shown a catalytic effect on the development of Bhubaneswar city accordance with the Development Plan.

(b) Computerisation of Building Plan Permission

Mussoorie-Dehradun Development Authority came into existence in October 1984 with Govt. notification under section 3 of U.P., Urban Planning & Development Act of 1973. The activities of the organization are aimed at promoting planned growth of Dehradun and Mussoorie townships. As a measure towards this end, anyone desirous of undertaking any construction is required to seek prior approval of MDDA before commencing construction. MDDA is not only responsible for granting approval but also for monitoring constructions as per plans approved. Whenever, there is a deviation from an approved plan, necessary corrective actions are taken.

6.95 OTHERS

(a) Building Plan – Tatkal Scheme for Disposing Building Plans by Bhubaneswar Development Authority

Bhubaneswar the capital city of Orissa has registered a fast growth during the last decade. This has also led to a spurt of building activities to cater the housing needs of the growing city.

The Development Authority receives a large number of Building Permission Applications annually. Due to administrative bottlenecks, the process of sanctioning these applications gets delayed. As a reform Bhubaneswar Development Authority (BDA) adopted the concept of Green channel to dispose building permits within 72 hours. The new system has helped the Development Authority to expedite its public service.

(b) Plantation – Pitra Parvat – An Innovative Plantation Scheme in Indore Municipal Corporation

Pita Parvat (meaning 'hill of the departed'); an innovative memorial plantation scheme, which combines the glorious traditions of Indian Society of nature worship with religious rituals has successfully motivated people, socio cultural organizations, charitable trusts, educational organizations to plant trees to make the memories of their departed ones immortal. Any citizen can plant a tree species of his choice in the memory of the departed soul by paying a one-time charge of Rs. 251/-. The Indore Municipal Corporation (IMC) provides protection and assurance for the growth of tree. Pitra Parvat has become a regular site for visitors. People, who have planted, go and see the trees on days important to the departed soul. Celebrities and VIPs visiting the city make it a point to visit the place and plant a tree in the memory of their near and dear. The success of this program has encouraged taking up two other programs commemorating birthdays and marriage anniversaries in other degraded pockets in the city.

(c) Construction of 'Inter State Bus Terminal' on 'Bot' Basis by Mussoorie Dehradun Development Authority

Dehradun is the largest city among cities of Uttaranchal based on the size of the population. According to 1981 Census of India, the town recorded the total population of 211, 838, which grew to 270, 159 persons in 1991 at the rate of 27.53 percent. The total population has further increased to approximately 447, 808 by the year 2001 (as per Census 2001) with a decadal growth rate of about 66 percent, which is quite high. The projected population for 2011 AD is assumed to raise upto above 800,000 persons.

6.96 SOME INNOVATIVE SUGGESTION OF "MUNICIPAL REGULATORY COMMISSION"

The State of Andhra Pradesh will soon have a Municipal Regulatory Commission (MRC) on the lines of the Electricity Regulatory Commission (ERC) to fix various changes to be levied by the Urban Local Bodies (ULBs) for different municipal services.

In essence, the five members MRC will be an independent body that will 'guide' the economic affairs of the ULBs and "promote competition, efficiency and economy in their activities in the provision of civic services".

Simply put, the MRC will impose taxes and charges in one form or the other on urban dwellers and also promote privatization of civic services.

The MRC is being proposed under the new Municipal Law that will be enacted soon, according to the draft legislation. The Chairperson – either a sitting or retired judge of the High Court – will act as the Chief Executive of the MRC.

The main functions of the MRC as defined in the draft legislation, will be: to determine separately for each ULB the rates for drinking water supply; charges for sewerage connection; charges for solid waste management and charges for any other services.

It will also suggest avenues for participation of private sector in the provision of municipal services and ensure a fair deal to the citizens. Importantly the MRC will determine the quantum of user charges.

CHAPTER- VII

FISCAL MONITORING - ACCOUNTS AND AUDIT OF PRIs & ULBs

7.1 Rajasthan Panchayati Raj Act, 1994, and rules made thereunder and Rajasthan Municipalities Act, 1959, and rules made thereunder contain elaborate and comprehensive provisions for maintenance of accounts and the audit of PRIs and ULBs respectively. Relevant provisions are reproduced in the following paragraphs.

PANCHAYATI RAJ INSTITUTIONS

7.2 Section 75 of the Rajasthan Panchayati Raj Act, 1994, contains the provisions relating to Accounts and Audit of PRIs which reads as follows:

(a) A Panchayati Raj Institution shall keep such accounts and submit such statements to such authorities as may be prescribed.

(b) Accounts of receipt and expenditure of every Panchayati Raj Institution shall be maintained for every financial year in such form as may be prescribed.

(c) An abstract of the annual accounts of a Panchayati Raj Institution showing its income under each head of receipt, the charges for the establishment, works undertaken, the sum expended on each work, the balance, if any, remaining unexpended and such other information as may be required by rules, shall be prepared and finalized in the prescribed manner.

(d) All accounts kept and maintained by a Panchayati Raj Institution shall be audited, as soon as, may be after the end of financial year, by the Director, Local Fund Audit for the State and the provisions to the Rajasthan Local Fund Audit Act, 1954 (Rajasthan Act 28 of 1954) shall apply:

Provided that the Comptroller and Auditor General of India may also carry out a test audit of such accounts.

(e) The concerned Panchayati Raj Institution shall pay, out of its fund, such sum as may be determined by the State Government by way of charges for such audit.

7.3 The Rajasthan Panchayati Raj Rules, 1996, provides detailed Rules in Chapter XI for Accounts and Audit. The relevant Rules 245 to 252 are reproduced hereunder:

Rule 245- Quarterly Return of Accounts

A quarterly statement of account of income and expenditure will be prepared by Panchayati Raj Institutions and sent to next higher authority in Form No. XXXV. Quarterly accounts for the quarter ending June, September, December and March should be dispatched latest by 15^{th} of the month following the quarter to which the accounts relate. A progressive total of all items of income and expenditure provided in the budget will be made out while preparing such statement of account and figures advised to the next higher authority.

Rule 246- Abstract of Annual Accounts

(1) At the end of the year, a Panchayat/ Panchayat Samiti shall prepare an abstract of Annual Accounts in Form XXXVI showing its income and expenditure under each head of budget and send it to the State Government through Zila Parishad by following first May.

(2) Abstract of annual account will be accompanied by a Statement of grants-in-aid in Form XXXVII under different heads of accounts from the State Government, expenditure incurred, supported by utilisation certification certificates, signed by Head of Office clearly mentioning that the grant entirely or in part has been spent specifically for the objects and purpose for which it was given, the accounts of which have been properly maintained, and the connected vouchers are in his custody. Chief Executive Officer will closely scrutinize these statements and send them to the State Government alongwith his comments, a copy of which will also be given to the Panchayat Samiti/Panchayat concerned.

(3) Each Panchayat Samiti will also enclose a statement of loans and amount outstanding in Form No. XXXVIII alongwith annual accounts.

(4) Alongwith annual accounts, a list of works undertaken under the various schemes with the progress of expenditure as provided in Form XXXIX will also be attached.

(5) The annual accounts will also be accompanied by a statement of assets and liabilities of the Panchayat/Panchayat Samiti in Form No. XI.

Rule 247- Accounts and Returns of Zila Parishads

(1) Every Zila Parishad shall also prepare a quarterly statement of income and expenditure as stated in Rule 245 and send it to the State Government.

(2) Similarly, every Zila Parishad shall prepare Annual Accounts of income and expenditure as stated in Rule 246 and send it to the State Government by 15^{th} of May.

Rule 248- Audit of Accounts

(1) The audit of the accounts of Panchayati Raj Institutions shall be governed by the provisions of the Rajasthan Local Fund Audit Act, 1954, and the Rajasthan Local Fund Audit Rules, 1955, made under the said Act.

(2) A test audit of the accounts may also be carried out on behalf of the Comptroller and Auditor General of India.

Rule 249- Arrangements for Audit

The Panchayati Raj Institution concerned shall make suitable arrangements to enable the auditor to hold his office for conducting audit and shall keep all records, statements etc. ready for purpose of audit and produce these documents in the manner as demanded by the Audit.

Rule 250 – Preparation of Financial Statements

Panchayati Raj Institution shall prepare the financial statements prescribed by the Local Fund Audit Rules, 1955, and actual accounts of the period for which audit has become due, and produce these records when demanded by the Audit.

Rule 251 – Audit Report

The Audit Report of the Director, Local Fund Audit shall be sent to the Panchayati Raj Institution concerned. A copy of the audit report to Panchayats shall also be sent to Panchayat Samiti concerned. Likewise, a copy of the audit report of Panchayat Samiti shall also be sent to Zila Parishad concerned who will see that the irregularities pointed out by audit are promptly attended to and rectified.

Rule 252 – Compliance of Audit Reports

(1) Compliance of the audit reports sent by the Director, Local Fund Audit shall be made in accordance with the procedure laid down in Rule 28 of the Rajasthan Local Fund Audit Rules, 1955.

(2) Chief Executive Officer and Chief Accounts Officer, Zila Parishad shall review the progress of compliance of audit reports every quarter in presence of Deputy Director Local Fund Audit posted at regional headquarters and take all steps to get them complied on campaign basis.

(3) Chief Executive Officer shall specifically review the paras indicating embezzlement, loss of revenue, over payments, wrong payments etc. and initiate departmental action or criminal proceedings against defaulters.

(4) All efforts shall be made by Chief Executive Officer and Vikas Adhikaris for recovery of loss of revenue pointed out in Audit reports.

7.4 Although detailed provisions have been made in the Panchayati Raj Act and Rules thereunder for maintenance of Accounts, the compliance of these provisions is far from satisfactory. With the result the Finance Commission had to face the problem of non-availability of data relating to these institutions. The accounts statements which are supposed to be received in the Panchayati Raj Department at the State Level are not received regularly and even if they are received they are not compiled and consolidated with the result that no database is available about the PRIs at one place either at the district level or at the State level.

7.5 The Local Fund Audit Department conducts audit of all the three tier Panchayati Raj Institutions, but its audit report is not placed in the Legislative Assembly. The compliance part of audit report and observations has also been very unsatisfactory. This is evident from the position of pendency of these matters indicated by the Local Fund Audit Department in its Annual Administrative Report for the year 2005-06. The relevant information is depicted below in Table 7.1 showing the position obtained as on 31.12.2005.

Table 7.1

Audit details of Panchayati Raj Institutions

	First Inspection Report which are to be complied within 3 months	Audit Paras	Embezzlement Cases	
			No.	Amount (Rs. in Lakhs)
Panchayat Samities	203	45551	649	893.58
Gram Panchayats	-	-	7516	522.85
Zila Parishads	15	1816	5	85.72
Total	**218**	**47367**	**8170**	**1502.15**

Note:- The number of Inspection Reports/Audit paras in respect of Gram Panchayats are in large numbers and are not being monitored by the Local Fund Audit Department at the State level.

URBAN LOCAL BODIES

7.6 Sections 279 to 281 of the Rajasthan Municipalities Act, 1959, provides for maintenance of accounts and audit of the Urban Local Bodies. The relevant provisions are as follows:-

Sec. 279–Maintenance of accounts and restrictions on expenditure

(1) Accounts of the income and expenditure of the municipal fund shall be kept in accordance with rules made in this behalf.

(2) Expenditure from the municipal fund shall save as otherwise expressly provided for in this Act, be incurred subject to the restrictions, conditions and limitations imposed in rules made in this behalf.

(3) The board shall, at its general meeting held after the audit of accounts for financial year, pass the accounts for that financial year.

Sec. 280 – Audit of Accounts

(1) The municipal accounts shall, from time to time once in every year at the least, be audited by the Examiner, Local Fund Audit in accordance with the provisions of the Rajasthan Local Fund Audit Act, 1954 (Rajasthan Act XXVIII of 1954)

(2) The board shall pay from the municipal fund such charges for the audit as may be prescribed by the State Government.

Sec. 281 – Transmission of accounts to Government

(1) The board shall as soon as the annual accounts for any Financial Year have been finally passed by it, transmit to the State Government, or any officer duly authorised by it in this behalf, a copy thereof, or an account in the form prescribed in this behalf, and shall furnish such details and vouchers relating to the same as the State Government direct such officer may from time to time.

7.7 In pursuance of these provisions of the Rajasthan Municipalities Act, 1959, the State Government has framed the Rajasthan Municipalities Accounting Rules, 1963. Relevant provision of these rules are as below.

Rule 8 – Monthly Accounts

At the close of each month, a statement in Form No.1 shall be prepared showing the progressive income and expenditure of the Board and after detailed scrutiny by the Finance Committee, if any, such accounts shall be laid before the

Board at the end of each quarter commencing from the first of April.

Rule 9 – Annual Accounts

(1) At the end of the year, an annual account [in Form No. 1A] as per budget heads (minor as well as) shall be prepared duly supported by a certificate signed by the Treasury Officer showing the amount at the credit of the Board in the treasury at the close of the year and if there is any difference between the amount shown in the certificate and the amount shown as the closing balance in the annual account, details shall be given in the 'Remarks' column on the last page of the income side of the accounts of the uncashed cheques or uncredited items of income to which the discrepancy is due.

(2) The annual accounts so prepared shall be submitted in the general meeting of the board.

(3) A copy of the annual account having been finally passed by the Board shall be transmitted to the State Government or officer duly authorised in this behalf by 30th June of the next financial year.

Rule 10 – Forms of Account

(1) In the matter of details connected with accounts, the Board shall be guided by the instructions of the Examiner, Local Fund Audit, Rajasthan. The registers, forms and procedures prescribed in these rules provide for all classes of transactions usually occurring in Municipalities. No addition to or modification of these

forms and procedure and no new form of account can be made by the Board without the sanction of the Government.

(2) Provided that the Boards which keep their funds with any bank to which treasury business has been made over, may use the bank's forms in their transactions with the bank in the place of those prescribed under the rules.

Rule 14 – Audit of Accounts

(1) The Municipal Accounts shall be audited as provided in Section 280 to the Act.

(2) The Executive Officer should personally see that the annual accounts are closed and the accounts for the previous official year written up completely and made ready for audit before the 15th of May of every year.

(3) The Executive Officer shall at the time of audit cause to be produced all accounts registers, documents, and other subsidiary papers maintained by the Board which may be required by the audit officers to assist them in their investigation and any further document or record as required by the audit party, they shall also be produced before them.

(4) The objection statement issued by the auditor in the course of audit shall be returned to him promptly and in any case before the close of audit, with notes showing the action taken or which it is proposed to take to settle the objections raised over the signature of the Chairman or Executive Officer. The auditor shall return for further action any items of which final or sufficient action has not in his opinion been taken and when possible, shall

before leaving, bring to the personal notice of the Chairman, items which have not been disposed of. In particular, the auditor shall bring to the notice of the Chairman any item in which he proposes to disallow payment or subject to the approval of the Controlling Authority surcharge any member of the Board.

Rule 15

(1) The Board shall consider the audit note and the objection statement at a special meeting in which the audit note should be the only item on the agenda, held not more than one month after receipt of the note together with an explanation on the part of the Municipal staff on each of the points raised in the note. The Board should also pass a resolution or resolutions expressing its opinion on each of the points. The action so taken shall be indicated on an inter-leaved copy or on the margin of the audit note, which shall be sent to the Controlling Authority direct within a fortnight after the holding of the meeting. A similar annotated copy shall be kept in the Municipal office and shall be placed before the inspecting officers.

(2) Subsequent correspondence shall be conducted directly between the `Board and Controlling Authority as well as the Examiner, Local Fund Audit Department or the authorities to whom power have been delegated in this behalf under Sections 277 and 278 read with Section 299. The latter may exercise his discretion on any points that may arise and may finally decide the issue unless he deems it necessary to refer any issue to Government before finalizing it.

Rule 16

In the following cases objections taken by the Auditors, shall prevail, unless the surcharge is over-ruled by the Controlling Authority or the item is written off with the sanction of the Controlling Authority provided that the Controlling Authority shall have power to refer any case for the sanction of the Government if he considers such sanction to be necessary:-

(1) When a payment has been made from the Municipal fund which contravenes the provisions of Section 83 of the Act, and,

(2) When expenditure has been incurred which would not be an appropriate charge on the Municipal fund without the sanction of Government.

7.8 Despite adequate and elaborate provisions existing for the maintenance of Accounts and their audit under Rajasthan Municipalities Act, 1994, the Rules made thereunder, there is hardly any compliance of these rules. With the result, consolidated position of income and expenditure of Urban Local Bodies is not available with the Director, Local Bodies Department or any other department at one place. In our earlier chapters we have mentioned about the problem faced by us in collection of financial data. However, some efforts are underway, it is hoped that the successive State Finance

Commissions would have consolidated position of income and expenditure available at one place i.e., at the level of the Directorate of Local Bodies in the future.

7.9 As regards pendency of audit reports, paras and embezzlement cases the position obtaining as on 31.12.2005 in respect of all Municipal Bodies of the State, as per the Annual Administrative Report of Local Fund Audit Department, for the year 2005-06 is shown in Table 7.2

Table 7.2

Details of Audit Reports of All Municipal Bodies (as on 31.12.2005)

Pending First Compliance Reports	No.	436
Pending Audit Paras	No.	75482
Embezzlement cases	No.	412
	Rs. in Lakhs	**153.56**

7.10 As observed in earlier paras of this chapter, the audit report of these local bodies are not placed before the State Legislature and in respect of audit reports of Gram Panchayats there is no system of monitoring. The State Government has, however, constituted three Committees for monitoring the compliance of audit reports, at district level under the Chairmanship of

District Collector, at divisional level under the Chairmanship of Divisional Commissioner and at State level under the Chairmanship of concerned Secretaries to the Government.

7.11 Regarding consolidation of financial data of PRIs and ULBs the first State Finance Commission observed that there is no agency to collect the financial data of PRIs and ULBs regularly for analysis. The large number of these institutions running to many thousands made the task of data collection a difficult one. We, however, collected data from the concerned departments and also relied on the data given in the budget, audit reports, plan documents, AG's report etc. for our analysis. There is presently no mechanism for consolidating the panchayat and municipal data at any level. Even the Local Fund Audit office has to refer to the field institutions for the copies of the audit reports. Therefore, the First State Finance Commission strongly recommended that the Director, Local Fund Audit should consolidate the financial data in the proforma prescribed by the Commission for all the institutions so that the authentic/audited figures of revenue and expenditure would available atleast to the future State Finance Commissions.

7.12 In the light of the above mentioned observations of the First State Finance Commission, after long deliberations with the concerned officers of Local Bodies Department and Panchayat Raj Department in the meeting convened by Director Local Fund Audit Department, it was decided that these departments would obtain the financial data from the local bodies and make available these data to Director, Local Fund Audit for consolidation. But no further action in the matter appears to have been taken by these departments. Therefore, the Second State Finance Commission had to again depend on the individual Panchayati Raj Institutions and Urban Local Bodies for furnishing the financial data for the last six years. In view of the great difficulty faced by the Second State Finance Commission, it was observed that in this regard for the future State Finance Commissions and for monitoring the recommendations of State Finance Commission a system may be evolved for regular compilation and consolidation of financial data of the PRIs and ULBs. We have also faced the same difficulty and relied upon the information collected from the individual PRIs and ULBs. In this connection a meeting with the Director Local Fund Audit Department was held. The Director, Local Fund Audit Department while referring the decision taken by the Second State Finance Commission reiterated that the concerned departments would obtain the financial data from the local bodies and after consolidation the same should be furnished to all concerned departments/ organizations/ Institutions.

7.13 In view of the fact that Gram Panchayats at village level do not have exclusive staff for upkeeping of accounts, the Eleventh Finance Commission had also made some recommendations/ suggestions in its Report for upkeeping, maintenance and audit of accounts of the local bodies. The recommendations, *inter-alia,* include control and supervision over the proper maintenance of accounts and their audit, format for preparation of budget to be prescribed by C&AG, laying down the qualification and experience for the person/ agency to be employed for maintenance of accounts, etc.

7.14 For implementation of these recommendations, the Eleventh Finance Commission has recommended a grant of Rs. 376.84 lakhs for maintenance of accounts of village level Gram Panchayats and intermediate level Panchayat Samities of the state @ Rs. 4000/- per Gram Panchayat and Panchayat Samiti. Similarly, for creation of data base relating to the finances of the PRIs, an amount of Rs.754.08 lakhs and for Urban Local Bodies, Rs. 14.60 lakhs has been recommended. The Government of India has accepted these recommendations and in the guidelines issued by the Ministry of Finance regarding release and utilization of these grants it has been provided that the amounts recommended for maintenance of accounts and creation of data base shall be the first charge on the total amounts of grants to be released to the PRIs and ULBs based on EFC recommendations. Based on these recommendations the State has initiated a major step in this direction. Under Karishma Project, computer hardware, printers, setting up of interconnectivity through radio frequency technique in all Zila Parishads (32) and Panchayat Samitis (237) and 1100 Gram Panchayats are provided by 2006-07, as per recommendation of Eleventh Finance Commission.

7.15 The Twelfth Finance Commission while reviewing the implementation of the recommendation of EFC, recommended that:

i) The Maintenance of accounts by the Panchayats be standardised; panchayat department officials should not be made statutory auditors of the Village Panchayats; the accounts of the intermediate and district Panchayats be subjected to audit by Comptroller and Auditor General (C&AG).

ii) A performance audit system be adopted.

iii) Most States do not have credible information on the finance of their local bodies. The Local Bodies would required funding support for building data base and maintenance of accounts. State may assess the requirement of each local body in this regard and use the earmarked funds accordingly, out of the total allocation recommended by TFC.

RECOMMENDATIONS

7.16 The PRIs and ULBs are spending huge amount under the development activities as also for providing basic civic services, it is necessary that the important and crucial issue of maintenance of Accounts and Audit of these bodies is given a serious thought by the State Government so as to evolve suitable mechanism for the maintenance of accounts and audit of these institutions. It has also become necessary in view of the increasing responsibilities and roles assigned to the local bodies, as per 73rd and 74th Constitutional Amendments. The Eleventh Finance Commission has made detailed suggestions on the issue and has also provided required funds for the purpose. The Twelfth Finance Commission has also recommended on these issues. This is also a serious concern for this Commission as well. The State Government should take adequate measures for proper maintenance of accounts. While engaging agencies for maintenance of accounts of PRIs care should be taken that services of people who are well versed with commercial accounting procedures are availed and the accounts should be maintained as per the guidelines envisaged in the relevant scheme by the Government of India. As regards audit, suitable mechanism should be evolved so that the audit reports do not remain unattended and the purpose of audit is not defeated.

7.17 This Commission would like to recommend that in order to ensure correct maintenance of accounts at the Panchayat level following steps need be taken:

(1) Computer friendly graduate person should be provided to the Gram Panchayats; and

(2) The Gram Sevaks / Secretaries who are already working in the Panchayats should be provided an intensive training in appropriate accounting system and such trainings must take place at regular intervals.

7.18 This Commission also deliberated on the issue of custody of funds and maintenance of accounts by Sarpanch of Gram Panchayats. This phenomenon has been in practice in many Gram Panchayats in the State. This could be due to non availability of a full time Panchayat Secretary. Rule 331 of the Rajasthan Panchayati Raj Rules, 1996, specifically provides that the Gram Sevak-cum-Secretary shall receive money on behalf of Panchayats, maintain books of accounts, prepare budget and furnish all the informations and prescribed returns and statements to the Gram Panchayat/Panchayat Samiti on prescribed dates. He has also been made responsible for arranging all payments sanctioned by panchayat and for all other office related record keeping duties.

7.19 The Junior Accountant/ Accountant posted in the Panchayat Samitis must be made responsible for overseeing the work of maintaining and preparing the accounts of Gram Panchayats. The work of overseeing the accounts work may be divided among the accounts staff posted in Panchayat Samiti. Now that the State Government has posted Gram Sevak-cum-Secretary in almost all the Gram Panchayats and this Commission has further strengthened the Gram Panchayats by recommending appointment of a graduate computer friendly personnel at each Gram Panchayat, it is hoped that it would lead to improvement in accounts work. This would not mean undermining the authority of supervision and control vested in the Sarpanch under the Act. The Commission further recommends that the Gram Sawek cum Secretary and computer friendly person should be properly trained; so as to be capable and responsible to handle cash and maintain prescribed accounts records as also able to operate the Computer.

7.20 As recommended by the Twelfth Finance Commission, the accounts of the intermediate and district panchayats be subjected to audit by the Comptroller and Audit General (C&AG).

7.21 Statutory audit of the Village Panchayat should be done by the outside officials and not by the officials of the Panchayat Department.

7.22 A performance audit system be adopted for proper monitoring of funds.

7.23 We recommend that Junior Accountants or Accountants of Panchayat Samities as the case may be, should be made responsible for overseeing timely preparation and maintenance of accounts of Gram Panchayats. This will help in keeping Panchayat Accounts updated. The work of overseeing preparation of accounts/ maintenance of accounts be divided between as per number of Panchayats falling within the Panchayat Samiti. The asset register is to be maintained at both the Gram Panchayat and Panchayat Samiti level. Panchayat Samiti staff should carry out physical verification of assets twice in a year.

7.24 For accuracy and correctness of accounts double entry system needs to be introduced in the entire Panchayati Raj System at all levels. The Eleventh Finance Commission had provided necessary funds for computerization to the PRIs. It is hoped that by providing a computer friendly graduate at Gram Panchayat level, the Gram Panchayat accounts would be maintained properly and adequately and necessary data base will be created.

CHAPTER – VIII

DEVOLUTION TO PANCHAYATI RAJ INSTITUTIONS AND URBAN LOCAL BODIES

8.1 In earlier chapters we have discussed the financial position of the State (Chapter-IV) and have also assessed the financial requirements of Panchayati Raj Institutions (PRIs) (Chapter-V) and Urban Local Bodies (ULBs) (Chapter-VI). As the budget of the State discloses a revenue surplus of Rs. 96.45 crores in the year 2006-07 (RE), it is not unreasonable to hope that with the enactment of FRBM Act and introduction of VAT in the State, the financial position of the State would further improve in coming years permitting more assistance to the Urban Local Bodies and the Rural Local Bodies of Rajasthan. The Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) need greater financial assistance from the State Government to enable them to render satisfactory essential civic services.

8.2 The fragile financial health of Local Bodies does not permit them to render even the basic core services not to talk of quality civic services. Even if the ULBs of Rajasthan stretch their efforts, it is well-nigh impossible for them to bridge the entire deficit from their own sources and therefore, the devolution from the State funds becomes necessary.

8.3 The basic objectives underlying our funding pattern are; (i) to incentivise local efforts in mobilizing resources, (ii) judicious employment of funds to bring about balanced growth, and (iii) to ensure that minimum level of civic services are available to citizens.

8.4 Under the Terms of Reference, the Commission is mandated to determine the share of PRIs and ULBs in the net proceeds of taxes, duties, tolls and fees leviable by the State Government. It would be pertinent to mention that the second State Finance Commission had recommended devolution of 2.25 percent of the net own tax revenue of State to PRIs and ULBs. In the Interim Report submitted in February, 2006, we too, had recommended the same percentage of net own taxes to be devolved on PRIs and ULBs, pending detailed examination of expenditure requirements of these bodies and their revenue generation potential. The financial position of these bodies is so deplorable that they cannot even meet the minimum requirement of the expenditure to be incurred for discharging the obligatory functions at the satisfactory level. In view of this, as also looking to their own meagre resources, the Commission has assessed the requirement of funds of these institutions keeping in mind the position of State resources. The Commission has unanimously decided to recommend the devolution of 3.50% of the net proceeds of State's own tax revenue to PRIs and ULBs. Out of this, 0.50% share will be earmarked for the incentives to these local bodies for mobilizing revenue from their own sources.

8.5 While assessing the State's resources we have projected the State's net proceeds from tax revenues excluding entertainment tax, at Rs. 61438.43 crores, net revenue from entertainment tax at Rs. 34.40 crores and net royalty receipts from minerals at Rs. 4622.60 crores for the period 2005-2010. Details are placed at Annexures VIII.1, VIII.2 & VIII.3 respectively. While the requirements of funds of Panchayati Raj Institutions and Urban Local Bodies, we feel that looking to the plan and other commitments of the State it is not possible for the State Government to bear the entire burden of funds required by the Local Bodies. Therefore, keeping in view the minimum requirements of Panchayati Raj Institutions and Urban Local Bodies and taking into consideration the resource of the State Government, the Commission has tried to strike a suitable balance between the requirements and devolution being recommended by it.

GLOBAL SHARING V/S INDIVIDUAL TAX/NON-TAX SHARING

8.6 The Terms of Reference require us to recommend distribution of net proceeds from taxes, duties, tolls and fees between the State Government and Panchayati Raj

Institutions and Urban Local Bodies as also grants which could be given to these bodies out of the Consolidated Fund. The Commission discussed at length the various aspects of global sharing of tax revenue and sharing of some portion of individual tax and non-tax revenue in the proposed devolution formula. Considering the various aspects of the matter, the Commission has decided to recommend devolution of funds by way of share in tax revenue and non-tax receipts from minerals and their distribution between PRIs and ULBs during the award period as discussed in following paragraphs. We have recommended 3% of net proceeds of State's own tax revenue for devolution to the local bodies and 0.5% as incentive for revenue mobilization by the PRIs and the ULBs.

8.7 Based on the recommended percentage of devolution, i.e., 3.50%, share of Entertainment Tax and Mineral Royalty Commission has decided to recommend total devolution of Rs. 2230.97 crores to the Panchayati Raj Institutions and Urban Local Bodies during the award period 2005-10, as per following break up shown in Table 8.1.

Table 8.1
Devolution to Local Bodies

(Rs. in Crores)

(i)	3.50% of State's own net tax revenue (of Rs. 61438.43 crores) excluding entertainment tax as per following:-		2150.35
	(a) 3% as untied share in tax	1843.15	
	(b) 0.50% incentive amount for raising resources	307.20	
(ii)	100% of net proceeds from entertainment tax (of Rs. 34.40 crores)		34.40
(iii)	1% of net receipts from royalty on minerals (of Rs. 4622.60 crores) (as agreed on recommendation of Second SFC by Government)		46.22
	Total (i), (ii) and (iii)		**2230.97**

8.8 The Commission has assessed the State's net tax/non-tax revenue based on actual growth of ten years commencing from 1994-95 which covers good and bad period of State's economy to neutralize the large variations, if any, in the revenue assessed by us. But the proposed devolution of funds has been worked out in terms of percentages of net proceeds and the transfer of funds may vary with actual realisation of net tax/non-tax revenues. Accordingly, the year-wise funds to be devolved may be revised and released by the State Government based on actual collection of net tax revenues, entertainment tax and royalty receipts.

DISTRIBUTION BETWEEN PRIs AND ULBs

8.9 For distribution of the divisible share in net tax revenue (excluding entertainment tax) amounting to Rs. 2150.35

crores between the Panchayati Raj Institutions and Urban Local Bodies, the Commission has thought it appropriate to distribute the share based on the population figures estimated for the year 2004-05 (as on 1st March 2005) by the Directorate of Economics & Statistics Rajasthan, Jaipur, as the award period of this Commission would commence from the year 2005-06. As per projected figures the total population of the State has been arrived at 6.18 crores, as on 1st March, 2005, out of which rural population constitutes 4.68 crores and urban population 1.50 crores. Thus, the percentage share of Rural and Urban population works out to 75.7% and 24.3% respectively. Therefore, the Commission has decided to adopt this population ratio based on projected population for devolution to the PRIs and ULBs. However, the Panchayati Raj and Urban Local Bodies Department may use 2001 census figures for onward transfer of this amount among the PRIs and ULBs, for want of authentic projected figures of individual institutions.

8.10 As mentioned by us earlier in chapter on Urban Local Bodies, the Census Department and the State Local Bodies Department are adopting different criterion for bifurcation of Rural/Urban areas. We reiterate here that while we have used the census figures of Rural-Urban break up for distribution of share in net tax revenues between the PRIs and ULBs, further distribution of this amount *inter-se* among the ULBs has been made based on municipality-wise population figures of 2001 census. Accordingly, the share of PRIs and ULBs in devolution of Rs. 2150.35 crores would work out to Rs. 1395.27 crores from 3% share and Rs. 232.55 crores from 0.50% share, totaling to Rs. 1627.82 crores for the Panchayati Raj Institutions, and Rs. 447.88 crores from 3% share and Rs. 74.65 crores from 0.50% share totaling to Rs. 522.53 crores for the Urban Local Bodies.

SHARE IN ENTERTAINMENT TAX

8.11 The various Princely States were collecting entertainment tax under their Local Laws prior to the imposition of entertainment tax by the State Government under the provisions of the Rajasthan Entertainment and Advertisement Tax Act, 1957. With the imposition of this Act in 1957, the local Acts were repealed and a provision was made under Section 14 of this Act for payment of subsidies to local authorities by way of compensation.

8.12 The State Government was paying subsidy of Rs. 17.78 lakhs under this provision upto the year 1996-97. On the continuous demand of local bodies the State Government decided to increase the subsidy amount to 25% of the receipts from entertainment tax and raise it further, upto 100% of entertainment tax collection in next four years. This decision was announced in budget speech for the year 1998 in the Assembly. The decision was partly implemented during the two years 1997-98 and 1998-99 when Rs. 1 crore and Rs. 10.48 crores respectively, were given as subsidy to the municipalities. Thereafter, this subsidy has not been paid during 1999-2000 and 2000-01 as reported by the Local Bodies department.

8.13 The Second State Finance Commission also took up this matter and it was felt that the State Government's action in not making the payment of entertainment tax to the local bodies is contrary to the legal provisions and decision taken in 1997-98. Therefore, the Second State Finance Commission observed that the State Government may consider transfer of entire proceeds of entertainment tax to the Urban Local Bodies. In the meantime the Second State Finance Commission, however, as an interim measure recommended transfer of 15% share in net proceeds from entertainment tax to the Urban Local Bodies based on collection from their areas. This amount works out to Rs. 26.99 crores for that award period (2000-2005). The actual amount may, however, vary on realisation. Based on actual realisation of net entertainment tax of Rs.8.37 crores was transferred to urban local bodies during the award period (2000-05). The revenue from entertainment tax is continuously decreasing from year to year (2000-01 to 2004-05) and also its quantum is not too much.

8.14 As per canons of taxation a tax, the effect of which, is local in nature and does not spread beyond its boundaries should belong to local bodies. Entertainment Tax is one such tax. Therefore, this Commission recommends that entire net proceeds from entertainment tax be transferred to the Urban Local Bodies based on collection in their areas.

8.15 As regards entertainment tax in rural areas Section 19 A of the Rajasthan Entertainment Tax Act, provides for recovery of entertainment tax by Panchayat Samiti within the block to be utilised by the said Panchayat Samiti. For this purpose the Panchayat Samiti has been delegated all the powers of the State Government. This Act further provides that no sum shall be payable by the State Government to a local authority within a Panchayat Samiti. In view of these provisions, no amount has been considered payable to the PRIs out of the net proceeds of entertainment tax.

ROYALTY ON MINERALS

8.16 Excavation of minerals is mainly done in rural areas and such excavation creates problems for the rural population and resultant pressure on the civic services to be provided by the village panchayats. Therefore, after examining various aspects of the matter the Second State Finance Commission decided to recommend transfer of 1% of net receipts from royalties on minerals (both major and minor) to the Gram Panchayats of the area from where minerals are extracted and royalties are recovered. The amount @ 1% of the net royalty receipts as assessed by the Second State Finance Commission was of the order of Rs. 28.84 crores for the award period (2000-05). The actual amount for disbursement may, however, be arrived based on the actual realisation of royalty from the respective districts. But this issue was to be examined by the Mines Department in view of the Terms of Reference and its applicability. The Mines Department has examined the issue and the State Government has agreed to provide 1% of the net royalty receipts to the concerned Gram Panchayat.

8.17 Therefore, after considering various aspects of the matter, this Commission has decided to recommend transfer of 1% of net receipts from royalties on minerals, both, major and minor, to the Gram Panchayats of the area from where minerals are extracted / royalties recovered. The actual amount for disbursement may, however, be arrived based on net realisation of royalty from the respective districts. The Commission has worked out the district wise percentage share based on average receipts from royalty of the last five years, i.e., 2000-01 to 2004-05, and respective share of the districts based on our assessment of net royalty receipts @ 1% could be used for disbursement among the Gram Panchayats of various districts. Districtwise distribution of Royalty for the award period is placed at Annexure- VIII.4.

8.18 As discussed in earlier paras, the Commission has decided to recommend distribution of Rs. 1843.15 crores representing share (3%) in net tax revenue excluding entertainment tax between the Panchayati Raj Institutions and Urban Local Bodies on the basis of rural-urban population ratio of 75.7% and 24.3% respectively. The Commission has also decided to provide Rs. 307.20 crores by way of incentive amount to Gram Panchayats and Urban Local Bodies. Based on the above the share of Panchayati Raj Institutions and Urban Local Bodies in the net tax revenue (excluding entertainment tax), share in entertainment tax and mineral royalty would work out as indicated in Table 8.2.

Table 8.2

Devolution to PRIs and ULBs

(Rs. in Crores)

	Particulars	**PRIs Share**	**ULBs Share**	**Total**
(i)	Share in net tax revenue excluding entertainment tax @ 3%	1395.27	447.88	1843.15
(ii)	Incentive amount from net tax revenue excluding entertainment tax @ 0.50%	232.55	74.65	307.20
(iii)	Entertainment Tax (100% of net revenue)	0	34.40	34.40
(iv)	Share in Royalty Receipts @ 1% of net receipts	46.22	0	46.22
	Total (i) to (iv)	**1674.04**	**556.93**	**2230.97**

DISTRICTWISE DISTRIBUTION FOR PRIs

8.19 For distribution of the divisible funds among PRIs, the first SFC had recommended the criteria of incidence of poverty of the district, total rural population and population in Non - DDP/ Non -DPAP/ Non - TAD Blocks for distribution of development grant and for other grants, the criteria was mainly population. The Second State Finance Commission enlarged the scope and recommended the following parameters and their weights for distribution of entire additional transfer of funds to Panchayati Raj Institutions at all the three tiers are given below:

S. No.	Parameters	Weights
(i)	Population	80 Percent
(ii)	Geographical Area	10 Percent
(iii)	Poverty represented by number of families living below poverty line	5 Percent
(iv)	Level of literacy	5 Percent

8.20 For Interim Report purpose, this Commission has adopted the same weights and parameters as adopted by the second State Finance Commission, as the various socio-economic parameters and their weights for rational distribution of the funds among Panchayati Raj Institutions at all the three tiers were then under consideration of the Commission.

8.21 The Commission examined the various socio-economic parameters *denovo* for district wise distribution of funds for

PRIs. After analysing the various socio-economic indicators in depth, the Commission has decided to adopt the following parameters for district wise distribution of funds for onward devolution to PRIs are given in Table 8.3 below:

Table 8.3
Distribution Criteria & Weights

60 Percent	**:**	Population;
20 Percent	**:**	Geographical Area;
5 Percent	**:**	Poverty represented by number of families living below poverty line;
5 Percent	**:**	Level of illiteracy;
5 Percent	**:**	S.C. Population; and
5 Percent	**:**	S.T. Population

8.22 The Commission feels that economic prosperity of the people can be judged better by the per capita income. But, the district wise data for GSDP and NSDP were not furnished by the Director, Economics & Statistics Rajasthan, Jaipur, so the same could not be included in the basket of parameters. While working out the districtwise share the parameters of population, area, poverty, illiteracy, and population of S/C & S/T have been used, keeping the district as the unit. Based on these criteria the Commission has worked out the district wise share of funds that are to be devolved amongst the three tiers of Panchayati Raj Institutions.

DISTRIBUTION AMONG THE THREE TIERS

8.23 For further distribution of PRIs share of net own tax revenue amounting to Rs. 1395.27 crores amongst the three tiers, namely, Gram Panchayats, Panchayat Samities and Zila Parishads, the Commission has decided to continue the same ratio i.e., 85% to Gram Panchayats, 12% to Panchayat Samities and 3% to Zila Parishads as adopted by us in our Interim Report. During the visits of the Commission to the Divisional / District Level, the public representatives of PRIs favoured to increase the share of Panchayat Samiti by curtailing the share of Gram Panchayats to that extent. But the Commission feels that for discharging the duties and responsibilities by the Gram Panchyats at satisfactory level, adequate funds are needed. Therefore, we deemed it proper to continue it with the same ratio. The respective share of these institutions in net own tax revenue excluding entertainment tax for the award period (2005-10) would work out as shown in Table 8.4.

Table 8.4

Share of GPs, PSs and ZPs

S.No.	**PRIs**	**(Rs. in Crores)**
1	Gram Panchayats (85%)	**1185.98**
2	Panchayat Samities (12%)	**167.43**
3	Zila Parishads (3%)	**41.86**
	Total	**1395.27**

8.24 Further the distribution of these amounts to individual Gram Panchayat, Panchayat Samiti and Zila Parishad is to be made on population basis. Based on the formula and parameters discussed above, we have prepared district wise share of the three tiers of PRIs which is placed at Annexure-VIII.5.

8.25 As regards the nature of the funds being recommended for transfer from share in taxes and royalty receipts to the PRIs, although the Commission has worked out the additional requirements of these institutions based on normative approach and the details of norms adopted and amounts so worked out have been given in the Chapter V on Panchayat Finances. However, the Commission is of the view that while the requirements have been worked out for the three tier institutions keeping in view various civic and other functions which are required to be performed by them, but the actual requirements and ground conditions differ from place to place and the institution to institution. Therefore, the Commission has decided not to bifurcate the recommended amount of share in taxes and royalty receipts of Panchayat Raj Institutions into various purposes except the incentive amount which would be payable on mobilizing/ raising their own resources on matching basis to the Gram Panchayats. However, the Commission recommends that the funds being recommended by us be transferred as untied grants to be utilised by the Panchayati Raj

Institutions, for creation, upgradation, maintenance of basic civic services, repair and maintenance of buildings, including school buildings, promotion of elementary education, better supervision and monitoring of various rural development schemes in their respective jurisdictions which is mainly and wholly dependent on the active participation of the members of the PRIs in the meeting of their respective PRIs. The Commission, therefore, recommends that the Ward Panchas of Gram Panchayats, Members of Panchayat Samities and Zila Parishads will be entitled to be paid for the attending the meetings of their respective tiers of PRIs from the funds devolved to the PRIs on the recommendation of this Commission. We, however, would like to mention that these funds shall not be utilised for Boundary Walls (except school boundary walls), Community Halls, Chabutras, Swagat Dwars and Hathai etc. While working out the requirements the Commission has also considered creation of civic facilities like bus sheds, toilets, water huts, etc., which are lacking in small rural areas. Similarly, the Commission has also felt the need for training of newly elected public representatives regarding government functioning and implementation of various rural development schemes, and has recommended suitable amount for the purpose. The Commission expects the utilization of such funds for creation of these facilities and training of public representatives. The Commission further recommends that the amounts should not be utilized for payment of salaries or arrears of salaries, pension, GPF etc. to staff.

DISTRIBUTION AMONG URBAN LOCAL BODIES

8.26 For distribution of share in taxes except entertainment tax amongst the Urban Local Bodies, the Commission feels that in the absence of reliable data relating to geographical area, poverty, etc., the population norm is the most appropriate alternative available which could be adopted. The issue regarding disparity in the financial resources of various Urban Local Bodies was discussed at length in the Commission. While the Municipal Corporations and Councils with higher levels of revenue under compensation of octroi and other avenues of raising resources from other taxes are better placed due to higher fiscal capacity. The other three categories of municipalities are financially weak because low level of tax paying capacity of the people as well as ineffective enforcement with unskilled staff. Moreover, major development activities under the Asian Development Bank Project, JNNURM etc. are also being under taken in Municipal Corporation/Council areas.

8.27 The first SFC had recommended distribution of 60 Percent of the funds to ULBs as general purpose grant based on population and 40 percent on other criteria for distribution of divisible funds amongst the Urban Local Bodies. The second State Finance Commission had adopted population criteria with population figures of 2001 census. It had further recommended the distribution of 85% share to all the Urban Local Bodies on population basis and 15% additional amount to the municipalities falling in class-II, class-III, and class-IV considering their narrow resource base and fragile financial position. As regards *inter-se* distribution amongst the ULBs, this Commission finds that the criteria of geographical area, BPL families and illiteracy rate may not hold good for urban areas. The financial position of class II, III and IV municipalities is so deplorable that they are only not able to make even payment of salary to its employees not to talk of providing essential civic amenities to its inhabitants. Therefore, keeping in view various aspects in general and the weak financial position of these municipalities in particular, the Commission had recommended distribution of fund in the Interim Report amongst the ULBs as under:-

85 Percent	:	on population basis among all ULBs
Additional 15 Percent	:	on population basis to class-II, class-III and class-IV ULBs.

8.28 Therefore, keeping various aspects into consideration, the Commission has decided to recommend distribution of 80% amount from share in tax revenue (except entertainment tax) among all the urban local bodies on population basis and the balance 20% amount among all the three categories of municipalities namely viz., class II, III & IV on population basis as an additional share to compensate their weak financial position to some extent. Accordingly, the share of various municipalities based on above mentioned criteria works out as depicted in Table 8.5 below.

Table 8.5

Category-wise Share of ULBs

(Rs. in Crores)

Category	No. of Institutions	2001 census Population (in lakhs)	Recommended Amount		
			80%	20%	Total
Municipal Corporations	3	38.68	109.07	0.00	109.07
Municipal Councils	11	29.93	84.41	0.00	84.41
Municipalities Class II	39	26.20	73.88	40.16	114.04
Municipalities Class III	58	17.76	50.09	27.22	77.31
Municipalities Class IV	72	14.48	40.85	22.20	63.05
Total	**183**	**127.05**	**358.30**	**89.58**	**447.88**

8.29 It is hoped that the distribution of additional 20 percent amount to class-II, class-III, and Class-IV municipalities/ Boards would enable these financially weak municipalities/ Boards to perform their basic civic functions effectively. These funds are to be utilized for upgradation of basic infrastructure, maintenance of basic civic services and discharge of their fundamental duties as per the Act.

8.30 The Commission is also of the view that entire funds may be transferred as untied grants. These funds recommended as untied grants will be utilised by the respective Urban Local Bodies on maintenance and improvement in basic civic services, upgradation of basic infrastructure, computerisation and for updating account keeping system as also to supplement the grants recommended by the Twelfth Finance Commission and as a matching share to the Urban Development/ Famine Relief activities. The urban local bodies should execute and mechanize the disposal of solid waste and other cleaning operations as per the guidelines of Twelfth Finance Commission for which at least 50% of TFC grant has been earmarked.

8.31 During the course of our examination of Jaipur Development Authority (JDA) and Urban Improvement Trusts (UITs), it has come to our notice that at the time of establishment of JDA and UITs the State Government had transferred its assets in the form of land and buildings to these organizations for taking up developmental activities in the areas falling within their jurisdiction. Further, the District Collectors were empowered to allot government lands and sawai chak lands to the JDA and UITs by charging certain percentage of DLC Rate.

8.32 There has been an unprecedented rise in the price of land in Jaipur in the last few years as a result of massive investment by various departments of the State Government /Central Government and other entrepreneurs. Consequently, in recent years, JDA has been able to mobilize sufficient revenue by sale of land vested in it by the State Government. During the course of our examination of JDA and UITs it has been revealed that the revenue by way of sale of land is on increase and there are good prospects for JDA and UITs for generating sufficient revenue by sale of land in the coming years. The Commission, therefore, is of the view that JDA should contribute 20% of the sale proceeds of the land and buildings to the Consolidated Fund of the State which may be utilised by the State for onward devolution to Urban Local Bodies and other development activities. Considering this, the Commission had recommended in its Interim Report that an amount equal to 20% of the amount realised by JDA by sale of land and buildings should be credited to the Consolidated Fund of the State. We confirm the recommendation made in our Interim Report in this regard.

INCENTIVE SCHEME FOR PANCHAYATS AND URBAN LOCAL BODIES

8.33 In the earlier chapters on Panchayat Finances and Municipal Finances, we have discussed the need for framing an incentive scheme to encourage the Panchayati Raj

Institutions and Urban Local Bodies to raise resources. The Rajasthan Panchayati Raj Act/Rules provides for levy of various taxes and recovery of fees for various services rendered and also recovery of fees from persons carrying on trades and business. However, it has been observed that most of the Gram Panchayats are shying away from levy of taxes and recovery of fees. Gram Panchayats can recover fees from petrol /diesel pump, hotel/dhaba, automobile/ repair shop and other business units in its area but this is not being recovered by the Panchayats. Despite clear provision of 2% octroi on country liquor to be deposited in concern Panchayat, it has been observed during our examination that the Excise Inspector who is responsible for ensuring 2% deposit of octroi in the concerned Panchayat Account, does not bother for this and takes no pains to ensure deposit of this income in Panchayat. This provision is more observed in its breach than in its compliance. State Government must direct the concerned department to ensure the compliance of these provisions so that Panchayat may receive its legitimate share of income under this head. The own revenue of Gram Panchayats is meagre, ranging between 1 to 2% of their total revenue from all sources. These provisions of taxes and recovery of fees have remained only in books.

8.34 Similarly, Rajasthan Municipalities Act provides for levy of obligatory and discretionary taxes by the Urban Local

Bodies, but the fact remains that the municipalities were not recovering even house tax effectively from all eligible houses even when it was not abolished. The municipalities can also recover fees by issuing of certain licenses and various permissions granted for construction work etc. But ULBs are reluctant to enforce the provisions with the result they are unable to mobilize requisite funds for providing the minimum level of civic services.

8.35 With a view to encouraging Gram Panchayats to levy taxes and recover fees, an Incentive Scheme was recommended by the Second State Finance Commission which envisaged payment of an incentive, equal to the revenue raised by the Gram Panchayat from sources which have not been exploited so far. The second State Finance Commission set apart 0.05% of net tax revenue for implementation of incentive scheme for the Gram Panchayats. The incentive grant of equal or matching amount would be admissible on raising revenue from levy of new tax/recovery of fee from new persons or organisations who have not paid the fee in the past or a tax not recovered so far. The new tax or fee mentioned here refers to the taxes and fees already provided under the Rajasthan Panchayati Raj Act/Rules. During the award period (2000-2005) of the Second State Finance Commission, a sum of Rs.11.21 crores was provided to Gram Panchayats as incentive amount. This scheme was favoured by all concerned bodies and the incentive grant equal to the amount raising revenue was provided as per guidelines to the Gram Panchayats. Yearwise details of incentive grant paid during the award period of second State Finance Commission are given in Table 8.6 below.

Table 8.6

Incentive Grant paid as Recommendation of 2nd SFC

S.No.	Year	(Rs. in Crores)
1	2000-01	-- --
2	2001-02	2.79
3	2002-03	2.31
4	2003-04	2.48
5	2004-05	3.63
	Total	**11.21**

8.36 Despite incentive scheme in vogue, no appreciable increase in the own revenue has been observed. The own revenue of Gram Panchayats still remained low and varied between 1 to 2% of total revenue of the Gram Panchayats. However, looking to the utility of the scheme for incentivising the Gram Panchayats, this Commission also feels that the Incentive Scheme would be a meaningful tool of resource mobilization and should be implemented effectively, so that the financial position of the Gram Panchayats could be improved but the amount of incentive must not only be sufficient but attractive too. The Commission after examining its operational modalities and its implication has decided to continue the Incentive Scheme to enable the PRIs in harnessing an additional own income - a step towards self reliance. The Commission therefore recommends incentive grant equal to revenue/ resource raised by levy of tax of fees untapped. Accordingly, the Commission has recommended Rs. 232.55 crores for implementation of incentive scheme by the Panchayati Raj Institutions. The distribution of incentive amount arrived at on the basis of weights have been given in Annexure - VIII.6.

8.37 The State Government may transfer the amounts recommendeded by us for implementation of the incentive scheme in the P. D. accounts of Zila Parishads so that the eligible Gram Panchayat may claim and receive incentive share from the recommendeded amount. We are recommending this much amount by way of incentive hoping that it would give a fillip to mobilize own revenue of these bodies – a welcome step in the direction of self-reliance. The Chief Executive Officer and Accounts Officer of Zila Parishad may ensure early settlement of incentive claims as a result of implementation of the incentive scheme. Such of the Gram Panchayats which raise the additional resources through untapped sources of tax would get equal amount of incentive and will be better placed as compared to the Panchayats which fail to raise resources. If the incentive scheme is given due publicity it may go a long way in creating a healthy competition for generation of revenue from own sources among Panchayats.

8.38 In case of ULBs there is ample scope for augmenting their resources because of large fiscal capacity in Urban Areas. The incentive scheme will be applied both on recovery of discretionary taxes stipulated under Section 105 of the Rajasthan Municipalities Act as well as on recovery of Urban Development Tax. Under this section, Municipalities can levy taxes on vehicles, dogs and other animals used for riding, scavenging tax, lighting tax, trade licence etc. However, recovery under these taxes is negligible. Even majority of urban local bodies are not levying /recovering these taxes at all, where as the municipalities should raise their resources by levying of these taxes and fees. We, therefore, feel that the Municipal Councils and the Municipalities falling under category II, III, and IV need to be encouraged to levy and recover these taxes of discretionary nature. Therefore, the Commission recommends payment of incentive amount equal to the recovery of discretionary taxes not levied and collected so far by the ULBs, from the incentive amount of Rs. 74.65 crores, which the Commission has recommended for being earmarked for incentive. This amount (incentive amount) should be kept with Director, Local Bodies. The Director, Local Bodies may sanction the incentive amount based on the claim of ULBs. In order to ensure the recovery of pending areas of assessed and uncollected house tax, we recommend that all ULBs including the Corporations shall be illegible for this incentive provided they recover more than 30% of their outstanding amount. A separate scheme may be prepared by Director, Local Bodies to give incentive to individual official effecting recovery after getting approval of the State Government. Incentive money to officials will also be paid from the incentive amount earmarked for this purpose.

ELEVENTH FINANCE COMMISSION GRANTS

8.39 The Eleventh Finance Commission had recommendeded grants amounting Rs.490.95 crores for the Panchayati Raj Institutions and Rs.99.42 crores for the Urban Local Bodies for the period 2000-05. The State Government has released Rs. 490.95 crores to Panchayati Raj Institutions and Rs. 99.30 crores to Urban Local Bodies during the award period as per year wise details are given in Table 8.7.

Table 8.7

Release of Grant under EFC Award

(Rs. in Lakhs)

Year	Released by Govt. of India			Released by Govt. of Raj.		
	PRIs	ULBs	Total	PRIs	ULBs	Total
2000-01	4909.48	994.16	5903.64	4909.48	994.16	5903.64
2001-02	14728.44	2982.48	17710.92	14728.40	2982.48	17710.92
2002-03	4909.48	994.16	5903.64	4909.48	994.16	5903.92
2003-04	0.00	1988.32	1988.32	0.00	1988.32	1988.32

2004-05	24547.40	2971.06	27518.46	24547.40	2971.06	27518.46
Total	**49094.80**	**9930.18**	**59024.98**	**49094.80**	**9930.18**	**59024.98**

8.40 It is pertinent to mention here that there is a shortfall of Rs.0.12 crores in release of Urban Local Bodies grants, though the State Government has released entire amount as released by Government of India. The Eleventh Finance Commission grant was mainly to be utilized for maintenance of accounts of Gram Panchayats, Panchayat Samities and creation of data bank, besides, maintenance of core civic services by Gram Panchayats and Urban Local Bodies.

TWELFTH FINANCE COMMISSION GRANTS

8.41 The Twelfth Finance Commission has recommended grants amounting Rs.1230 crores for the Panchayati Raj Institutions and Rs.220 crores for the Urban Local Bodies for the period 2005-10. The allocation amongst various ULBs and PRIs would be made by the State Government as per criteria to be laid down by this Commission. Therefore, we recommend that the TFC grants for ULBs and PRIs may also be distributed on the basis of criteria and norms recommended by this Commission for devolution of Funds under SFC Award. However, as per recommendation of TFC, at least 50% of grants-in-aid provided to the Urban Local Bodies would be earmarked for the scheme of solid waste management through public private partnership to enhance service delivery of solid waste management services in the Urban areas. The municipalities should concentrate on collection, segregation and transportation of solid waste. The cost of these activities whether carried out in house or out sourced could be met from the TFC grants. TFC has urged that States may require municipalities of towns of over 1,00,000 population as per 2001 census to prepare comprehensive scheme including composting of waste into energy programmes to be undertaken in the public - private sector for appropriate funding from the grants recommended by the TFC.

8.42 The Twelfth Finance Commission felt that grants for PRIs should be used to improve the service delivery by the Panchayats in respect of water supply and sanitation Panchayats need to be encouraged to take over water supply, assets created under the Swajaldhara programme and maintain them with the help of these grants.

8.43 TFC has further felt it to be imperative that high priority need to be assigned to creation of database and maintenance of accounts at the grass root level.

8.44 Besides, the TFC has also recommended best practices for augmenting the resources of the PRIs based on a study conducted by the TFC and have recommended them for adoption by the States. The best practices, *inter alia*, includes the following:-

(i) Levy of certain major taxes and exploitation of non-tax revenue sources be made obligatory for the Panchayats. The minimum rates for all such levies be fixed by the State Government.

(ii) A minimum revenue collection from the Panchayat taxes be insisted.

(iii) Incentive grants related to revenue collection beyond a prescribed minimum be introduced by the State Government.

(iv) User charges be made obligatory levies.

(v) All common property resources vested in the Village Panchayat may be identified, listed and made productive of revenue.

(vi) Valuation of taxable lands and buildings should be done by a separate cell in the Panchayati Raj Department and not left to the Panchayats.

(vii) Powers to levy tax /surcharge / cess on agricultural holdings should be given to the intermediate or district Panchayats.

(viii) Revenue transfers from the States to Panchayats in the form of revenue sharing /revenue assignment be made statutory in nature.

(ix) State Government should desist from unilaterally taking decisions in regard to revenues whose proceeds are to be transferred either in full or in part to the Panchayats.

(x) The quantum of revenue that a panchayat can reasonably expect under the revenue sharing mechanism should be predictable.

(xi) State Government should adhere to its commitment in regard to the grants in aid; all untied grants to the panchayats should be made statutory in nature.

(xii) The maintenance of accounts by the Panchayat be standardised; Panchayat Department officials should not be made statutory auditors of the village Panchayats; the accounts of the intermediate and district Panchayats be subjected to audit by Comptroller and Auditor General (C & AG).

(xiii) A performance audit system be adopted.

8.45 This Commission feels that these practices as recommended by TFC should be followed by PRIs.

GAP IN RESOURCES OF PRIs AND ULBs

8.46 In the chapter on Panchayat Finances we had worked out additional requirement of all the three tiers of Panchayati Raj Institutions at Rs.1727.61 crores (after adjusting the TFC Award) for proper discharge of various functions. We have recommended devolution of Rs. 1627.82 crores for the PRIs leaving a small gap of Rs. 99.79 crores. The Commission expects the Panchayati Raj Institutions to raise resources during the award period not only to cover this small gap but also to raise their resources further.

8.47 In the case of Urban Local Bodies while there are different methods of assessing the requirements of funds, the Commission has decided to adopt the revenue gap method and has assessed the revenue gap at Rs. 886.80 crores as discussed in Chapter VI on Municipal Finances. However, the Commission has tried to strike a balance between the requirements of PRIs and ULBs and the feasibility of availability of resources by the State Government for devolution to these bodies. Again, while the requirement of Urban Local Bodies are more as compared to the amount recommended by us, but we have recommended only Rs. 522.53 crores as these bodies must mobilize the balance of resources at their own level . Therefore, considering the vast potential of revenue mobilisation, the gap of Rs. 364.27 crores for the Urban Local Bodies is not difficult to be bridged.

8.48 The Commission has framed an incentive scheme to encourage the ULBs to raise resources from untapped tax/non-tax sources and has also recommended Rs. 74.65 crores for payment of incentive amount on raising of additional resources. It is hoped that ULBs would take necessary measures to mobilize more resources and claim incentives.

RECOMMENDATIONS & SUGGESTIONS

8.49 Looking to the minimum requirement of Panchayati Raj Institutions and Urban Local Bodies the Commission recommends a total devolution of Rs. 2230.97 crores consisting 3.50% share in state's net own tax revenue (excluding entertainment tax), 100% share in entertainment tax for Urban Local Bodies and 1% share in royalty receipts from minerals for Gram Panchayats for the award period 2005-10. This has also been agreed by State Government on recommendation of Second SFC. (1% share in royalty)

8.50 Out of the devolution of Rs. 2230.97 crores, Rs. 34.40 crores representing 100% net share of entertainment tax is to be devolved to the Urban Local Bodies in proportion to collection of entertainment tax from their respective areas and Rs.46.22 crores representing 1% of net royalty receipts from minerals to the Gram Panchayats in proportion of royalty collection in the concerned districts. Further distribution amongst the Gram Panchayats of the district may be made from the funds given to district for this purpose on the basis of royalty collected from the areas of respective Gram Panchayats.

8.51 Distribution of the devolved amount of Rs. 2150.35 crores representing net own tax revenue (excluding entertainment tax), between the Panchayati Raj Institutions and Urban

Local Bodies is to be made in the population ratio of 75.7% and 24.3% respectively, based on estimated population as on 1st March, 2005. However, for further distribution of the devolved share amongst the three tiers of PRIs the department could use 2001 census figures till projected population figures of Gram Panchayats and Panchayat Samities are made available. However, *inter-se* distribution amongst various urban local bodies has been made in the proportion of respective population of these institutions as per census 2001.

8.52 Based on the population ratio of 75.7% and 24.3% the share of Panchayati Raj Institutions and Urban Local Bodies, from Rs. 2150.35 crores, works out to Rs. 1637.82 crores and Rs. 522.53 crores, respectively. These amounts include incentive amount of Rs. 232.55 crores for PRIs and Rs. 74.65 crores for ULBs to be given for raising resources from untapped sources to the Gram Panchayats and Urban Local Bodies excluding the Municipal Corporations.

8.53 As regards distribution of the divisible share of PRIs amongst the districts the Commission has decided to adopt the parameters of rural population with 60% weight, geographical area with 20% weight, poverty represented by number of families living below poverty line with 5% weight, illiteracy rate with 5% weight. ST population with 5% weight and SC population with 5% weight. While working out these parameters and weights the district has been taken as the unit.

8.54 Distribution of share in tax amount among the three tiers of PRIs, the Commission has decided to continue to apportion 85% to Gram Panchayats, 12% to Panchayat Samities and 3% to Zila Parishads as was recommended in our Interim Report. These funds are to be given to these institutions as untied for upgradation and maintenance of civic services, creation of civic facilities etc. and should not be utilised for payment of salaries, arrears of salary, GPF etc. in any case.

8.55 For distribution of divisible funds among the urban local bodies, the Commission has decided to adopt population criteria with population figure of 2001 census. The Commission has further decided to recommend distribution of 80% share to all the urban local bodies on population basis and 20% additional amount to the municipalities falling in class II,III and IV looking to their narrow resource base and weak financial position. The additional share of II, III and IV class municipalities has been raised from 15% (earlier recommended by us in our Interim Report) to 20% in view of their pathetic financial position. These funds are to be utilised by these bodies for upgradation and maintenance of basic civic services.

8.56 The Commission has framed an incentive scheme for raising resources by the Gram Panchayats and ULBs from unexplored sources. For the implementation of the incentive scheme, the Commission has recommended incentive amount of Rs. 232.55 crores for the Gram Panchayats to be kept in the PD Accounts of Zila Parishads and Rs. 74.65 crores to be placed at the disposal of Director Local Bodies. The incentive scheme recommended by us envisages release of incentive amount equal to the tax and non-tax revenue raised by Gram Panchayats from sources not tapped so far.

8.57 Payment of incentive amount equal to the revenue raised from new source of tax/fees by the Gram Panchayats is to be made from out of the amount proposed to be transferred and placed in the Personal Deposit Account of Zila Parishads. The Chief Executive Officer and Accounts Officer of respective Zila Parishad may sanction incentive amount after due verification on receipt of claim from the Gram Panchayats.

8.58 In case of Urban Local Bodies the incentive amount is to be paid to the Corporation, Councils & Municipalities equal to the revenue raised from discretionary taxes and fees not impose so far.

8.59 In case of Urban Local Bodies the payment of incentive amount equal to the revenue raised from discretionary taxes/fees, sources not taped so far is to be made out of Rs. 74.65 crores which may be placed at the disposal of Director Local Bodies in a P.D. Account to be opened for this purpose.

8.60 The Commission has tried to make the incentive scheme as simple as possible so as to be operationally feasible. The State Government is requested to place the recommended funds with the Zila Parishad and Local Bodies Department as early as possible, so that the scheme may become operational and the Gram Panchayats and ULBs may be encouraged to raise resources from measures not tapped so far. The Gram Panchayats and ULBs are to raise these resources from the tax and non-tax measures which are already provided under the Rajasthan Panchayati Raj Act/Rules and the Rajasthan Municipalities Act/Rules.

8.61 The Gram Panchayats and ULBs are expected to avail maximum share from the incentive amount. The Gram Panchayats and Urban Local Bodies which raise revenues from untapped sources will be benefited from equal incentive amount as compared to those which fail to raise resources and claim incentive.

8.62 The Commission feels that the Gram Panchayats should get some share in mineral royalty as mining activities do create environmental hazards for the people living near mineral areas and increases pressure on civic services. Accordingly, the Commission has recommended devolution of 1% of net royalty receipts among the Gram Panchayats of the respective district.

8.63 The Commission has examined various aspects of Twelfth Finance Commission grants and recommends that the grants meant for maintenance of core civic services may be disbursed to Gram Panchayats on the criteria of population, geographical area, poverty, illiteracy population of SC/ST weights as recommended by the Commission. Similarly, 80% of the TFC grants meant for urban local bodies may also be distributed on population basis to all the ULBs and 20% extra to the municipalities falling in category – II,III and IV on population basis. Out of total grant to Urban Local Bodies at least 50% grant will be utilised for solid waste management.

8.64 The Eleventh Finance Commission had recommended grants for maintenance of accounts of Gram Panchayats and creation of database both of PRIs and ULBs. This work was to be undertaken under the overall supervision of C&AG. As we have mentioned earlier the accounts and financial database of PRIs and ULBs are in a very poor shape and the Commission have faced tremendous problems in collection of financial data from these bodies. The State Government may, therefore, by an order in writing make Local Bodies Department and Panchayati Raj Department responsible for collection, compilation of the data and making the same available to State Finance Commissions.

8.65 As a result of our assessment of requirements of PRIs and ULBs and the devolution recommended by us there remains a gap of Rs. 99.79 crores in case of PRIs and Rs. 364.30 crores in case of ULBs. We expect these institutions to cover this gap by raising additional resources as the State Government is not in a position to provide the entire amount required by these institutions for maintenance of civic services. We have framed an incentive scheme to encourage the PRIs and ULBs to raise resources and expect that these institutions will take full advantage of the incentive scheme.

8.66 With the devolution of Rs. 1674.04 crores among the PRIs and Rs. 556.93 crores among the ULBs the per capita amount of devolution for the award period would work out to Rs. 360 in case of Panchayati Raj Institutions and Rs. 421.76 in case of Urban Local Bodies based on 2001 population.

8.67 Because of increased population the work load related to cleaning, scavenging, solid waste management, maintenance of road, street lighting and other civic facilities in urban area has increased. In urban areas, it is recommended that ULB may contract out these services to the extent possible to ensure better delivery of civic services as well as it would help in cost saving, which in turn improve the finances of ULBs to some extent.

8.68 During our visits to the districts the elected representatives of both Panchayati Raj Institutions and Urban Local Bodies mentioned about the delay in releases of funds by the State Government and ban on withdrawals from their Personal Deposit Accounts even after releases have been made. This fact has also been verified from the study undertaken by the Commission itself. It was observed that there are 3-4 months delay in release and transfer of funds to Gram Panchayats. The Commission feels concerned over the issue. We, therefore, recommend that the State Government should transferred the amounts recommended by us to the Panchayati Raj Institutions and Urban Local Bodies in time and there should be no ban on withdrawals of the funds once release

8.69 The recommendations made by us in our Final Report and the amounts recommended for devolution are to remain operative during the award period 2005-10. The amount already released by the State Government to Panchayati Raj Institutions and Urban Local Bodies based on our interim report may be adjusted from the funds recommended in the final report. The categorywise, year-wise and item-wise total devolution of funds recommended by us as also the total amounts to be devolved on the recommendations of Twelfth Finance Commission for Panchayati Raj Institutions and Urban Local Bodies during the award period has been given in subsequent chapter.

CHAPTER – IX

YEARWISE DEVOLUTION AND SUMMARY OF RECOMMENDATIONS

9.1 YEAR-WISE TOTAL DEVOLUTION OF FUNDS

(Rs. in Crores)

S. No.	Items	2005-06	2006-07	2007-08	2008-09	2009-10	Total
I.	Share in net tax revenue except entertainment tax (3% of net proceeds)	277.54	317.12	362.25	413.76	472.48	1843.15
II.	Incentive amount (0.50% of net tax proceeds)	46.25	52.85	60.39	68.96	78.75	307.20
III.	Share in entertainment tax (100% of net proceeds for ULBs)	7.64	7.24	6.86	6.50	6.16	34.40
IV.	Share in mineral royalty (1% of net receipts) for Gram Panchayats)	6.78	7.84	9.06	10.46	12.08	46.22
	Grand total (I+II+III+IV)	**338.21**	**385.05**	**438.56**	**499.68**	**569.47**	**2230.97**

9.2 YEAR-WISE SHARE OF PANCHAYATI RAJ INSTITUTIONS

(Rs. in Crores)

S. No.	Items	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	**Gram Panchayats**						
(i)	Share in tax	178.59	204.05	233.09	266.23	304.02	1185.98
(ii)	Incentive amount	35.01	40.01	45.72	52.2	59.61	232.55
(iii)	Royalty from minerals	6.78	7.84	9.06	10.46	12.08	46.22

	Total Gram Panchayats	**220.38**	**251.9**	**287.87**	**328.89**	**375.71**	**1464.75**
II	Panchayat Samiti						
(i)	Share in tax	25.21	28.81	32.90	37.59	42.92	167.43
III	Zila Parishads	6.30	7.20	8.23	9.40	10.73	41.86
	Grand total (I+II+III)	**251.89**	**287.91**	**329**	**375.88**	**429.36**	**1674.04**

9.3 YEAR-WISE SHARE OF URBAN LOCAL BODIES

(Rs. in Crores)

S. No.	**Items**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Total**
1.	Share in tax						
(i)	Corporations	16.42	18.77	21.44	24.48	27.96	109.07
(ii)	Councils	12.71	14.52	16.59	18.95	21.64	84.41
(iii)	Municipalities Class-II	17.18	19.62	22.42	25.6	29.23	114.04
	Municipalities Class-III	11.64	13.3	15.19	17.36	19.82	77.31
	Municipalities Class-IV	9.49	10.85	12.39	14.15	16.15	63.05
	Total	**67.44**	**77.06**	**88.03**	**100.54**	**114.8**	**447.88**
II	Incentive amount	11.24	12.84	14.67	16.76	19.14	74.65
III	Share in entertainment tax (100% of net proceeds)	7.64	7.24	6.86	6.50	6.16	34.40
	Total (I+II+III)	**86.32**	**97.14**	**109.56**	**123.8**	**140.11**	**556.93**
A	Total PRIs	251.89	287.91	329	375.88	429.36	1674.04

B	Total ULBs	86.32	97.14	109.56	123.8	140.11	556.93
	Total A+B	**338.21**	**385.05**	**438.56**	**499.68**	**569.47**	**2230.97**

9.4 YEAR-WISE DISTRIBUTION OF TFC GRANTS

(Rs. in Crores)

S. No.	Items	2005-06	2006-07	2007-08	2008-09	2009-10	Total
A	Gram Panchayats for Civic Services, Data base & Maintenance of Accounts	246.00	246.00	246.00	246.00	246.00	1230.00
	Total-A	246.00	246.00	246.00	246.00	246.00	1230.00
B	Urban Local Bodies						
	For civic services, Data base & Maintenance of Accounts						
	(i) Corporations	10.276	10.276	10.276	10.276	10.276	51.380
	(ii) Councils	7.950	10.276	10.276	10.276	10.276	39.750
	(iii) Municipality II	9.628	9.628	9.628	9.628	9.628	48.140
	(iv) Municipality III	6.528	6.528	6.528	6.528	6.528	32.640
	(v) Municipality IV	5.326	5.326	5.326	5.326	5.326	26.630
	Total B	**44.00**	**44.00**	**44.00**	**44.00**	**44.00**	**220.00***
	Total A+B	**290.00**	**290.00**	**290.00**	**290.00**	**290.00**	**1450.00**

* At lest 50% is to be earmarked for solid waste management services.

SUMMARY OF SUGGESTIONS AND RECOMMENDATIONS

9.5 We strongly recommend engaging a full time qualified computer friendly graduate in each Gram Panchayat, besides qualified Gram Sawek. The payment to these personnel will be made out of the devolution amount recommended by us.

(Para 2.36)

9.6 The Commission recommends to the State Government to invoke its duties and powers enshrined in Sub Section (3) and Sub Section (4) of Section 65, wherever necessary, to enable the Gram Panchayat to render services mainly for rural cleanliness and sanitation and other essential functions.

(Para 2.64)

9.7 The Commission recommends that the State Government must withdraw the circular related to the prohibiting of the allotment of new areas of Major & Minor Minerals in Scheduled Notified Areas (SNA).

(Para 2.78)

9.8 The Commission recommends that the State Government must ensure through the Panchayati Raj Department that the provisions of Sub Section (3) & (4) of Section 8 A of the Act '94 are mandatorily followed by the Sarpanchas of the Gram Panchayats by convening a meeting of the Gram Sabha in the first and last quarter of the financial year on the subjects mentioned in the Sub Section (3) & (4) of Section 8A.

(Para 2.86)

9.9 The Commission recommends an amendment in Sub Section (6) of Section 8 A of the Act, 1994, so that the resolutions of the Gram Sabha are not treated as only “suggestions” but should be mandated to be obeyed in compliance to the extent feasible.

(Para 2.88)

9.10 The Commission recommends that to enable the Ward Panchas to effectively participate in the proceedings and decisions of the Gram Panchayat, the State Government must send a copy of each sanction of amount sent to each tier of the PRIs under various Rural Development Schemes and other devolutions made to Gram Panchayat by T.F.C. and S.F.C. and the State Government and Central Government directly to the PRIs.

(Para 2.89)

9.11 Looking to the District-wise requirement of small and big tanks transferred to PRIs in various districts, the Commission recommends that Government should consider transfer of Rs. 32.20 crores out of the Budget of Irrigation Department to the PRIs as per the tanks transferred to them.

(Para 2.111)

9.12 The Finance Department should lay down at the earliest the procedure for recovery of surcharge on stamp duty and mandi tax and issue appropriate instructions for their recovery and credit to PD Account of Zila Parishad as provided under the PR Act/Rules so as to facilitate the additional resources mobilization at the PRIs level.

(Para 5.62)

9.13 The Commission feels seriously concerned over the massive arrears of house tax. The records of pending amount of arrears are not complete in some of the ULBs and Director Local Bodies, on being asked, was unable to furnish the amount of arrears of House Tax which need to be recovered. The Commission, therefore, recommends that the outstanding amount needs to be recovered expeditiously by incentivising the staff.

(Para 6.20)

9.14 It would be in keeping with the spirit of 74th Constitutional Amendment, if power of revision of rates are decentralized and conferred on ULBs by Act and/ or by Rules. The Commission recommends the same.

(Para 6.21)

9.15 The Commission would recommend to the State Government to fulfill its promise with regard to grant of octroi compensation with 10% annual increase. The octroi compensation needs to be restored from the year 2008-09. The octroi compensation rate of 10% per annum increase should be maintained.

(Para 6.26)

9.16 The Commission is of the considered opinion that providing street lights is an obligatory municipal function and ULBs have to discharge this function under all circumstances. As the financial position of majority of municipal bodies is quite deplorable and does not permit them to make payment of outstanding dues of electricity. Therefore, the Commission recommends that the State Government may consider the burden of Electricity Bills of all ULBs for providing street lighting and take a conscious decision to solve this problem. Surcharge on electricity duty to the extent of meeting the street lighting bill of ULBs can be considered in this regard.

(Para 6.30)

9.17 It has also been brought in the notice of the Commission that proposals sent to the Government for imposing discretionary taxes, languish for years in the Directorate and the concerned department. The Commission recommends that State Government must facilitate such discretionary tax proposals by according timely sanction and by issuing relevant Notification in the Gazette.

(Para 6.31)

9.18 The general purpose per capita grant which is being released on census figures of 1991 should be released on census figures of 2001.

(Para 6.40)

9.19 This Commission would like to recommend that in order to ensure correct maintenance of accounts at the Panchayat level following steps need be taken:

(1) Computer friendly graduate person should be provided to all the Gram Panchayats

(2) The Gram Saweks/ Secretaries who are already working in the Panchayats should be provided an intensive training in

appropriate accounting system and such trainings must take place at regular intervals.

(Para 7.17)

9.20 The Commission recommends that the Sarpanch should be kept free from the botheration of handling cash, or keep accounts books and other Panchayat records. The Commission further recommends that the Gram Sawek cum Secretary and computer friendly person should be properly trained so as to be capable and responsible to handle cash and maintain prescribed accounts records as also able to operate the Computer.

(Para 7.18)

9.21 Junior Accountants/ Accountants, as the case may be, posted in Panchayat Samities may be made responsible for overseeing the timely preparation and maintenance of accounts by the Gram Sewak/ Panchayat personnel. The work of overseeing the preparation and maintenance of accounts at the Panchayat level may be divided among the Accounts Staff posted in the respective Panchayat Samities. This will help in timely preparation and maintenance of accounts.

(Para 7.23)

9.22 The asset register of the Gram Panchayat is to be kept at both Gram Panchayat and Panchayat Samiti levels. Panchayat

Samiti staff should carry out physical verification of such assets twice in a year.

(Para 7.23)

9.23 The Commission has unanimously decided to recommend the devolution of 3.50% of the net proceeds of State's own tax revenue to PRIs and ULBs. Out of this, 0.50% share will be earmarked for incentive to these local bodies for mobilizing revenue from their own sources.

(Para 8.4)

9.24 Based on the recommended percentage of devolution, i.e., 3.50%, share of Entertainment Tax and Mineral Royalty, Commission has decided to recommend total devolution of Rs. 2230.97 crores to the Panchayati Raj Institutions and Urban Local Bodies during the award period 2005-10, as per following break up:-

(Rs. in Crores)

(i)	3.50% of State's own net tax revenue (of Rs. 61438.43 crores) excluding entertainment tax as per following:-		2150.35
	(a) 3% as untied share in tax	1843.15	
	(b) 0.50% incentive amount for raising resources	307.20	
(ii)	100% of net proceeds from entertainment tax (of Rs. 34.40 crores)		34.40
(iii)	1% of net receipts from royalty on minerals (of Rs. 4622.60 crores)		46.22
	Total (i), (ii) and (iii)		**2230.97**

(Para 8.7)

9.25 As per canons of taxation a tax, the effect of which, is local in nature and does not spread beyond its boundaries, should belong to local bodies Entertainment Tax is one such tax. Therefore, this Commission recommends that entire net proceeds from entertainment tax be transferred to the Urban Local Bodies based on collection in their areas.

(Para 8.14)

9.26 After considering various aspects of the matter, this Commission has decided to recommend transfer of 1% of net receipts from royalties on minerals, both, major and minor, to the Gram Panchayats of the area from where minerals are extracted / royalties recovered. The actual amount for disbursement may, however, be arrived based on net realisation of royalty from the respective districts.

(Para 8.17)

9.27 The Commission has decided to recommend distribution of Rs. 1843.15 crores representing share in net tax revenue (excluding entertainment tax) between the Panchayati Raj Institutions and Urban Local Bodies on the basis of rural-urban population ratio of 75.7% and 24.3% respectively. The Commission has also decided to provide Rs. 307.20 crores by way of incentive amount to Gram Panchayats and Urban Local Bodies for raising revenues from untapped sources. Based on the above the share of Panchayati Raj Institutions and Urban

Local Bodies in the net tax revenue (excluding entertainment tax), share in entertainment tax and mineral royalty would work out as follows:

(Rs. in Crores)

	Particulars	PRIs Share	ULBs Share	Total
(i)	Share in net tax revenue excluding entertainment tax @ 3%	1395.27	447.88	1843.15
(ii)	Incentive amount from net tax revenue excluding entertainment tax @ 0.50%	232.55	74.65	307.20
(iii)	Entertainment Tax (100% of net revenue)	0.00	34.40	34.40
(iv)	Share in Royalty Receipts @ 1% of net receipts	46.23	0.00	46.23
	Total (i) to (iv)	**1674.05**	**556.93**	**2230.98**

(Para 8.18)

9.28 The Commission examined the various socio-economic parameters *denovo* for district wise distribution of funds for PRIs. After analysing the various socio-economic indicators in depth, the Commission has decided to adopt the following parameters for district-wise distribution of funds for onward devolution to PRIs:

60 Percent	**:**	Population;
20 Percent	**:**	Geographical Area;
5 Percent	**:**	Poverty represented by number of families living below poverty line;
5 Percent	**:**	Level of illiteracy;
5 Percent	**:**	S.C. Population; and
5 Percent	**:**	S.T. Population

(Para 8.21)

9.29 For further distribution of PRIs share of net own tax revenue, amounting to Rs. 1395.27 crores amongst the three tiers, namely, Gram Panchayats, Panchayat Samities and Zila Parishads, the Commission has decided to continue the same ratio, i.e., 85% to Gram Panchayats, 12% to Panchayat Samities and 3% to Zila Parishads as adopted by the second State Finance Commission.

(Para 8.23)

9.30 The Commission has decided not to bifurcate the recommended amount of share in taxes and royalty receipts of Panchayat Raj Institutions into various purposes except the incentive amount which would be payable on mobilizing of their own resources on matching basis to the Gram Panchayats.

(Para 8.25)

9.31 The Commission recommends that the funds being recommended by us be transferred as untied grants to be utilised by the Panchayati Raj Institutions for creation, upgradation, maintenance of basic civic services, repair and maintenance of buildings including school buildings, promotion of elementary education among girls, better supervision and monitoring of various rural development schemes in their respective jurisdictions which is mainly and wholly dependent on the active participation of the members of the PRIs in the meeting of their respective PRIs. The Commission, therefore, recommends that the Ward Panchas of Gram Panchayats, Members of Panchayat Samities and Zila Parishads will be entitled to be paid for their attending the meetings of their respective tiers of PRIs from the funds devolved to the PRIs on the recommendation of this Commission. We, however, would like to mention that these funds shall not be utilised for Boundary Walls (except school boundary walls), Community Halls, Chabutras, Swagat Dwars and Hathai etc. While working out the requirements the Commission has also considered creation of civic facilities like bus sheds, toilets, water huts, etc., which are lacking in small rural areas. Similarly, the Commission has also felt the need for training of newly elected public representatives regarding government functioning and implementation of various rural development schemes, and has recommended suitable amount for the purpose. The Commission expects the utilization of such funds for creation of these facilities and training of public representatives. The Commission further recommends that the amounts should not be utilized for payment of salaries or arrears of salaries, pension, GPF etc. to staff.

(Para 8.25)

9.32 Keeping various aspects into consideration, the Commission has decided to recommend distribution of 80% amount from share in tax revenue (except entertainment tax) among all the urban local bodies on population basis and the balance 20% amount among all the three categories of municipalities namely viz., Class II, III & IV on population basis as an additional share to compensate their weak financial position to some extent.

(Para 8.28)

9.33 The Commission is also of the view that entire funds may be transferred as untied grants. These funds recommended as untied grants will be utilised by the respective Urban Local Bodies on maintenance and improvement in basic civic services, upgradation of basic infrastructure, computerisation and for updating account keeping system as also to supplement the grants recommended by the Twelfth Finance Commission and as a matching share to the Urban Development activities / Famine Relief activities. The urban local bodies should execute and mechanise the disposal of solid waste and other cleaning operations as per the guidelines of Twelfth Finance Commission for which at least 50% of TFC grant has been earmarked.

(Para 8.30)

9.34 The Commission has recommended that JDA should contribute 20% of the sale proceeds of the land and property to the Consolidated Fund of the State which would be utilised by the State for onward devolution to Urban Local Bodies and other development activities. Considering this, the Commission had recommended in its Interim Report that an amount equal to 20% of the amount realised by JDA by sale of land and property should be credited to the Consolidated Fund of the State. We confirm the recommendation made in our Interim Report in this regard.

(Para 8.32)

9.35 The Commission after examining its operational modalities and its implication has decided to continue the Incentive Scheme to enable the PRIs in harnessing an additional own income - a step towards self reliance. The Commission, therefore, recommends an incentive grant equal to revenue/ resource raised by levy of tax on untapped/ sources raised by the PRIs. However, the Government should accord approval to the proposal for levying of tax by PRIs on priority basis. The Commission has recommended Rs. 232.55 crores for implementation of incentive scheme by the Panchayati Raj Institutions.

(Para 8.36)

9.36 The Commission recommends payment of incentive amount equal to the recovery of discretionary taxes not levied and collected so for by the ULBs, from the incentive amount of Rs. 74.65 crores, which the Commission has recommended for being earmarked for incentive.

(Para 8.38)

9.37 Out of the devolution of Rs. 2230.97 crores, Rs. 34.40 crores representing 100% net share of entertainment tax is to be devolved to the Urban Local Bodies in proportion to collection of entertainment tax from their respective areas and Rs.46.22 crores representing 1% of net royalty receipts from minerals to the Gram Panchayats in proportion of royalty collection in the concerned districts.

(Para 8.50)

9.38 Distribution of the devolved amount of Rs. 2150.35 crores representing net own tax revenue (excluding entertainment tax), between the Panchayati Raj Institutions and Urban Local Bodies is to be made in the population ratio of 75.7% and 24.3% respectively, based on estimated population as on 1st March, 2005.

(Para 8.51)

9.39 As regards distribution of the divisible share of PRIs amongst the districts the Commission has decided to adopt the parameters of rural population with 60% weight, geographical area with 20% weight, poverty represented by number of families living below poverty line with 5% weight, illiteracy rate with 5% weight. S/T population with 5% weight and S/C population with 5% weight. While working out these parameters and weights the district has been taken as the unit.

(Para 8.53)

9.40 Distribution of share in tax amount among the three tiers of PRIs, the Commission has decided to continue to apportion 85%

to Gram Panchayats, 12% to Panchayat Samities and 3% to Zila Parishads as was recommended in our Interim Report.

(para 8.54)

9.41 For distribution of divisible funds among the urban local bodies, the Commission has decided to adopt population criteria with population figure of 2001 census. The Commission has further decided to recommend distribution of 80% share to all the urban local bodies on population basis and 20% additional amount to the municipalities falling in class II,III and IV looking to their narrow resource base and weak financial position. The share of II, III and IV class municipalities has been raised from 15% (earlier recommended in our interim report) to 20% in view of their pathetic financial position.

(Para 8.55)

9.42 For the implementation of the incentive scheme, the Commission has recommended that incentive amount of Rs. 232.55 crores for the Gram Panchayats to be kept in the PD Accounts of Zila Parishads and Rs. 74.65 crores for the ULBs may be placed at the disposal of Director Local Bodies in a P.D. Account to be opened for this purpose.

(Para 8.56 & 8.60)

9.43 The Commission has examined various aspects of Twelfth Finance Commission grants and recommends that the grants meant for maintenance of core civic services may be disbursed to Gram Panchayats on the criteria of population, geographical area, poverty, illiteracy population of SC/ST weights as recommended by the Commission. Similarly, 80% of the TFC grants meant for urban local bodies may also be distributed on population basis to all the ULBs and 20% extra to the municipalities falling in category – II,III and IV on population basis. Out of total grant to Urban Local Bodies at least 50% grant will be utilised for solid waste management.

(Para 8.64)

9.44 The Eleventh Finance Commission had recommended grants for maintenance of accounts of Gram Panchayats and creation of database both of PRIs and ULBs. This work was to be undertaken under the overall supervision of C&AG. As we have mentioned earlier the accounts and financial database of PRIs and ULBs are in a very poor shape and the Commission have faced tremendous problems in collection of financial data from these bodies. The State Government may, therefore, by an order in writing make Local Bodies Department and Panchayati Raj Department responsible for collection, compilation of the data and making the same available to State Finance Commissions.

(Para 8.64)

9.45 Because of increased population the work load related to cleaning, scavenging, solid waste management, maintenance of road, street lighting and other civic facilities in urban area has increased. In urban areas, it is recommended that ULB may contract out these services to ensure better delivery of civic services, as it would help in cost saving, which in turn improve the finances of ULBs to some extent.

(Para 8.67)

9.46 We recommend that the State Government should transfer the amounts recommended by us to the Panchayati Raj Institutions and Urban Local Bodies in time and there should be no ban on withdrawals of the funds once released.

(Para 8.68)

9.47 The recommendations made by us in our Final Report and the amounts recommended for devolution are to remain operative during the award period 2005-10. The amount already released by the State Government to Panchayati Raj Institutions and Urban Local Bodies based on our interim report may be adjusted from the funds recommended in the final report.

(Para 8.69)

OTHER RECOMMENDATIONS & SUGGESTIONS

9.48 The Commission recommends that the activities/subjects as listed in the Eleventh Schedule of the Constitution and in Sections 50, 51 and 52 of the Rajasthan Panchayati Raj Act, 1994, need to be transferred to the respective PRIs alongwith the budget, staff and the other logistic support so that these institutions could effectively undertake the functions assigned to them under the Constitution and the Rajasthan Panchayati Raj Act at their level.

As recommended in Chapter II on Panchayati Raj Institutions in Rajasthan, we recommend transfer of the following core subjects alongwith funds, functions and functionaries to PRIs:-

(i) Agriculture
(ii) Minor Irrigation
(iii) Education
(iv) Public Health
(v) Animal Husbandry
(vi) Dairy and Poultry
(vii) Social Forestry and Agro Forestry
(viii) Miner Forest Produce

9.49 The State Government should release grant in lieu of octroi to the PRIs who were collecting octroi before its abolition. It has come to the notice of the Commission that in case of PRIs (who were collecting octroi before abolition) either the octroi grant has been discontinued or is being given at the scale of 1999- 2000 without 10% annual increase. The Commission recommends that the PRIs (who were collecting octroi before abolition) should also be given 10% annual increase and the same norms should apply to them as in the case of ULBs.

9.50 The Commission recommends training of newly elected representatives, particularly for those who have been elected for the first time.

9.51 Since the regular training takes some time the Commission feels and recommends that some funds be placed at the disposal of Zila Parishad for organizing training programmes for newly elected Ward Panchas/Sarpanchas, Members of Panchayat Samities, Zila Parishads and other elected public representatives.

(Manik Chand Surana)
Chairman

(Jeet Ram)
Member

(Khusveer Singh)
Member

(Ramavatar)
Member Secretary

Annexure- I.1
(para-1.10)

Government of Rajasthan
Finance Department
(Economic Affairs Division)

NOTIFICATION

The following order made by the Governor is published for general information: -

ORDER

In pursuance of the provision of Articles 243-I and 243-Y of the Constitution of India and the Rajasthan Panchayati Raj Act, 1994 and the Rajasthan Municipalities Act, 1959 [as amended vide Rajasthan Municipalities (Amendment) Act, 1994] the Governor is pleased top constitute a State Finance Commission consisting of Shri Manak Chand Surana, Ex-Member of Legislative Assemble, as the Chairman and the following other Members, namely:-

1	Shri Jeet Ram, Member of Legislative Assembly	Member
2	Shri Khushveer Singh, Member of Legislative Assembly	Member
3	Shri Ramavatar, Retd, IAS	Member Secretary

2. The Chairman and other Members of the Commission shall hold office from the date on which they respectively assume office upto the 15th March 2006.

3. The Commission shall review the financial position of the Panchayats at all levels and make recommendations as to:

(a) the principles which should govern:

(i) the distribution between the State and the Panchayats at all levels of the net proceeds of the taxes, duties, tolls and fees livable by the State, which may be divided between them under Part-IX of the Constitution and the allocation between the Panchayats at all levels of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats at all levels; and

(iii) the gants-in-aid to the Panchayats at all levels from the Consolidated Fund of the State.

(b) the measures needed to improve the financial position of the Panchayats.

4. The Commission shall also review the financial position of the Municipalities at all levels and make recommendations as to:

(a) the principles which should govern:

(i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under Part-IX-A of the Constitution and the allocation between the Municipalities at the levels of their respective shares of such proceeds;

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Municipalities; and

(iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the State.

(b) the me3asures needed to improve the financial position of the Municipalities.

5. In making its recommendations, the Commission shall have regard, among other considerations, to:

(i) the financial resources of the State and demands thereon, keeping in view the non-plan deficit and surplus and, in particular, the need for providing adequate resources for funding the plan expenditure for the overall development of the State;

(ii) the expenditure needs of the Panchayats at all levels and Municipalities at all levels for the proper discharge of the functions and responsibilities assigned to them.

(iii) adjustment of grants available to the Municipalities at all levels and Panchayati Raj Institutions under the recommendations of the Twelfth Finance Commission in their resources;

(iv) powers available to Panchayati Raj Institutions and Municipalities at all levels for raising additional resources, including powers to levy taxes.

6. The Commission shall make its report available by 15th March 2006, on each of the matters aforesaid, covering a period of five years commencing of the 1st day of April 2005. The Commission shall indicate the basis on which it has arrived at its findings and make available the estimates of receipts and expenditure of the Panchayats and the Municipalities at all levels.

September 15, 2005
Jaipur.

Sd/-
(Pratibha Patil)
Governor of Rajasthan

No. F3(1)FD/EAD/SFC/2003 Jaipur, Date : 15.9.2005

Sd/-
(Rajiv Mehrishi)

Annexure- I.2
(para-1.11)

राजीव महर्षि
Rajiv Mehrishi
प्रमुख शासन सचिव
Principal Secretary

राजस्थान सरकार
वित्त एवं आयेाजना विभाग,जयपुर
Government of Rajasthan
Departments of Finance
and Planning, Jaipur

F.3 (1) FD/EAD/SFC/2003
Dated: 31st January, 2006

Kindly recollect our discussion regarding an interim report of the Third State Finance Commission.

As you are aware, the report of the State Finance Commission, when presented, would be processed by the State Government and orders of the Cabinet would have to be obtained before its implementation. A certain amount of time would be required by the State Government for completion of this process.

The decision taken by the State Government on the Commission's recommendations would also have to be reflected in the Revised Estimates for 2005-06 and the Budget Estimates for 2006-07. In view of the budget exercise already going on, it is requested that the Commission may kindly furnish an interim report as early as possible.

We look forward to receiving the same.

Yours sincerely,

Sd/-
(Rajiv Mehrishi)

Shri Ramavatar,
Member Secretary,
Third State Finance Commission
Vitta Bhawan, Jaipur.

Annexure-1.3
(para-1.22)

List of Districts/Division Level Meetings held

S. N.	Name Of Division/ District	Date of Meeting	Number of persons who attended the meeting			Remarks
			NON OFFICIALS	OFFICIALS	TOTAL	
1	2	3	4	5	6	7
1	Ajmer Division and Ajmer District	03.4.2006 04.4.2006	138	72	210	Divisional Commissioner, District Collectors Ajmer, Nagaur & Tonk, all ULBs and selected PRIs & others
2	Chittorgarh	08.5.2006 09.5.2006	80	33	113	District Collector, all ULBs & selected PRIs & others
3	Bhilwara	10.5.2006	80	29	109	District Collector, all ULBs & selected PRIs & others
4	Jaipur Division and Jaipur District	23.6.2006 26.6.2006 27.6.2006	161	113	274	Divisional Commissioner, District Collector Jaipur, Dausa, Sikar & Jhunjhunu, all ULBs and selected PRIs & others
5	Udaipur Division and Udaipur District	11.7.2006 12.7.2006	123	66	189	Divisional Commissioner, District Collector, Udaipur & Rajsamand , all ULBs and selected PRIs & others
6	Dungarpur	13.7.2006	40	21	61	District Collector, all ULBs & selected PRIs & others
7	Banswara	14.7.2006	58	20	78	District Collector, all ULBs & selected PRIs & others
8	Bikaner	02.7.2007	40	31	71	Divisional Commissioner, District Collector, all ULBs & selected PRIs & others
9	Hanumangarh	03.7.2007	50	25	75	District Collector, all ULBs & selected PRIs & others
10	Shri Ganganagar	04.7.2007	55	38	93	District Collector, all ULBs & selected PRIs & others
	Total		**825**	**448**	**1273**	

Annexure- I.4
(Para-1.24)

LIST OF MEETINGS HELD WITH PERSONS OF EMINENCE AND EXPERIENCE

S.N.	Date	Name/Department
1.	12.01.06	**Shri Rajiv Mehrishi** Principal Secretary, Finance and Planning Department
2.	18.02.06	**Shri Lalit K. Panwar** Principal Secretary, Urban Development Department and other senior officers of the Department
3.	18.02.06	**Shri Manjit Singh** Secretary, Urban Development Department
4.	04.03.06	**Shri Ram Lubhaya** Principal Secretary, Rural Development and Panchayati Raj Department
5.	04.03.06	**Shri Khem Raj** Secretary and Commissioner, Panchayati Raj Department
6.	04.03.06	**Shri Jagdish Chandra** Commissioner, Jaipur Development Authority
7.	20.03.06	**Shri O.P. Harsh** Director, Local Bodies Department, Raj. Jaipur and other senior officers of the Department
8.	01.07.06	**Shri Ram Lubhaya** Principal Secretary, Rural Development and Panchayati Raj Department
9.	01.07.06	**Shri Khem Raj** Secretary and Commissioner, Panchayati Raj Department
10.	21.11.06	**Shri L.C. Gupta** I.A.S. (Retd)
11.	21.11.06	**Shri Bhagirath Sharma** I.A.S.(Retd) Chairman, Committe on Deceltratisation in Rajasthan
12.	04.01.07	**Shri C. P. Kataria** Revenue Officer, Municipal Council Ajmer
13.	04.01.07	**Shri D.K. Mittal** Deputy Secretary, Finance (Exp. III) Department
14.	04.01.07	**Shri G.C. Dadhich** Commissioner, Municipal Council, Tonk
15.	08.01.07	**Shri Alok Pandya** Coordinator, PRIA
16.	08.01.07	**Shri G.K. Goswami** Ex Director, Urban Local Bodies Department

S.N.	Date	Name/Department
17.	16.01.07	**Shri T. Srinivasan** Principal Secretary, Law
18.	16.01.07	**Smt. Pushp Lata** Chairman, Municipal Bord Bundi
19.	17.01.07	**Shri M.L. Mehta** I.A.S.(Retd) Ex Chief Secretary Rajasthan
20.	04.04.07	**Shri I.C. Srivastav** I.A.S.(Retd)
21.	08.06.07	**Shri D.B. Gupta** Commissioner, Jaipur Development Authority
22.	13.06.07	**Shri P.R. Sharma** Professor, Institute of Development Studies Jaipur
23.	08.07.07	**Shri D.R. Mehta** I.A.S. (Retd) Mamber, State Finance Commission Chhatisgarh
24.	30.07.07	**Shri J.P. Meena** Chief Accounts Officer, Urban Development Department
25.	05.09.07	**Shri Kalu Lal Gurjar** Minister, Panchayati Raj and Rural Development Department
26.	05.09.07	**Shri Khem Raj** Secretary and Commissioner, Panchayati Raj Department
27.	07.09.07	**Shri Shreemat Pandey** Chairman and Managing Director, R.S.V.V.N.Ltd Jaipur and other senior officers of the Company
28.	14.12.07	**Smt. Shashi Mathur** Dircetor, Local Fund Audit Department and other Senior officers of the Department
29.	24.12.07	**Shri Ram Lubhaya** Principal Secretary, Rural Development and Panchayati Raj Department and other Senior officers of the Department
30.	31.12.07	**Shri Subhash Chandra Garg** Secratary, Finance (III) Department
31.	31.12.07	**Shri V. Srinivas** Secratary, Planning Department
32.	03.01.08	**Shri Kalu Lal Gurjar** Minister, Panchayati Raj and Rural Development Department and other Senior officers of the Department

Annexure- I.5
(para-1.24)

List of Memoranda and suggestions received from Departments, Organizations and Individuals

1. Panchayati Raj Department, Government of Rajasthan, Jaipur
2. Local Self Department, Government of Rajasthan, Jaipur
3. Finance Department, Government of Rajasthan, Jaipur
4. Shri Pratap Singh Singhvi, Minister for Urban Development Govt. of Rajasthan, Jaipur
5. Pradhan, Panchayati Samiti, Makarana, District, Nagaur
6. Chief Executive Officer , Zila Parishad, Tonk
7. Chief Executive Officer, Zila Parishad, Nagaur
8. Shri Rajendra Makkasar, Zila Pramukh, Hanumangarh
9. Smt. Kamla Kaswa, Zila Pramukh, Churu
10. Smt. Sarita Gaina, Zila Pramukh, Ajmer
11. Vikas Adhikhari, Panchayat Samiti, Tonk
12. Chairman, Sarpanch Sangh Panchayat Samiti; Mundawa, Nagaur
13. Sarpanch, Gram Panchayat, Rajpura, Panchayat Samiti, Malpura, Distt, Tonk
14. Shri Jayanti Singh Ratnu, Sarpanch, Gram Panchayat, Indali, Panchayat Samiti Kuchaman City, District, Nagaur
15. Shri Subhash Chand Jain, Sarpanch, Adarsh Gram Panchayat, Chitawa, Panchayat Samiti Kuchaman, Distt. Nagaur
16. Commissioner, Municipal Council, Sriganganagar
17. Shri Ajay Kala, Honorary Secretary, Jaipur Chamber of Commerce & Industry, Jaipur
18. Shri Chatar Singh, Sarpanch, Gram Panchayat Rajpura, Panchayat Samiti Railmagara, Distt. Rajsamand
19. Dr. Mohd. Rafiq, Plot No. 4/B, Mandawa House, Near Sikar Hotel, Jalupura, Jaipur
20. Shri Sohan Lal, Deogarh Maharia, Station Road, Rajsamand
21. Shri Mahesh Kumar Agrawal, Advocate, Rajasthan High Court, New Mandi, Station Road, Bharatpur
22. Shri Rajendra Sarswat, Pradesth Adhyksha, Rajasthan, Nagar Palika Federation, Bhilwara
23. Sarpanch, Gram Panchayat, Bassi, Panchayat Samiti Chittorgarh, Distt. Chittorgarh
24. Shri K.B. Parashar, Retd. CPO Bhilwara
25. Smt. Pushp Lata, Chairman, Municipal Board, Bundi
26. Smt. Krishana Katara, Chairman, Municipal Council, Banswara

Annexure I.6
(para- 1.27)

Status of Release of EFC Grants for PRIs and ULBs

(Rs. in lakhs)

Year	Release by Govt. of india			Release by Govt. of Rajasthan		
	PRI	ULB	TOTAL	PRI	ULB	TOTAL
1	2	3	4	5	6	7
2000-01	4909.48	994.16	5903.64	4909.48	994.16	5903.64
2001-02	14728.44	2982.48	17710.92	14728.40	2982.48	17710.92
2002-03	4909.48	994.16	5903.64	4909.48	994.16	5903.64
2003-04	0	1988.32	1988.32	0	1988.32	1988.32
2004-05	24547.40	2971.06	27518.46	24547.40	2971.06	27518.46
Total	**49094.80**	**9930.18**	**59024.98**	**49094.80**	**9930.18**	**59024.98**

Annexure- III.1
(para 3.40)

Cadrewise Staff Position of Urban Local Bodies

(No.)

S. No.	Cadre	Sanction Post	Filled up Post	Vacant Post
1ʊ	Commissioner	32	30	2
2ʊ	Executive Officer II	55	45	10
3ʊ	Executive Officer III	58	47	11
4ʊ	Executive Officer IV	72	52	20
5ʊ	Revenue Officer I	15	1	14
6ʊ	Revenue Officer II	54	8	46
7ʊ	Health Officer (Selection)	3	1	2
8ʊ	Health Officer (Senior)	4	2	2
9ʊ	Health Officer (General)	17	8	9
10ʊ	Sr. Accountants Officer	3	3	0
11ʊ	Accountants Officer	10	9	1
12ʊ	Asstt. Accountants Officer	27	15	12
13ʊ	Chief Fire Officer	3	–	3
14ʊ	Fire Officer	10	3	7
15ʊ	Law Officer	3	3	–
16ʊ	Assessor	65	36	29
17ʊ	Superintend Engineer (Civil)	4	4	–
18ʊ	Executive Engineer (Civil)	15	15	–
19ʊ	Executive Engineer (Electric)	1	1	0
20ʊ	Executive Engineer (Mechanical)	3	3	0
21ʊ	Executive Engineer (Civil)	68	• 44	24
22ʊ	Executive Engineer (Mechanical)	5	–	5
23ʊ	Executive Engineer (Electrical)	7	7	–
24ʊ	Executive Engineer (Civil)	225	172	53
25ʊ	Executive Engineer (Mechanical)	10	2	8
26ʊ	Executive Engineer (Electrical)	21	10	11
27ʊ	Officer Superintendent	31	10	21
28ʊ	Officer Assistant	189	121	68
29ʊ	Upper Division Clerk	647	508	139
30ʊ	Lower Division Clerk	1783	1657	126

- Including three On deputation

(No.)

S. No.	Cadre	Sanction Post	Filled up Post	Vacant Post
31ʊ	Personal Assistant	5	4	1
32ʊ	Stenographer I	9	7	2
	Stenographer II	52	37	15
33ʊ	Office Jamadar	198	131	67
34ʊ	Class IV	2174	2073	101
35ʊ	Accountant	40	24	16
36ʊ	Junior Accountant	111	61	50
37ʊ	Driver	1179	677	502
38ʊ	Garden Superintendent	8	5	3
39ʊ	Gardner/ Mali	695	597	98
40ʊ	Chief Health Inspector	20	16	4
41ʊ	Chief Health Inspector I	67	43	24
42ʊ	Chief Health Inspector II	204	113	91
43ʊ	Health Jamadar	1087	746	341
44ʊ	Safai Karamchari	29634	19125	10509
45ʊ	Bhisti	711	427	284
46ʊ	Beldar	533	482	51
47ʊ	Electrical Inspector	26	25	1
48ʊ	Assistant Electrical Inspector	47	28	19
49ʊ	Lineman/Wireman	194	156	38
50ʊ	Electrical Helper	218	193	25
51ʊ	Assistant Fire Officer	42	12	30
52ʊ	Tindel	91	37	54
53ʊ	Fireman	1301	996	305
54ʊ	Revenue Inspector	186	139	47
55ʊ	Assistant Revenue Inspector	159	130	29
56ʊ	Parcha Distributor	281	247	34
57ʊ	Assistant Parcha Distributor	279	244	35
58ʊ	Garage Superintendent	5	4	1
59ʊ	Mechanic	17	11	6
60ʊ	Cleaner Driver	68	48	20
61ʊ	Garden Inspector	18	10	8

(No.)

S. No.	Cadre	Sanction Post	Filled up Post	Vacant Post
62ʊ	Choudhary	4	3	1
63ʊ	Pump Driver	46	37	9
64ʊ	Mistri	55	49	6
65ʊ	Karigar	57	41	16
66ʊ	Fitter	40	38	2
67ʊ	Munshi	17	11	6
68ʊ	Mate	83	60	23
69ʊ	Librarian	3	2	1
70ʊ	Library Boy	11	6	5
71ʊ	Teacher	58	47	11
72ʊ	Chowkidar	311	271	40
73ʊ	Water hut man	66	41	25
74ʊ	Naka Guard/Nakedar/sub Nakedar	151	126	25
75ʊ	Boatman	10	9	1
76ʊ	Time Keeper	1	1	0
77ʊ	Blacksmith	2	2	0
78ʊ	Gang man	29	27	2
79ʊ	Perokar	7	4	3
80ʊ	Helper	90	80	10
81ʊ	Others	51	42	9
Grand Total (Excluding Ex cadre posts)		**44191**	**34141**	**13629**

Annexure V.1
(Para 5.49)

Details of norms and requirement of Funds for PRIs

S.No	Name of Activity	Norms /Criteria adopted	Funds required (Rs. in Crores)	
			One Year	Five Years
A	Gram Panchayat			
1	Sanitation	Rs.4800 per ward annually for 1,05,000 wards	50.40	252.00
2	Street Lighting	730 units consumption per war per year @Rs.5 per unit and replacement of Bulb (6 bulbs per ward per year) and Installation Charges)	40.00	200.00
3	Administrative & other miscellaneous office expenses postage, furniture, light & water etc.	(a) Rs. 36,000 per Gram Panchayat for one computer friendly graduate	33.08	165.40
		(b) Office expenses & misc. expenses Rs. 12,300 per Gram Panchayat per annum	11.30	56.50
		(c) Audit fees	5.00	25.00
4	Maintenance of Building / Public properties, Panchayat Ghar etc.	Rs. 20,000 per Gram Panchayat per year	18.38	91.90
5	Provision for creation of public facilities like toilets, bus sheds, water huts ,etc.	Rs.25,000 per Gram Panchayat per year	23.00	115.00
6	Maintenance of Roads	Rs.3.00 lakh per Gram Panchayat per year	276.00	1380.00
7	Computerization	(a) Maintenance of equipment	5.00	25.00
		(b) Extension of Computerization in Gram Panchayats	24.00	120.00
		TOTAL (A)	486.16	2430.80
B	Share of P.S.	12 % Share	68.63	343.17
C	Share of Z. P.	3 % Share	17.16	85.79
D	Outstanding Liabilities	Lump Sum	37.85	37.85
E	Training of elected representatives	Lump Sum	2.00	10.00
F	Rural Finance Corporation	Lump Sum	50.00	50.00
		Grand Total	**661.80**	**2957.61**

Annexure -VI.1
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITIES

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	17.33	0.03	2.67	0.00	68.95	0.10	1159.55	1.58	287.38	0.34
	2. LAND & BUIL. TAX	1872.61	3.16	2207.68	2.97	2022.82	2.86	1165.88	1.59	1603.99	1.89
	TOTAL (OBL. TAXES)	**1889.94**	**3.19**	**2210.35**	**2.98**	**2091.77**	**2.95**	**2325.43**	**3.17**	**1891.37**	**2.23**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	7.52	0.01	11.66	0.02	13.44	0.02	14.71	0.02	19.43	0.02
	2. TOLLS	8.23	0.01	6.55	0.01	5.17	0.01	7.02	0.01	4.45	0.01
	3. TERMINAL TAX	22.84	0.04	25.02	0.03	30.08	0.04	24.92	0.03	24.27	0.03
	4. PASSENGER TAX	100.85	0.17	139.21	0.19	158.74	0.22	182.94	0.25	184.21	0.22
	5. OTHER TAXES	63.04	0.11	195.72	0.26	323.71	0.46	462.56	0.63	244.44	0.29
	TOTAL (DISTCRE. TAXES)	**202.48**	**0.34**	**378.16**	**0.51**	**531.14**	**0.75**	**692.15**	**0.94**	**476.80**	**0.56**
	TOTAL - A (TAX REV.)	**2092.42**	**3.53**	**2588.51**	**3.48**	**2622.91**	**3.70**	**3017.58**	**4.11**	**2368.18**	**2.79**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	2150.80	3.63	3657.03	4.92	4125.42	5.83	2959.88	4.03	3081.83	3.64
	2. PROPERTIES	843.75	1.42	1001.95	1.35	956.44	1.35	934.87	1.27	953.63	1.13
	3. ACT	188.56	0.32	774.24	1.04	932.87	1.32	622.35	0.85	815.00	0.96
	4. FINES & PENALTIES	212.64	0.36	264.44	0.36	226.96	0.32	186.72	0.25	270.07	0.32
	5. WATER WORKS	26.66	0.04	100.71	0.14	98.49	0.14	134.85	0.18	131.28	0.15
	6. INTEREST	272.84	0.46	514.08	0.69	531.41	0.75	382.61	0.52	619.96	0.73
	7. SALE OF LAND	3892.42	6.56	5975.78	8.05	4770.69	6.74	4531.16	6.17	5349.90	6.31
	8. MISCELLANEOUS - SPECIFY	1553.19	2.62	1953.04	2.63	1698.34	2.40	1959.06	2.67	2012.42	2.37
	TOTAL -(i) (INT. INCOME)	**9140.86**	**15.41**	**14241.27**	**19.17**	**13340.61**	**18.84**	**11711.50**	**15.95**	**13234.08**	**15.62**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	2019.51	3.40	2063.39	2.78	1970.55	2.78	2128.75	2.90	2122.72	2.50
	2. SPECIAL GRANT (RD & DR.)	1220.40	2.06	2056.88	2.77	1618.74	2.29	1615.49	2.20	4128.70	4.87
	3. COMPENSATION FOR OCTROI	35004.53	59.02	36750.91	49.48	38546.64	54.45	40377.83	55.01	44390.19	52.38
	4. GRANT UNDER SFC	593.22	1.00	3695.54	4.98	2335.14	3.30	2280.71	3.11	3625.97	4.28
	5. GRANT UNDER EFC	1720.93	2.90	4232.03	5.70	1479.28	2.09	2456.94	3.35	3559.69	4.20
	6. SPECIAL ASSISTANCE	934.63	1.58	1291.72	1.74	1328.03	1.88	1585.57	2.16	1297.15	1.53
	7. SHARE OF ENTERTAINMENT TAX	22.85	0.04	74.03	0.10	59.82	0.08	196.94	0.27	143.25	0.17
	8. LOANS	557.50	0.94	214.37	0.29	185.39	0.26	419.67	0.57	577.82	0.68
	9. MISCELLANEOUS - SPECIFY	6005.52	10.13	7069.74	9.52	7310.90	10.33	7615.23	10.37	9292.84	10.97
	TOTAL - (ii) (EXT INCOME)	**48079.09**	**81.06**	**57448.61**	**77.34**	**54834.49**	**77.45**	**58677.13**	**79.93**	**69138.33**	**81.59**
	TOTAL - B (NON TAX REV.)	**57219.95**	**96.47**	**71689.88**	**96.52**	**68175.10**	**96.30**	**70388.63**	**95.89**	**82372.41**	**97.21**
	GRAND TOTAL (A+B)	**59312.37**	**100.00**	**74278.39**	**100.00**	**70798.01**	**100.00**	**73406.21**	**100.00**	**84740.58**	**100.00**

Annexure -VI.1(a)
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPAL CORPORATIONS

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	11.28	0.06	2.50	0.01	56.91	0.26	1159.14	5.20	286.54	1.15
	2. LAND & BUIL. TAX	1412.63	7.47	1568.59	7.02	1517.86	6.85	740.20	3.32	941.32	3.77
	TOTAL (OBL. TAXES)	**1423.91**	**7.53**	**1571.09**	**7.03**	**1574.77**	**7.10**	**1899.34**	**8.52**	**1227.86**	**4.92**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2. TOLLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3. TERMINAL TAX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	4. PASSENGER TAX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	5. OTHER TAXES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL (DISTCRE. TAXES)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	TOTAL - A (TAX REV.)	**1423.91**	**7.53**	**1571.09**	**7.03**	**1574.77**	**7.10**	**1899.34**	**8.52**	**1227.86**	**4.92**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	1186.84	6.27	2026.97	9.07	2349.67	10.60	1561.08	7.01	1491.35	5.98
	2. PROPERTIES	190.31	1.01	161.67	0.72	161.76	0.73	191.06	0.86	232.54	0.93
	3. ACT	2.79	0.01	85.08	0.38	7.57	0.03	14.81	0.07	11.45	0.05
	4. FINES & PENALTIES	63.49	0.34	102.55	0.46	81.95	0.37	65.27	0.29	82.01	0.33
	5. WATER WORKS	0.00	0.00	0.00	0.00	0.85	0.00	0.00	0.00	0.00	0.00
	6. INTEREST	83.42	0.44	95.67	0.43	142.48	0.64	63.92	0.29	185.55	0.74
	7. SALE OF LAND	526.65	2.78	1377.98	6.17	1195.76	5.39	581.77	2.61	972.54	3.90
	8. MISCELLANEOUS - SPECIFY	241.19	1.28	195.20	0.87	298.99	1.35	380.29	1.71	342.31	1.37
	TOTAL -(i) (INT. INCOME)	**2294.69**	**12.13**	**4045.12**	**18.11**	**4239.03**	**19.12**	**2858.20**	**12.83**	**3317.75**	**13.30**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	349.79	1.85	350.25	1.57	356.43	1.61	351.35	1.58	353.34	1.42
	2. SPECIAL GRANT (RD & DR.)	76.02	0.40	186.01	0.83	137.46	0.62	79.74	0.36	1332.18	5.34
	3. COMPENSATION FOR OCTROI	12416.88	65.65	13141.80	58.83	13686.96	61.74	14371.08	64.49	15811.45	63.39
	4. GRANT UNDER SFC	153.15	0.81	733.15	3.28	304.06	1.37	304.00	1.36	280.53	1.12
	5. GRANT UNDER EFC	1119.16	5.92	1041.28	4.66	256.94	1.16	536.90	2.41	764.24	3.06
	6. SPECIAL ASSISTANCE	2.87	0.02	123.67	0.55	267.85	1.21	241.61	1.08	0.00	0.00
	7. SHARE OF ENTERTAINMENT TA	0.00	0.00	0.00	0.00	0.00	0.00	53.72	0.24	12.93	0.05
	8. LOANS	375.00	1.98	0.00	0.00	0.00	0.00	120.00	0.54	160.00	0.64
	9. MISCELLANEOUS - Speciy	702.75	3.72	1144.74	5.12	1344.68	6.07	1467.25	6.58	1684.12	6.75
	TOTAL - (ii) (EXT INCOME)	**15195.62**	**80.34**	**16720.90**	**74.86**	**16354.38**	**73.77**	**17525.65**	**78.65**	**20398.79**	**81.78**
	TOTAL - B (NON TAX REV.)	**17490.31**	**92.47**	**20766.02**	**92.97**	**20593.41**	**92.90**	**20383.85**	**91.48**	**23716.54**	**95.08**
	GRAND TOTAL (A+B)	**18914.22**	**100.00**	**22337.11**	**100.00**	**22168.18**	**100.00**	**22283.19**	**100.00**	**24944.40**	**100.00**

Annexure -VI.1(b)
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPAL COUNCILS

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	5.50	0.04	0.00	0.00	12.00	0.08	0.00	0.00	0.00	0.00
	2. LAND & BUIL. TAX	252.43	1.90	299.41	1.85	298.84	1.89	219.58	1.36	409.60	2.16
	TOTAL (OBL. TAXES)	**257.93**	**1.94**	**299.41**	**1.85**	**310.84**	**1.97**	**219.58**	**1.36**	**409.60**	**2.16**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2. TOLLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3. TERMINAL TAX	0.26	0.00	0.15	0.00	0.18	0.00	0.10	0.00	0.26	0.00
	4. PASSENGER TAX	9.52	0.07	16.90	0.10	17.88	0.11	24.37	0.15	13.51	0.07
	5. OTHER TAXES	5.37	0.04	90.79	0.56	237.39	1.50	252.72	1.57	146.68	0.77
	TOTAL (DISCRE. TAXES)	**15.15**	**0.11**	**107.84**	**0.67**	**255.45**	**1.62**	**277.19**	**1.72**	**160.45**	**0.85**
	TOTAL - A (TAX REV.)	**273.08**	**2.06**	**407.25**	**2.51**	**566.29**	**3.59**	**496.77**	**3.08**	**570.05**	**3.01**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	159.61	1.20	280.62	1.73	323.03	2.05	269.51	1.67	267.51	1.41
	2. PROPERTIES	209.19	1.57	298.66	1.84	249.27	1.58	202.38	1.25	199.04	1.05
	3. ACT	35.68	0.27	127.26	0.79	240.38	1.52	203.61	1.26	317.60	1.67
	4. FINES & PENALTIES	71.75	0.54	79.03	0.49	64.19	0.41	64.61	0.40	127.91	0.67
	5. WATER WORKS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	6. INTEREST	55.20	0.42	183.22	1.13	193.68	1.23	143.94	0.89	216.68	1.14
	7. SALE OF LAND	748.38	5.63	883.04	5.45	716.68	4.54	437.67	2.71	550.80	2.90
	8. MISCELLANEOUS - SPECIFY	186.08	1.40	258.30	1.59	214.87	1.36	180.22	1.12	382.59	2.02
	TOTAL -(i) (INT. INCOME)	**1465.89**	**11.03**	**2110.13**	**13.02**	**2002.10**	**12.68**	**1501.94**	**9.30**	**2062.13**	**10.87**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	238.63	1.80	277.51	1.71	268.51	1.70	295.06	1.83	327.85	1.73
	2. SPECIAL GRANT (RD & DR.)	17.24	0.13	27.85	0.17	39.90	0.25	38.47	0.24	32.81	0.17
	3. COMPENSATION FOR OCTROI	9507.55	71.55	9973.39	61.55	10467.36	66.31	10885.94	67.43	12108.70	63.85
	4. GRANT UNDER SFC	75.15	0.57	818.13	5.05	573.74	3.63	518.56	3.21	955.58	5.04
	5. GRANT UNDER EFC	97.66	0.73	949.53	5.86	222.20	1.41	468.49	2.90	803.46	4.24
	6. SPECIAL ASSISTANCE	258.86	1.95	360.97	2.23	325.14	2.06	514.83	3.19	284.58	1.50
	7. SHARE OF ENTERTAINMENT TA	0.00	0.00	0.00	0.00	0.00	0.00	14.59	0.09	34.11	0.18
	8. LOANS	11.55	0.09	0.00	0.00	39.45	0.25	43.25	0.27	0.00	0.00
	9. MISCELLANEOUS - SPECIFY	1341.63	10.10	1277.92	7.89	1279.88	8.11	1366.34	8.46	1783.73	9.41
	TOTAL - (ii) (EXT INCOME)	**11548.27**	**86.91**	**13685.30**	**84.46**	**13216.18**	**83.73**	**14145.53**	**87.62**	**16330.82**	**86.12**
	TOTAL - B (NON TAX REV.)	**13014.16**	**97.94**	**15795.43**	**97.49**	**15218.28**	**96.41**	**15647.47**	**96.92**	**18392.95**	**96.99**
	GRAND TOTAL (A+B)	**13287.24**	**100.00**	**16202.68**	**100.00**	**15784.57**	**100.00**	**16144.24**	**100.00**	**18963.00**	**100.00**

Annexure -VI.1(c)
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITY CLASS - II

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	0.00	0.00	0.00	0.00	0.03	0.00	0.36	0.00	0.82	0.00
	2. LAND & BUIL. TAX	91.68	0.74	155.01	0.95	73.98	0.48	57.92	0.35	95.81	0.50
	TOTAL (OBL. TAXES)	**91.68**	**0.74**	**155.01**	**0.95**	**74.01**	**0.48**	**58.28**	**0.35**	**96.63**	**0.50**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	5.36	0.04	8.79	0.05	11.18	0.07	12.89	0.08	17.25	0.09
	2. TOLLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3. TERMINAL TAX	18.25	0.15	20.74	0.13	25.14	0.16	20.42	0.12	20.06	0.10
	4. PASSENGER TAX	59.31	0.48	98.34	0.60	114.24	0.75	131.59	0.79	135.56	0.70
	5. OTHER TAXES	37.73	0.31	23.75	0.15	36.99	0.24	139.54	0.84	31.07	0.16
	TOTAL (DISTCRE. TAXES)	**120.65**	**0.98**	**151.62**	**0.93**	**187.55**	**1.23**	**304.44**	**1.84**	**203.94**	**1.06**
	TOTAL - A (TAX REV.)	**212.33**	**1.72**	**306.63**	**1.88**	**261.56**	**1.71**	**362.72**	**2.19**	**300.57**	**1.56**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	371.27	3.01	680.32	4.16	781.60	5.11	581.33	3.51	575.77	2.99
	2. PROPERTIES	192.31	1.56	258.04	1.58	212.93	1.39	250.12	1.51	228.64	1.19
	3. ACT	85.67	0.69	289.55	1.77	368.41	2.41	207.64	1.25	232.77	1.21
	4. FINES & PENALTIES	37.06	0.30	36.09	0.22	23.40	0.15	25.43	0.15	36.72	0.19
	5. WATER WORKS	3.22	0.03	69.01	0.42	74.53	0.49	108.87	0.66	106.18	0.55
	6. INTEREST	71.85	0.58	157.63	0.96	107.31	0.70	91.51	0.55	140.73	0.73
	7. SALE OF LAND	1303.54	10.57	1851.57	11.33	1461.44	9.55	1809.36	10.91	1967.41	10.23
	8. MISCELLANEOUS - SPECIFY	543.15	4.40	782.82	4.79	612.91	4.01	643.38	3.88	670.69	3.49
	TOTAL -(i) (INT. INCOME)	**2608.07**	**21.15**	**4125.03**	**25.25**	**3642.53**	**23.81**	**3717.64**	**22.42**	**3958.91**	**20.59**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	448.67	3.64	457.37	2.80	426.93	2.79	487.05	2.94	474.03	2.47
	2. SPECIAL GRANT (RD & DR.)	205.98	1.67	557.76	3.41	439.47	2.87	637.37	3.84	1195.80	6.22
	3. COMPENSATION FOR OCTROI	6577.31	53.33	6819.45	41.74	7159.18	46.79	7459.66	44.99	8141.97	42.34
	4. GRANT UNDER SFC	88.68	0.72	819.74	5.02	650.96	4.25	664.43	4.01	1097.40	5.71
	5. GRANT UNDER EFC	196.64	1.59	1021.91	6.25	452.74	2.96	751.56	4.53	1017.30	5.29
	6. SPECIAL ASSISTANCE	188.66	1.53	207.85	1.27	254.12	1.66	188.69	1.14	260.08	1.35
	7. SHARE OF ENTERTAINMENT TA	0.65	0.01	7.91	0.05	6.37	0.04	34.98	0.21	20.36	0.11
	8. LOANS	12.25	0.10	0.00	0.00	0.24	0.00	98.55	0.59	130.68	0.68
	9. MISCELLANEOUS - SPECIFY	1793.58	14.54	2014.42	12.33	2005.07	13.11	2178.53	13.14	2632.33	13.69
	TOTAL - (ii) (EXT INCOME)	**9512.42**	**77.13**	**11906.41**	**72.88**	**11395.08**	**74.48**	**12500.82**	**75.39**	**14969.95**	**77.85**
	TOTAL - B (NON TAX REV.)	**12120.49**	**98.28**	**16031.44**	**98.12**	**15037.61**	**98.29**	**16218.46**	**97.81**	**18928.86**	**98.44**
	GRAND TOTAL (A+B)	**12332.82**	**100.00**	**16338.07**	**100.00**	**15299.17**	**100.00**	**16581.18**	**100.00**	**19229.43**	**100.00**

Annexure -VI.1(d)
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITY CLASS - III

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	0.55	0.01	0.12	0.00	0.01	0.00	0.05	0.00	0.02	0.00
	2. LAND & BUIL. TAX	65.68	0.72	102.25	0.88	64.23	0.60	34.46	0.30	69.78	0.52
	TOTAL (OBL. TAXES)	**66.23**	**0.72**	**102.37**	**0.88**	**64.24**	**0.60**	**34.51**	**0.30**	**69.80**	**0.52**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	0.40	0.00	0.34	0.00	0.27	0.00	0.37	0.00	0.31	0.00
	2. TOLLS	8.00	0.09	6.25	0.05	4.86	0.05	6.77	0.06	4.12	0.03
	3. TERMINAL TAX	3.98	0.04	4.13	0.04	4.64	0.04	4.36	0.04	3.91	0.03
	4. PASSENGER TAX	30.84	0.34	22.78	0.20	25.36	0.24	25.85	0.22	34.11	0.26
	5. OTHER TAXES	10.28	0.11	33.91	0.29	31.96	0.30	39.18	0.34	46.65	0.35
	TOTAL (DISTCRE. TAXES)	**53.50**	**0.58**	**67.41**	**0.58**	**67.09**	**0.63**	**76.53**	**0.66**	**89.10**	**0.67**
	TOTAL - A (TAX REV.)	**119.73**	**1.31**	**169.78**	**1.46**	**131.33**	**1.23**	**111.04**	**0.96**	**158.90**	**1.19**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	225.64	2.46	349.88	3.01	382.81	3.58	320.40	2.77	408.22	3.07
	2. PROPERTIES	149.69	1.63	172.93	1.49	158.76	1.49	175.39	1.52	185.04	1.39
	3. ACT	25.99	0.28	128.36	1.10	233.15	2.18	106.14	0.92	152.38	1.14
	4. FINES & PENALTIES	29.21	0.32	30.90	0.27	20.55	0.19	12.75	0.11	11.52	0.09
	5. WATER WORKS	6.39	0.07	9.25	0.08	1.40	0.01	2.05	0.02	2.00	0.02
	6. INTEREST	39.69	0.43	51.09	0.44	42.30	0.40	49.26	0.43	38.55	0.29
	7. SALE OF LAND	912.99	9.95	1075.34	9.24	877.43	8.21	1197.88	10.35	1181.08	8.87
	8. MISCELLANEOUS - SPECIFY	444.49	4.85	482.81	4.15	346.06	3.24	579.82	5.01	440.52	3.31
	TOTAL -(i) (INT. INCOME)	**1834.09**	**19.99**	**2300.56**	**19.77**	**2062.46**	**19.30**	**2443.69**	**21.12**	**2419.31**	**18.17**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	517.50	5.64	489.46	4.21	470.61	4.40	550.45	4.76	519.68	3.90
	2. SPECIAL GRANT (RD & DR.)	294.30	3.21	514.79	4.42	384.16	3.59	320.76	2.77	681.36	5.12
	3. COMPENSATION FOR OCTROI	4258.49	46.42	4482.76	38.53	4764.05	44.58	5048.59	43.63	5479.90	41.17
	4. GRANT UNDER SFC	133.63	1.46	706.06	6.07	466.05	4.36	455.17	3.93	704.73	5.29
	5. GRANT UNDER EFC	158.41	1.73	666.04	5.73	269.77	2.52	371.88	3.21	497.43	3.74
	6. SPECIAL ASSISTANCE	299.16	3.26	343.67	2.95	275.99	2.58	423.26	3.66	497.97	3.74
	7. SHARE OF ENTERTAINMENT TA	10.29	0.11	24.18	0.21	18.85	0.18	26.97	0.23	43.41	0.33
	8. LOANS	70.90	0.77	88.82	0.76	58.19	0.54	56.22	0.49	148.71	1.12
	9. MISCELLANEOUS - SPECIFY	1477.38	16.10	1847.68	15.88	1786.13	16.71	1762.43	15.23	2160.31	16.23
	TOTAL - (ii) (EXT INCOME)	**7220.06**	**78.70**	**9163.46**	**78.77**	**8493.80**	**79.47**	**9015.73**	**77.92**	**10733.50**	**80.63**
	TOTAL - B (NON TAX REV.)	**9054.15**	**98.69**	**11464.02**	**98.54**	**10556.26**	**98.77**	**11459.42**	**99.04**	**13152.81**	**98.81**
	GRAND TOTAL (A+B)	**9173.88**	**100.00**	**11633.80**	**100.00**	**10687.59**	**100.00**	**11570.46**	**100.00**	**13311.71**	**100.00**

Annexure -VI.1(e)
(Para 6.37)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Revenue of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITY CLASS - IV

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE REVENUE WITH PERCENTAGE TO TOTAL REVENUE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
	A. TAX REVENUE										
	(i) OBLIGATORY TAXES										
	1. OCTROI	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2. LAND & BUIL. TAX	50.19	0.90	82.42	1.06	67.91	0.99	113.72	1.67	87.48	1.05
	TOTAL (OBL. TAXES)	**50.19**	**0.90**	**82.47**	**1.06**	**67.91**	**0.99**	**113.72**	**1.67**	**87.48**	**1.05**
	(ii) DISCRETIONARY TAXES										
	1. TAX ON VEHICLES	1.76	0.03	2.53	0.03	1.99	0.03	1.45	0.02	1.87	0.02
	2. TOLLS	0.23	0.00	0.30	0.00	0.31	0.00	0.25	0.00	0.33	0.00
	3. TERMINAL TAX	0.35	0.01	0.00	0.00	0.12	0.00	0.04	0.00	0.04	0.00
	4. PASSENGER TAX	1.18	0.02	1.19	0.02	1.26	0.02	1.13	0.02	1.03	0.01
	5. OTHER TAXES	9.66	0.17	47.27	0.61	17.37	0.25	31.12	0.46	20.04	0.24
	TOTAL (DISTCRE. TAXES)	**13.18**	**0.24**	**51.29**	**0.66**	**21.05**	**0.31**	**33.99**	**0.50**	**23.31**	**0.28**
	TOTAL - A (TAX REV.)	**63.37**	**1.13**	**133.76**	**1.72**	**88.96**	**1.30**	**147.71**	**2.16**	**110.79**	**1.34**
	B. NON TAX REVENUE										
	(i) INTERNAL INCOME										
	1. BYE LAWS	207.44	3.70	319.24	4.11	288.31	4.20	227.56	3.33	338.98	4.09
	2. PROPERTIES	102.25	1.82	110.65	1.42	173.72	2.53	115.92	1.70	108.37	1.31
	3. ACT	38.43	0.69	143.99	1.85	83.35	1.22	90.15	1.32	100.80	1.22
	4. FINES & PENALTIES	11.13	0.20	15.87	0.20	36.87	0.54	18.66	0.27	11.90	0.14
	5. WATER WORKS	17.05	0.30	22.45	0.29	21.71	0.32	23.93	0.35	23.10	0.28
	6. INTEREST	22.68	0.40	26.47	0.34	45.64	0.67	33.98	0.50	38.45	0.46
	7. SALE OF LAND	400.86	7.15	787.85	10.14	519.38	7.57	504.48	7.39	678.07	8.18
	8. MISCELLANEOUS - SPECIFY	138.28	2.47	233.91	3.01	225.51	3.29	175.35	2.57	176.31	2.13
	TOTAL -(i) (INT. INCOME)	**938.12**	**16.74**	**1660.43**	**21.38**	**1394.49**	**20.33**	**1190.03**	**17.43**	**1475.98**	**17.80**
	(ii) EXTERNAL INCOME										
	1. GEN.PURPOSE GRANT	464.92	8.30	488.80	6.29	448.07	6.53	444.84	6.52	447.82	5.40
	2. SPECIAL GRANT (RD & DR.)	626.86	11.19	770.47	9.92	617.75	9.01	539.15	7.90	886.55	10.69
	3. COMPENSATION FOR OCTROI	2244.30	40.05	2333.51	30.04	2469.09	36.00	2612.56	38.27	2848.17	34.35
	4. GRANT UNDER SFC	142.61	2.54	618.46	7.96	340.33	4.96	338.55	4.96	587.73	7.09
	5. GRANT UNDER EFC	149.06	2.66	553.27	7.12	277.63	4.05	328.11	4.81	477.26	5.76
	6. SPECIAL ASSISTANCE	185.08	3.30	255.56	3.29	204.93	2.99	217.18	3.18	254.52	3.07
	7. SHARE OF ENTERTAINMENT TA	11.91	0.21	41.94	0.54	34.60	0.50	66.68	0.98	32.44	0.39
	8. LOANS	87.80	1.57	125.55	1.62	87.51	1.28	101.65	1.49	138.43	1.67
	9. MISCELLANEOUS - SPECIFY	690.18	12.32	784.98	10.11	895.14	13.05	840.68	12.31	1032.35	12.45
	TOTAL - (ii) (EXT INCOME)	**4602.72**	**82.13**	**5972.54**	**76.90**	**5375.05**	**78.37**	**5489.40**	**80.41**	**6705.27**	**80.86**
	TOTAL - B (NON TAX REV.)	**5540.84**	**98.87**	**7632.97**	**98.28**	**6769.54**	**98.70**	**6679.43**	**97.84**	**8181.25**	**98.66**
	GRAND TOTAL (A+B)	**5604.21**	**100.00**	**7766.73**	**100.00**	**6858.50**	**100.00**	**6827.14**	**100.00**	**8292.04**	**100.00**

Annexure -VI.2
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITIES

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	5940.64	9.83	6410.18	9.51	7568.29	10.71	7851.67	10.85	8614.72	10.70
	2 RECOVERY OF										
	(i) OCTROI	2791.72	4.62	2499.69	3.71	915.97	1.30	632.54	0.87	650.52	0.81
	(ii) LAND & BLDG. TAX	1460.38	2.42	1233.58	1.83	1116.24	1.58	995.12	1.38	1200.20	1.49
	(iii) OTHERS	556.56	0.92	421.50	0.63	279.53	0.40	310.72	0.43	247.50	0.31
	TOTAL-2	**4808.66**	**7.96**	**4154.77**	**6.17**	**2311.74**	**3.27**	**1938.38**	**2.68**	**2098.22**	**2.61**
	TOTAL-A (1+2)	**10749.30**	**17.79**	**10564.95**	**15.68**	**9880.03**	**13.99**	**9790.05**	**13.53**	**10712.94**	**13.31**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	20256.10	33.53	20883.45	31.00	22283.35	31.55	23398.57	32.33	26027.52	32.33
	2 DISPENSARIES	73.49	0.12	100.01	0.15	105.30	0.15	114.80	0.16	141.11	0.18
	TOTAL-B	**20329.59**	**33.65**	**20983.46**	**31.15**	**22388.65**	**31.69**	**23513.37**	**32.49**	**26168.63**	**32.50**
C	**PUBLIC FACILITIES**										
	1 CIVIL DEFENCE	575.92	0.95	637.81	0.95	1161.97	1.64	1329.59	1.84	1460.04	1.81
	2 ELECTRICITY	3446.47	5.70	4659.25	6.92	4345.75	6.15	5147.67	7.11	4849.15	6.02
	3 WATER	180.04	0.30	188.29	0.28	193.32	0.27	195.92	0.27	191.50	0.24
	4 SLAUGHTER HOUSE	100.47	0.17	109.13	0.16	129.51	0.18	170.99	0.24	207.55	0.26
	5 EDUCATION	118.80	0.20	131.85	0.20	134.77	0.19	278.28	0.38	290.62	0.36
	6 GARDENING	869.80	1.44	911.39	1.35	958.47	1.36	1043.16	1.44	1149.98	1.43
	7 GEN. MAINTENANCE	1434.58	2.37	1600.59	2.38	1526.78	2.16	1617.10	2.23	1830.00	2.27
	TOTAL-C	**6726.08**	**11.13**	**8238.31**	**12.23**	**8450.57**	**11.96**	**9782.71**	**13.52**	**9978.84**	**12.39**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	15754.61	26.08	18404.55	27.32	20415.18	28.90	20288.30	28.03	24031.32	29.85
	2 PURCHASE OF PRO/EQUIPMENT	312.19	0.52	303.88	0.45	307.11	0.43	385.07	0.53	423.05	0.53
	3 LOAN REPAYMENT	682.20	1.13	741.28	1.10	688.04	0.97	727.86	1.01	747.27	0.93
	4 MISCELLANEOUS	5862.52	9.70	8133.77	12.07	8510.07	12.05	7882.34	10.89	8450.49	10.50
	TOTAL-D	**22611.52**	**37.43**	**27583.48**	**40.94**	**29920.40**	**42.36**	**29283.57**	**40.46**	**33652.13**	**41.80**
	GRAND TOTAL (A+B+C+D)	**60416.49**	**100.00**	**67370.20**	**100.00**	**70639.65**	**100.00**	**72369.70**	**100.00**	**80512.54**	**100.00**

Annexure -VI.2(a)
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05

ALL MUNICIPAL CORPORATIONS

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	1233.78	6.59	1185.20	5.76	1264.61	5.87	1127.95	4.89	1424.78	5.66
	2 RECOVERY OF										
	(i) OCTROI	149.60	0.80	132.97	0.65	38.00	0.18	32.54	0.14	33.88	0.13
	(ii) LAND & BUIL. TAX	671.25	3.59	658.13	3.20	707.70	3.29	637.94	2.77	769.94	3.06
	(iii) OTHERS	31.96	0.17	31.66	0.15	38.43	0.18	45.54	0.20	44.52	0.18
	TOTAL-2	**852.81**	**4.56**	**822.76**	**4.00**	**784.13**	**3.64**	**716.02**	**3.11**	**848.34**	**3.37**
	TOTAL-A (1+2)	**2086.59**	**11.15**	**2007.96**	**9.76**	**2048.74**	**9.51**	**1843.97**	**8.00**	**2273.12**	**9.03**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	8502.83	45.43	8604.54	41.83	9630.33	44.73	10125.21	43.91	11190.52	44.46
	2 DISPENSARIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL-B	**8502.83**	**45.43**	**8604.54**	**41.83**	**9630.33**	**44.73**	**10125.21**	**43.91**	**11190.52**	**44.46**
C	**PUBLIC FACILITIES**										
	1 CIVIL DEFENCE	174.40	0.93	186.89	0.91	248.22	1.15	303.17	1.31	349.12	1.39
	2 ELECTRICITY	995.35	5.32	1467.11	7.13	1547.29	7.19	2332.23	10.12	1501.44	5.97
	3 WATER	36.92	0.20	29.19	0.14	30.19	0.14	28.80	0.12	23.18	0.09
	4 SLAUGHTER HOUSE	58.87	0.31	65.95	0.32	77.70	0.36	112.43	0.49	119.09	0.47
	5 EDUCATION	33.48	0.18	39.80	0.19	38.55	0.18	175.72	0.76	187.95	0.75
	6 GARDENING	385.07	2.06	402.87	1.96	432.65	2.01	459.54	1.99	530.50	2.11
	7 GEN. MAINTENANCE	537.91	2.87	632.17	3.07	563.93	2.62	521.40	2.26	695.91	2.76
	TOTAL-C	**2222.00**	**11.87**	**2823.98**	**13.73**	**2938.53**	**13.65**	**3933.29**	**17.06**	**3407.19**	**13.54**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	4416.55	23.60	4387.43	21.33	4306.11	20.00	5169.70	22.42	6365.50	25.29
	2 PURCHASE OF PRO/EQUIPMENT	23.78	0.13	16.26	0.08	19.28	0.09	69.12	0.30	76.25	0.30
	3 LOAN REPAYMENT	424.06	2.27	461.36	2.24	402.79	1.87	358.91	1.56	384.03	1.53
	4 MISCELLANEOUS	1041.87	5.57	2267.12	11.02	2185.98	10.15	1556.62	6.75	1472.76	5.85
	TOTAL-D	**5906.26**	**31.55**	**7132.17**	**34.67**	**6914.16**	**32.11**	**7154.35**	**31.03**	**8298.54**	**32.97**
	GRAND TOTAL (A+B+C+D)	**18717.68**	**100.00**	**20568.65**	**100.00**	**21531.76**	**100.00**	**23056.82**	**100.00**	**25169.37**	**100.00**

Annexure -VI.2(b)
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05

ALL MUNICIPAL COUNCILS

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	1207.34	8.55	1295.58	8.83	1432.25	8.88	1404.10	8.90	1589.20	9.09
	2 RECOVERY OF										
	(i) OCTROI	400.20	2.83	438.00	2.98	313.74	1.94	281.29	1.78	292.01	1.67
	(ii) LAND & BLDG. TAX	348.30	2.47	210.16	1.43	162.12	1.00	147.13	0.93	186.34	1.07
	(iii) OTHER	73.57	0.52	88.18	0.60	100.62	0.62	125.84	0.80	109.36	0.63
	TOTAL-2	**822.07**	**5.82**	**736.34**	**5.02**	**576.48**	**3.57**	**554.26**	**3.51**	**587.71**	**3.36**
	TOTAL-A (1+2)	**2029.41**	**14.37**	**2031.92**	**13.84**	**2008.73**	**12.45**	**1958.36**	**12.41**	**2176.91**	**12.45**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	4824.57	34.17	5059.29	34.47	5186.78	32.15	5381.85	34.11	6035.98	34.53
	2 DISPENSARIES	36.96	0.26	40.07	0.27	42.04	0.26	39.62	0.25	45.78	0.26
	TOTAL-B	**4861.53**	**34.43**	**5099.36**	**34.74**	**5228.82**	**32.41**	**5421.47**	**34.36**	**6081.76**	**34.79**
C	**PUBLICFACILITIES**										
	1 CIVIL DEFENCE	227.58	1.61	253.21	1.72	373.20	2.31	402.12	2.55	431.91	2.47
	2 ELECTRICITY	945.66	6.70	1190.27	8.11	1000.19	6.20	1067.92	6.77	1288.59	7.37
	3 WATER	27.57	0.20	23.07	0.16	20.14	0.12	20.83	0.13	17.30	0.10
	4 SLAUGHTER HOUSE	29.31	0.21	29.52	0.20	27.94	0.17	30.01	0.19	34.21	0.20
	5 EDUCATION	24.73	0.18	26.96	0.18	27.32	0.17	30.38	0.19	30.08	0.17
	6 GARDENING	257.21	1.82	254.81	1.74	261.28	1.62	275.91	1.75	308.99	1.77
	7 GEN. MAINTENANCE	529.90	3.75	508.97	3.47	516.51	3.20	544.68	3.45	598.91	3.43
	TOTAL-C	**2041.96**	**14.46**	**2286.81**	**15.58**	**2226.58**	**13.80**	**2371.85**	**15.03**	**2709.99**	**15.50**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	3668.42	25.98	4044.01	27.55	5171.38	32.06	4678.03	29.65	5145.93	29.44
	2 PURCHASE OF PRO/EQUIPMENT	123.44	0.87	61.47	0.42	83.91	0.52	77.01	0.49	93.10	0.53
	3 LOAN REPAYMENT	36.19	0.26	27.38	0.19	55.98	0.35	70.46	0.45	20.07	0.11
	4 MISCELLANEOUS	1358.20	9.62	1128.12	7.69	1356.33	8.41	1199.98	7.61	1253.34	7.17
	TOTAL-D	**5186.25**	**36.73**	**5260.98**	**35.84**	**6667.60**	**41.33**	**6025.48**	**38.19**	**6512.44**	**37.25**
	GRAND TOTAL (A+B+C+D)	**14119.15**	**100.00**	**14679.07**	**100.00**	**16131.73**	**100.00**	**15777.16**	**100.00**	**17481.10**	**100.00**

Annexure -VI.2(c)
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,
Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05
ALL MUNICIPALITY CLASS- II

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	1281.71	10.13	1494.97	10.09	1806.18	11.74	1940.30	12.58	2032.12	11.44
	2 RECOVERY OF										
	(i) OCTROI	776.47	6.14	673.79	4.55	194.62	1.26	116.58	0.76	122.29	0.69
	(ii) LAND & BLDG. TAX	320.66	2.53	259.09	1.75	141.83	0.92	131.09	0.85	163.98	0.92
	(iii) OTHER	282.71	1.27	131.17	0.43	36.41	0.17	53.41	0.29	35.24	0.15
	TOTAL-2	**1379.84**	**10.91**	**1064.05**	**7.18**	**372.86**	**2.42**	**301.08**	**1.95**	**321.51**	**1.81**
	TOTAL-A (1+2)	**2661.55**	**21.04**	**2559.02**	**17.28**	**2179.04**	**14.16**	**2241.38**	**14.53**	**2353.63**	**13.25**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	3606.32	28.51	3752.03	25.34	3901.40	25.36	4133.44	26.80	4672.01	26.30
	2 DISPENSARIES	15.94	0.13	30.79	0.21	29.36	0.19	38.72	0.25	56.10	0.32
	TOTAL-B	**3622.26**	**28.63**	**3782.82**	**25.54**	**3930.76**	**25.55**	**4172.16**	**27.05**	**4728.11**	**26.62**
C	**PUBLIC FACILITIES**										
	1 CIVIL DEFENCE	145.80	1.15	153.50	1.04	368.57	2.40	419.06	2.72	460.17	2.59
	2 ELECTRICITY	724.90	5.73	974.63	6.58	892.45	5.80	892.52	5.79	1045.02	5.88
	3 WATER	35.16	0.28	53.39	0.36	49.17	0.32	48.35	0.31	47.51	0.27
	4 SLAUGHTER HOUSE	10.73	0.08	11.23	0.08	21.21	0.14	25.86	0.17	51.24	0.29
	5 EDUCATION	39.77	0.31	44.20	0.30	45.99	0.30	46.06	0.30	44.35	0.25
	6 GARDENING	149.96	1.19	167.74	1.13	165.22	1.07	181.53	1.18	198.29	1.12
	7 GEN. MAINTENANCE	184.47	1.46	174.81	1.18	219.72	1.43	186.12	1.21	218.33	1.23
	TOTAL-C	**1290.79**	**10.20**	**1579.50**	**10.67**	**1762.33**	**11.45**	**1799.50**	**11.67**	**2064.91**	**11.62**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	3486.15	27.56	4685.83	31.64	5292.75	34.40	4845.52	31.41	5880.66	33.11
	2 PURCHASE OF PRO/EQUIPMENT	56.83	0.45	88.03	0.59	73.49	0.48	98.22	0.64	94.02	0.53
	3 LOAN REPAYMENT	72.21	0.57	131.10	0.89	142.68	0.93	119.04	0.77	146.52	0.82
	4 MISCELLANEOUS	1460.10	11.54	1983.37	13.39	2004.79	13.03	2150.34	13.94	2495.04	14.05
	TOTAL-D	**5075.29**	**40.12**	**6888.33**	**46.51**	**7513.71**	**48.84**	**7213.12**	**46.76**	**8616.24**	**48.51**
	GRAND TOTAL (A+B+C+D)	**12649.89**	**100.00**	**14809.67**	**100.00**	**15385.84**	**100.00**	**15426.16**	**100.00**	**17762.89**	**100.00**

Annexure -VI.2(d)
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITY CLASS- III

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	1377.89	14.64	1434.71	13.63	1822.70	17.52	1995.67	17.95	2043.23	16.66
	2 RECOVERY OF										
	(i) OCTROI	878.76	9.34	753.12	7.15	198.80	1.91	98.59	0.89	112.96	0.92
	(ii) LAND & BLDG. TAX	68.47	0.73	47.13	0.45	63.60	0.61	58.57	0.53	44.69	0.36
	(iii) OTHER	125.97	0.44	121.25	0.49	67.48	0.51	66.58	0.58	51.12	0.40
	TOTAL-2	**1073.20**	**11.40**	**921.50**	**8.75**	**329.88**	**3.17**	**223.74**	**2.01**	**208.77**	**1.70**
	TOTAL-A (1+2)	**2451.09**	**26.05**	**2356.21**	**22.38**	**2152.58**	**20.69**	**2219.41**	**19.97**	**2252.00**	**18.36**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	2012.73	21.39	2109.44	20.04	2189.94	21.05	2300.29	20.69	2522.56	20.57
	2 DISPENSARIES	19.99	0.21	26.14	0.25	33.70	0.32	36.46	0.33	38.75	0.32
	TOTAL-B	**2032.72**	**21.60**	**2135.58**	**20.29**	**2223.64**	**21.38**	**2336.75**	**21.02**	**2561.31**	**20.88**
C	**PUBLIC FACILITIES**										
	1 CIVIL DEFENCE	10.60	0.11	26.51	0.25	131.92	1.27	150.86	1.36	155.74	1.27
	2 ELECTRICITY	507.93	5.40	583.76	5.54	532.79	5.12	519.16	4.67	602.76	4.91
	3 WATER	44.25	0.47	44.46	0.42	53.78	0.52	59.91	0.54	66.33	0.54
	4 SLAUGHTER HOUSE	0.11	0.00	0.11	0.00	0.03	0.00	0.36	0.00	0.56	0.00
	5 EDUCATION	19.05	0.20	19.30	0.18	20.71	0.20	24.48	0.22	26.14	0.21
	6 GARDENING	54.66	0.58	63.75	0.61	71.69	0.69	99.71	0.90	83.24	0.68
	7 GEN. MAINTENANCE	106.69	1.13	197.59	1.88	122.84	1.18	246.32	2.22	195.55	1.59
	TOTAL-C	**743.29**	**7.90**	**935.48**	**8.89**	**933.76**	**8.98**	**1100.80**	**9.90**	**1130.32**	**9.22**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	2643.02	28.08	3203.63	30.43	3161.95	30.40	3503.72	31.52	4083.18	33.29
	2 PURCHASE OF PRO/EQUIPMENT	75.06	0.80	99.20	0.94	81.22	0.78	108.95	0.98	110.79	0.90
	3 LOAN REPAYMENT	115.34	1.23	66.26	0.63	29.01	0.28	96.93	0.87	121.00	0.99
	4 MISCELLANEOUS	1350.39	14.35	1731.36	16.45	1820.47	17.50	1749.07	15.74	2005.59	16.35
	TOTAL-D	**4183.81**	**44.46**	**5100.45**	**48.45**	**5092.65**	**48.96**	**5458.67**	**49.11**	**6320.56**	**51.54**
	GRAND TOTAL (A+B+C+D)	**9410.91**	**100.00**	**10527.72**	**100.00**	**10402.63**	**100.00**	**11115.63**	**100.00**	**12264.19**	**100.00**

Annexure -VI.2(e)
(Para 6.47)

STATE FINANCE COMMISSION, RAJASTHAN,

Headwise, Yearwise Expenditre of Municipalities from 2000-01 to 2004-05

ALL MUNICIPALITY CLASS- IV

(Amt. In Rs. Lacs)

S.NO.	HEAD	YEARWISE EXPENDITURE WITH PERCENTAGE TO TOTAL EXPENDITURE									
		2000-01		2001-02		2002-03		2003-04		2004-05	
		Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per	Amt.	Per
1	2	3	4	5	6	7	8	9	10	11	12
A	**ESTABLISHMENT**										
	1 GENERAL ADMINISTRATION	839.92	15.22	999.72	14.73	1242.55	17.29	1383.65	19.78	1525.39	19.47
	2 RECOVERY OF										
	(i) OCTROI	586.69	10.63	501.81	7.40	170.81	2.38	103.54	1.48	89.38	1.14
	(ii) LAND & BLDG. TAX	51.70	0.94	59.07	0.87	40.99	0.57	20.39	0.29	35.25	0.45
	(iii) OTHER	42.35	0.25	49.24	0.24	36.59	0.29	19.35	0.21	7.26	0.06
	TOTAL-2	**680.74**	**12.33**	**610.12**	**8.99**	**248.39**	**3.46**	**143.28**	**2.05**	**131.89**	**1.68**
	TOTAL-A (1+2)	**1520.66**	**27.55**	**1609.84**	**23.73**	**1490.94**	**20.74**	**1526.93**	**21.83**	**1657.28**	**21.15**
B	**HEALTH AND SANITATION**										
	1 PUBLIC HEALTH	1309.65	23.73	1358.15	20.02	1374.90	19.13	1457.78	20.84	1606.45	20.50
	2 DISPENSARIES	0.60	0.01	3.01	0.04	0.20	0.00	0.00	0.00	0.48	0.01
	TOTAL-B	**1310.25**	**23.74**	**1361.16**	**20.06**	**1375.10**	**19.13**	**1457.78**	**20.84**	**1606.93**	**20.51**
C	**PUBLIC FACILITIES**										
	1 CIVIL DEFENCE	17.54	0.32	17.70	0.26	40.06	0.56	54.38	0.78	63.10	0.81
	2 ELECTRICITY	272.63	4.94	443.48	6.54	373.03	5.19	335.84	4.80	411.34	5.25
	3 WATER	36.14	0.65	38.18	0.56	40.04	0.56	38.03	0.54	37.18	0.47
	4 SLAUGHTER HOUSE	1.45	0.03	2.32	0.03	2.63	0.04	2.33	0.03	2.45	0.03
	5 EDUCATION	1.77	0.03	1.59	0.02	2.20	0.03	1.64	0.02	2.10	0.03
	6 GARDENING	22.90	0.41	22.22	0.33	27.63	0.38	26.47	0.38	28.96	0.37
	7 GEN. MAINTENANCE	75.61	1.37	87.05	1.28	103.78	1.44	118.58	1.70	121.30	1.55
	TOTAL-C	**428.04**	**7.76**	**612.54**	**9.03**	**589.37**	**8.20**	**577.27**	**8.25**	**666.43**	**8.51**
D	**DEVELOPMENT & ASSET. CREATION**										
	1 DEVELOPMENT	1540.47	27.91	2083.65	30.71	2482.99	34.55	2091.33	29.90	2556.05	32.62
	2 PURCHASE OF PRO/EQUIPMENT	33.08	0.60	38.92	0.57	49.21	0.68	31.77	0.45	48.89	0.62
	3 LOAN REPAYMENT	34.40	0.62	55.18	0.81	57.58	0.80	82.52	1.18	75.65	0.97
	4 MISCELLANEOUS	651.96	11.81	1023.80	15.09	1142.50	15.90	1226.33	17.53	1223.76	15.62
	TOTAL-D	**2259.91**	**40.95**	**3201.55**	**47.19**	**3732.28**	**51.93**	**3431.95**	**49.07**	**3904.35**	**49.83**
	GRAND TOTAL (A+B+C+D)	**5518.86**	**100.00**	**6785.09**	**100.00**	**7187.69**	**100.00**	**6993.93**	**100.00**	**7834.99**	**100.00**

Annexure- VIII.1
(para-8.5)

Projected net own tax revenue excluding entertainment tax

(a) Average percentage increase of Own Tax Revenue excluding Entertainment Tax and Expenditure on tax collection.

(Rs. in Crores)

Year	Own tax Revenue	% Increase over pervious Year	Exp. on Tax Collection	% Increase over preceding Year
1994-1995	2289.75	-	200.52	-
1995-1996	2709.89	18.35	210.27	4.86
1996-1997	3102.32	14.48	214.33	1.93
1997-1998	3586.66	15.61	259.79	21.21
1998-1999	3917.19	9.22	323.65	24.58
1999-2000	4503.38	14.96	358.50	10.77
2000-2001	5275.71	17.15	353.66	-1.35
2001-2002	5648.88	7.07	342.88	-3.05
2002-2003	6236.90	10.41	359.08	4.72
2003-2004	7235.84	16.02	381.96	6.37
2004-2005	8406.66	16.18	312.05	-18.30
Average %Increase for 10 year		**13.95**		**5.17**

(b) Projected own tax revenues excluding entertainment tax and expenditure on tax collection based on average percentage increase for 10 years

(Rs. in Crores)

Year	Own tax revenue	Exp. own tax collection	Net own tax revenue
2005-2006	9579.39	328.18	9251.21
2006-2007	10915.71	345015	10570.56
2007-2008	12438.46	362.99	12075.46
2008-2009	14173.62	381.76	13791.86
2009-2010	16150.84	401.50	15749.34
Total	**63258.02**	**1819.58**	**61438.43**

Annexure VIII.2
(para-8.5)

Projected revenue from entertainment Tax

(a) Average percentage increase of Receipts from Entertainment Tax and Collection Charges

(Rs. in Crores)

Year	Receipts	Percentage Increase Over Previous Year	Collection Charges	Percentage Increase Over Previous Year
1	2	3	4	5
1994-95	17.42	1.20	0.35	
1995-96	20.7	18.83	0.33	-5.71
1996-97	21.45	3.62	0.38	15.15
1997-98	23.91	11.47	0.35	-7.89
1998-99	22.15	-7.36	0.43	22.86
1999-2000	27.52	24.24	0.44	2.33
2000-01	24.52	-10.9	0.34	-22.73
2001-02	22.29	-9.09	0.31	-8.82
2002-03	16.45	-26.20	0.20	-35.48
2003-04	10.35	-37.08	0.13	-35.00
2004-05	8.16	-21.16	0.09	-30.77
Average % Increase for 10 Years		**(-)5.36**		**-10.14**

(b) Projected Net Receipts from Entertanment Tax Based on Average percentage for 10 years

(Rs. in Crores)

Year	Entertainment Tax	Cost of Collection	Net Receipts
2005-06	7.72	0.08	7.64
2006-07	7.31	0.07	7.24
2007-08	6.92	0.06	6.86
2008-09	6.55	0.05	6.50
2009-10	6.20	0.04	6.16
Total	**34.70**	**0.30**	**34.40**

Annexure VIII.3
(para- 8.5)

Projected receipts from royalty on minerals

(a) Average percentage increase of Receipts from Royalty on Minerals and Collection Charges

Rs. in crores

Year	Receipt	% increase over previous year	Collection Charge	% increase over previous year
1	2	3	4	5
1994-95	155.37		31.77	
1995-96	185.07	19.12	33.72	6.14
1996-97	234.61	26.77	44.8	32.86
1997-98	277.21	18.16	20.44	-54.38
1998-99	288.49	4.07	27.8	36.01
1999-2000	330.67	14.62	26.43	-4.93
2000-01	346.65	4.83	26.93	1.89
2001-02	388.42	12.05	23.47	-12.85
2002-03	421.67	8.56	27.32	16.4
2003-04	476.5	13.0	28.58	4.61
2004-05	616.61	29.4	30.27	5.91
Average % Increase for 10 Years		**15.058**		**3.166**

(b) Projected Net Receipts from Royalty on Minerasl based on Average percentage for 10 years

Rs. in crores

Year	Royalties	Cost of Collection	Net Receipts
2005-06	709.46	31.23	678.23
2006-07	816.29	32.22	784.07
2007-08	939.21	33.24	905.97
2008-09	1080.64	34.29	1046.35
2009-10	1243.36	35.38	1207.98
Total	**4788.96**	**166.36**	**4622.60**

Annexure VIII.4
(Para-8.17)

Distribution of Royalty from Minerals

S. No.	Name	5 Years Average Revenue (%)	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	AJMER	3.39	0.23	0.27	0.31	0.35	0.41	1.57
2.	ALWAR	1.61	0.11	0.13	0.14	0.17	0.19	0.57
3 .	BANSWAERA	1.00	0.07	0.08	0.09	0.10	0.12	0.46
4.	BARAN	0.13	0.01	0.01	0.01	0.01	0.02	0.06
5.	BARMER	0.90	0.06	0.07	0.08	0.09	0.11	0.41
6.	BHARATPUR	2.12	0.14	0.17	0.19	0.22	0.26	0.98
7.	BHILWARA	20.37	1.38	1.60	1.84	2.13	2.46	9.41
8.	BIKANER	1.38	0.09	0.11	0.12	0.14	0.17	0.63
9.	BUNDI	2.18	0.15	0.17	0.20	0.23	0.26	1.01
10.	CHITT0ORGARH	8.40	0.57	0.66	0.76	0.88	1.01	3.88
11.	CHURU	0.35	0.02	0.03	0.03	0.04	0.04	0.16
12.	DAUSA	0.19	0.01	0.01	0.02	0.02	0.02	0.08
13.	DHOLPUR	0.64	0.04	0.05	0.06	0.07	0.08	0.30
14.	DUNGARPUR	0.51	0.04	0.04	0.05	0.05	0.06	0.24
15.	GANGANAGAR	0.52	0.04	0.04	0.05	0.05	0.06	0.24
16.	HANUMANGARH	0.72	0.05	0.06	0.07	0.08	0.09	0.35
17.	FAIPUR	2.55	0.17	0.20	0.23	0.27	0.31	1.18
18.	JAISALMER	3.11	0.21	0.24	0.28	0.33	0.38	1.44
19.	JALORE	0.50	0.04	0.04	0.05	0.05	0.06	0.24
20.	JHALAWAR	0.41	0.03	0.03	0.04	0.04	0.05	0.19
21.	JHUNJHUNU	0.93	0.06	0.07	0.08	0.10	0.11	0.42
22.	JODHPUR	3.72	0.25	0.29	0.34	0.39	0.45	1.72
23.	KARAULI	0.77	0.05	0.06	0.07	0.08	0.09	0.35
24.	KOTA	4.33	0.29	0.34	0.39	0.45	0.52	1.99
25.	NAGAUR	5.94	0.40	0.46	0.54	0.62	0.72	2.74
26.	PALI	3.22	0.22	0.25	0.29	0.34	0.39	1.49
27	RAJSAMAND	10.67	0.72	0.84	0.97	1.12	1.29	4.94
28.	S.MADHOPUR	0.15	0.01	0.01	0.01	0.02	0.02	0.07
29.	SIKAR	0.58	0.04	0.04	0.05	0.06	0.07	0.26
30.	SIROHI	4.93	0.34	0.39	0.45	0.52	0.60	2.30
31.	TONK	0.84	0.06	0.07	0.08	0.09	0.10	0.40
32.	UDAIPUR	12.93	0.88	1.01	1.17	1.35	1.56	5.97
	TOTAL	**100.00**	**6.78**	**7.84**	**9.60**	**10.46**	**12.08**	**46.22**

Annexure- VIII.5
(Para 8. 24)

Distribution of own tax revenue excluding entertainment tax among PRIs

(Rs. In Crores)

S.No.	District	Weighted share in % basedon rural population, area, illiteracy poverty, sc/st population	Total amount for PRIs for five years (100%)	Gram Panchayats (85%)	Panchayat Samities (12%)	Zila Parishads (3%)
1	2	3	4	5	6	7
1	Ajmer	2.774	38.710	32.903	4.645	1.161
2	Alwar	4.839	67.522	57.394	8.103	2.026
3	Banswara	3.673	51.254	43.566	6.151	1.538
4	Baran	2.099	29.286	24.893	3.514	0.879
5	Barmer	4.811	67.131	57.061	8.056	2.014
6	Bharatpur	3.147	43.908	37.321	5.269	1.317
7	Bhilwara	3.553	49.568	42.133	5.948	1.487
8	Bikaner	3.596	50.168	42.643	6.020	1.505
9	Bundi	1.922	26.812	22.790	3.217	0.804
10	Chittorgarh	3.647	50.891	43.257	6.107	1.527
11	Churu	3.411	47.591	40.452	5.711	1.428
12	Dausa	2.495	34.814	29.592	4.178	1.044
13	Dholpur	1.654	23.074	19.613	2.769	0.692
14	Dungarpur	2.692	37.560	31.926	4.507	1.127
15	Ganganagar	3.065	42.763	36.348	5.132	1.283
16	Hanumangarh	2.707	37.766	32.101	4.532	1.133
17	Jaipur	5.103	71.197	60.517	8.544	2.136
18	Jaisalmer	3.161	44.098	37.484	5.292	1.323
19	Jalore	3.080	42.976	36.529	5.157	1.289
20	Jhalawar	2.265	31.600	26.860	3.792	0.948
21	Jhunjhunu	2.786	38.879	33.047	4.665	1.166
22	Jodhpur	4.515	63.000	53.550	7.560	1.890
23	Karauli	2.391	33.362	28.358	4.003	1.001
24	Kota	1.700	23.721	20.163	2.847	0.712
25	Nagaur	4.822	67.276	57.185	8.073	2.018
26	Pali	3.261	45.495	38.671	5.459	1.365
27	Rajsamand	1.876	26.177	22.250	3.141	0.785
28	Sawai Madhopur	2.094	29.224	24.840	3.507	0.877
29	Sikar	3.362	46.906	39.870	5.629	1.407
30	Sirohi	1.769	24.677	20.976	2.961	0.740
31	Tonk	2.285	31.886	27.103	3.826	0.957
32	Udaipur	5.445	75.978	64.581	9.117	2.279
	Total	**100.000**	**1395.27**	**1185.980**	**167.432**	**41.858**

Annexure- VIII.6
(Para 8.   )

Distribution of Incentive Amount

(Rs. In Crores)

S.No.	District	Weighted share in % basedon rural population, area, illiteracy poverty, sc/st population	Incentive Amount
1	2	3	4
1	Ajmer	2.774	6.452
2	Alwar	4.839	11.254
3	Banswara	3.673	8.543
4	Baran	2.099	4.881
5	Barmer	4.811	11.189
6	Bharatpur	3.147	7.318
7	Bhilwara	3.553	8.261
8	Bikaner	3.596	8.362
9	Bundi	1.922	4.469
10	Chittorgarh	3.647	8.482
11	Churu	3.411	7.932
12	Dausa	2.495	5.802
13	Dholpur	1.654	3.846
14	Dungarpur	2.692	6.260
15	Ganganagar	3.065	7.127
16	Hanumangarh	2.707	6.295
17	Jaipur	5.103	11.866
18	Jaisalmer	3.161	7.350
19	Jalore	3.080	7.163
20	Jhalawar	2.265	5.267
21	Jhunjhunu	2.786	6.480
22	Jodhpur	4.515	10.500
23	Karauli	2.391	5.560
24	Kota	1.700	3.954
25	Nagaur	4.822	11.213
26	Pali	3.261	7.583
27	Rajsamand	1.876	4.363
28	Sawai Madhopur	2.094	4.871
29	Sikar	3.362	7.818
30	Sirohi	1.769	4.113
31	Tonk	2.285	5.314
32	Udaipur	5.445	12.663
	Total	**100.000**	**232.55**

Appendix-I.1
(para 1. 11)

Interim Report

Introduction

1. The Third State Finance Commission was constituted by an order of H.E., the Governor of Rajasthan, dated 15th September, 2005 with the mandate to give its report by 15th March, 2006. Matters on which the Commission is required to make recommendations are set out in the Terms of Reference (TOR). The Terms of Reference of the Commission are the same as given to the Second State Finance Commission. Though the Commission was constituted on 15th September, 2005, it came into full functioning only in the month of December, 2005.

2. Since the Commission has been constituted recently and started functioning only in Decmber,2005, exercise to assess the requirement of funds for the Panchayati Raj Institutions and the Urban Local Bodies is in process. In such a short span of time, it is not possible to assess realistically the fund requirements of these bodies. As the Budget Estimates for 2006-07 and Revised Estimates for 2005-06 are in the process of finalization, the Commission has been requested by the Government vide its D.O letter. no. F3(1)FD/EAD/SFC/2003 Dated 31st January, 2006 to furnish an Interim Report at an early date pending the assessment of fund requirement of these Local Bodies. Before finalization of its report, the Commission intends to have discussions with the Ministers of concerned Departments namely Panchayati Raj, Rural Development, Urban Local Bodies and Finance Department. However, these meetings could not be held so far due to paucity of time. But a meeting with the Principal Secretary, Finance & Planning and Senior Officers of the Finance Department was held on 4.1.2006 for discussion on State Finances. Accordingly, the Commission is submitting its Interim Report as desired by the Finance Department to enable the Government to reflect the decision taken by the State Government on the recommendations of the Commission in the Revised Estimates for 2005-06 and the Budget Estimates for 2006-07.

Approach and Recommendations

3. In the light of above backdrop, the Commission has decided to give this Interim Report to enable the State Govt. to incorporate the budgetary provisions for the Panchayati Raj Institutions and Urban Local Bodies in the Revised Estimates for year 2005-06 and Budget Estimates for 2006-07. Under the Terms of Reference, it is enjoined upon the Commission to determine the share of PRIs and ULBs in the net proceeds of taxes, duties, tolls and fees leviable by the State Govt. It would be pertinent to mention that the Second State Finance Commission had recommended devolution of 2.25 percent of the net tax revenue of the State to PRIs and ULBs and had also worked out the figures of transfers based on this ratio. Further the Second State Finance Commission bifurcated the amount between PRIs and ULBs on the basis of 2001 census population ratio of 76.6:23.4 and also bifurcated the divisible amount in the form of various grants for transfer to these bodies during the period (2000-2005) covered under its report.

4. Since the assessment of actual requirement of funds of these bodies in the light of functions already assigned to them is yet to be made, we deem it fit to recommend the same ratio of 2.25 percent of net State tax revenues for devolution to these bodies for the time being till the full position of State finances is made available and keeping in view the availability of resources to fund the plan expenditure, the Commission gives its final report.

5. Based on our projections, the net State tax revenues for the year 2005-06 works out to Rs 9251.21 crores and for 2006-07 Rs.10570.56 crores. These projections are based on the average growth observed in State tax revenues during the last ten years commencing from 1994-95 and, therefore, should normally hold good as the computation of average growth rate covers both good and bad periods in the State's economy. Based on these figures of net tax revenues the amount of transfer in the divisible pool for the year 2005-06 and 2006-07 would work out to Rs 208.15 crores and Rs. 237.84 crores respectively totalling to Rs.445.99 crores for two years, as compared to Rs 105.14 crores for the year 2000-2001 and Rs 121.47 crores for the year 2001-2002 totalling

Rs 226.61 crores recommended by the Second State Finance Commission in its Interim Report. These transfers are provisional and are subject to change as per Final Report of the Commission. These amounts are in addition to the per capita grant given by the State Govt. to PRIs in lieu of land revenue and general-purpose grant to ULBs for meeting part of their establishment costs.

6. For division of funds between PRIs and ULBs, the criteria are under examination of the Commission. But, for the present, the Commission deems it necessary to use the latest population figures for apportionment of funds between PRIs & ULBs. Therefore, the Commission has decided to adopt the population ratio of 75.7:24.3 for distribution of funds between PRIs and ULBs based on projected population as on 1st March, 2005, as published by the Directorate of Economics and Statistics, Rajasthan, Jaipur in Statistical Abstract, 2002. Accordingly, the respective share would work out as follows:

(Rs. In Crores)

Particulars	**2005-06**	**2006-07**
Panchayati Raj Institutions	157.57	180.04
Urban Local Bodies	50.58	57.80
TOTAL	208.15	237.84

Inter- se Distribution among PRIs

7. For distribution of the divisible funds among PRIs, the First SFC had recommended the criteria of incidence of poverty of the district, total rural population and population in Non-DDP/ Non-DPAP/ Non-TAD Blocks for distribution of development grant and for other grants the criteria was mainly population. The Second State Finance Commission enlarged the scope and recommended the following parameters and their weights for distribution of entire additional transfer of funds to Panchayati Raj Institutions at all the three tiers: -

	Parameters	**Weights**
(1)	Population	80 percent
(2)	Geographical Area	10 percent
(3)	Poverty represented by number of families living below poverty line	5 percent
(4)	Level of Literacy	5 percent

8. This Commission would like to examine various socio-economic parameters and their weights for rational distribution of the funds among Panchayati Raj Institutions at all the three tiers. However, pending final decision of the Commission in this regard, for the Interim Report purpose the Commission adopts the same weights and parameters as per Second State Finance Commission.

9. While working out the respective share of the districts only district wise parameters have been taken into consideration since these data are available for district as a unit. Further distribution of funds from the allocation to districts is to be made on rural population basis. Accordingly the percentage share of each district based on these criteria and weights as also districtwise amount recommended for 2005-06 and 2006-07 would be as follows:

(Rs. In Crores)

S.No	**Name of the District**	**Percentage Share**	**Recommended Amount**	
			2005-06	**2006-07**
1.	Ajmer	2.97	4.68	5.35
2.	Alwar	5.30	8.35	9.54
3.	Banswara	3.33	5.25	6.00
4.	Baran	2.03	3.20	3.65
5.	Barmer	4.54	7.15	8.17
6.	Bharatpur	3.52	5.55	6.34
7.	Bhilwara	3.70	5.83	6.66
8.	Bikaner	3.12	4.92	5.62
9.	Bundi	1.89	2.98	3.40
10.	Chittorgarh	3.61	5.69	6.50
11.	Churu	3.33	5.25	6.00
12.	Dausa	2.52	3.97	4.54
13.	Dholpur	1.80	2.84	3.24
14.	Dungarpur	2.51	3.95	4.52
15.	Ganganagar	3.03	4.77	5.46
16.	Hanumangarh	2.76	4.35	4.97
17.	Jaipur	5.50	8.66	9.90
18.	Jaisalmer	2.16	3.40	3.89

S.No	Name of the District	Percentage Share	Recommended Amount	
			2005-06	2006-07
19.	Jalore	3.14	4.95	5.65
20.	Jhalawar	2.34	3.69	4.21
21.	Jhunjhunu	3.13	4.93	5.64
22.	Jodhpur	4.47	7.04	8.05
23.	Karauli	2.35	3.70	4.23
24.	Kota	1.70	2.68	3.06
25.	Nagaur	5.05	7.96	9.09
26.	Pali	3.32	5.23	5.98
27.	Rajsamand	2.00	3.15	3.60
28.	Sawai Madhopur	2.09	3.29	3.76
29.	Sikar	3.75	5.91	6.75
30.	Sirohi	1.70	2.68	3.06
31.	Tonk	2.29	3.61	4.12
32.	Udaipur	5.05	7.96	9.09
	Total	**100.00**	**157.57**	**180.04**

10. For further distribution amongst the three tiers of Panchayati Raj namely Gram Panchayats, Panchayat Samitis and Zila Parishads the Commission has adopted the same proportion i.e.85% to Gram Panchyats, 12% to Panchayat Samities and 3% to Zila Parishads as has been assigned by the Second State Finance Commission. Based on this distribution criterion the respective share of these bodies may be as follows:

(Rs. In crores)

PRIs	2005-06	2006-07
Gram Panchayats (85 percent)	133.93	153.03
Panchayat Samitis (12 percent)	18.91	21.61
Zila Parishads (3 percent)	4.73	5.40
Total	**157.57**	**180.04**

11. Further distribution of the amount among the Zila Parishads, Panchayat Samitis and Gram Panchayats is to be made on the basis of population.

12. As regards nature of the funds being transferred to the PRIs, the Commission is of the view that instead of bifurcating the amounts in

different categories the entire amounts during the years 2005-06 and 2006-07 may be transferred as Untied Grants for meeting the commitments on maintenance of various services performed by these bodies as also to supplement the funds recommended by the Twelfth Finance Commission. We, however, would like to mention that these amounts may not be utilized for Boundary Walls (except School Boundary Walls), Community Halls, 'Chabutaras', 'Swagat Dwars' and 'Hathai'.

Inter-se Distribution among ULBs

13. The first SFC had recommended distribution of 60 percent of the funds to ULBs as general-purpose grant based on population and 40 percent on other criteria. For distribution of divisible funds among the Urban Local bodies the Second State Finance Commission has adopted population criteria with population figures of 2001 census. The Second State Finance Commission had further decided to recommend distribution of 85% share to all the Urban Local bodies on population basis and 15% extra amount to the municipalities falling in class II, class III, and class IV looking to their narrow resource base and weak financial position. As regards distribution of the ULBs share among various municipal bodies, this Commission finds that the criteria of geographical area, BPL families and literacy rate may not hold good for urban areas. We have also noticed that the financial position of most of the class II, class-III and class-IV municipalities is so poor that leave aside civic functions they are not able to pay salaries on time to their employees. Therefore, keeping in view various aspects including weak financial position of municipalities, the Commission recommends distribution of amount in the Interim Report among the ULBs as under:

85 percent :	On population basis among all ULBs.
15 percent :	On population basis to class II, class-III and class-IV Municipalities

14. The distribution of additional 15 percent amount to class II, class III and class IV municipalities would enable these financially weak municipalities to perform their basic functions effectively. These funds are to be utilized by these bodies for upgradation of basic infrastructure and maintenance of basic civic services and fundamental duties as per Law. Accordingly, the share of various ULBs for 2005-06 and 2006-07 would work out as follows:

Category	No. of Institutions	Population (In Lacs)	Recommended Amount (Rs. in Crores)					
			2005-06			2006-07		
			85%	**15%**	**Total**	**85%**	**15%**	**Total**
Municipal Corporation	3	38.68	13.09	0	13.09	14.95	0	14.95
Municipal Councils	11	29.93	10.13	0	10.13	11.58	0	11.58
Muncipalities Class II	39	26.20	8.86	3.40	12.26	10.13	3.89	14.02
Muncipalities Class III	58	17.76	6.01	2.31	8.32	6.87	2.63	9.50
Muncipalities Class IV	72	14.48	4.90	1.88	6.78	5.60	2.15	7.75
Total	**183**	**127.05**	**42.99**	**7.59**	**50.58**	**49.13**	**8.67**	**57.80**

15. The Commission is also of the view that for the present the entire funds may be transferred as untied grants. These amounts recommended as Untied Grants will be utilized by the respective Urban Local bodies on maintenance and improvement in basic civic services, amenities, up gradation of basic infrastructure, computerized & update account keeping systems, as also to supplement the grants recommended by the Twelfth Finance Commission. While the grants recommended by us for the financial year 2005-06 may be released in full to the ULBs on the above lines, 50 percent of the provision for 2006-07 may also be considered for release next year by September, 2006 pending final report of the Commission.

16. The Commission recommends transfer of funds to the PRIs and ULBs in the form of grants and not as share in net tax revenue of the State. The amounts of grants to be transferred have, however, been worked out on the basis of 2.25% of our projections of net tax revenue of the State, but any variation in the actual amount of net tax revenue collection during 2005-06 or budget estimates of state own tax revenue for 2006-07 as compared to our projections would not have bearing on amounts recommended by us for distribution to these bodies.

Twelfth Finance Commission grant

17. The Twelfth Finance Commission has recommended grants amounting to Rs.1230 crores for Panchayati Raj Institutions and Rs 220 crores for Urban Local Bodies i.e.Rs.246 crores and Rs.44 crores respectively every year for five years (2005-10). These grants are to be distributed as per criteria to be laid down by this Commission. Therefore, we recommend that the TFC grants for ULBs & PRIs may also be distributed on the basis of criteria and norms recommended by this Commission. However, 50 percent of the grants in aid provided to the Urban Local bodies would be earmarked for the scheme of solid waste management through public-private partnership. The municipalities should concentrate on collection, segregation and transportation of solid waste. The cost of these activities whether carried out in house or out sourced could be met from the grants.

18. The package of transfers recommended by us for 2005-06 and 2006-07 is as follows:-

(i) The share of PRIs and ULBS in the proceeds of state's net tax revenue has been maintained at 2.25 percent for the purpose of arriving at the amount to be transferred to these bodies as was recommended by the second SFC. However, the amounts to be transferred have been firmed up and any variations in the actual collection of revenue will not affect the amounts recommended by us.

(ii) The assessment of state's net tax revenue has been made based on last ten years average growth rate.

(iii) The distribution of share between the PRIs and ULBs has been made on the basis of 2005 (I[st] March) population ratio of 75.7:24.3.

(iv) The amount to be transferred to PRIs and ULBs works out to Rs. 208.15 crores for the year 2005-2006 and Rs. 237.84 crores for the year 2006-2007

(v) The distribution of amount to PRIs has been recommended based on population, geographical area, poverty and level of literacy. In case of ULBs the distribution of funds has been recommended keeping in view the population and financial position of municipal bodies. The amounts recommended by the Twelfth Finance Commission are also to be distributed on these lines.

(vi) The entire amounts are recommended to be transferred as Untied Grants to be utilized by PRIs and ULBs to meet commitments and for improvement/maintenance of basic civic services as also to supplement the amounts recommended by the Twelfth Finance Commission.

19. Our recommendations are meant to take effect from the financial year 2005-2006 as mandated in the Governor's order of Sept 15, 2005. We would like to reiterate that these will be subject to changes as might be considered necessary in the final report.

Sd/	**Sd/**
(Manik Chand Surana)	**(Ramavatar)**
Chairman	Member Secretary

Jaipur

February 17, 2006

Supplementary Interim Report
Third State Finance Commission

As per para 5(1) of the terms of the reference (T.O.R.), the State Finance Commission in making its recommendations, the Commission shall have regard, among other considerations, to:

(i) The financial resources of the State and demands thereon, keeping in view the non-plan deficit and surplus and in particular, the need for providing adequate resources for funding the plan expenditure for the overall development of the state;

In this context, the Commission is required to suggest measures for augmentation of resources of the State so as to enable the State to supplement resources of the Panchayats and Urban Local Bodies.

The Commission submitted its Interim Report to her Excellency, the Governor of Rajasthan, on 20th Feburary, 2006 to enable the State Government to finalise the Budget Estimates for the year 2006-07 and Revised Estimates for 2005-06. Subsequent to the submission of the Interim Report by the Commission, the examination of JDA was taken up. During the course of our examination of JDA and other Urban Bodies, it has come to notice that at the time of establishment of JDA, the State Government had transferred its assets in the form of land and building to JDA for taking up developmental activities in the areas falling within its jurisdiction.

……….2/-

There has been an unprecedented rise in the price of land in Jaipur in the last few years as a result of massive investment by various departments of the State Government/Central Government and other enterepreneurs.

Consequently in recent years JDA has been able to mop up sufficient revenue by sale of land vested in it by the State. During the course of our examination of JDA it has been revealed that the revenue by way of sale of land is on increase and there are good prospecs of JDA mopping up sufficient revenue by sale of land in coming years.

The Commission, therefore, is of the view that JDA should contribute 20% of the sale proceeds of the land and property sold by JDA to be credited to the Consolidated Fund of the State which would be utilised by the State for onward devolution to Urban bodies and other developmental activities.

This we are suggesting as an interim measure for 2005-06 and 2006-07, which would result in augmenting the resources of the State as well as local bodies. The Commission recommends that an amount equal to 20% realised by JDA by sale of land and property should be credited to the Consolidated Fund of the State. This supplementary report would form part of the Interim Report submitted earlier on 20.02.2006.

Sd/-	Sd/-
(Manik Chand Surana)	(Ramavatar)
Chairman	Member Secrerary

Jaipur
March 7, 2006

राजस्थान सरकार
वित्त आयोग
(आर्थिक मामलात डिविजन)

तृतीय राज्य वित्त आयोग द्वारा राज्यपाल महोदया को प्रस्तुत किये गये अंतरिम प्रतिवेदन पर की गयी कार्रवाई के विवरण का ज्ञापन

तृतीय राज्य वित्त आयोग का गठन 15 सितंबर 2005 को किया गया। आयोग के कार्यकाल मे वृद्धि के फलस्वरूप आयोग को अपना प्रतिवेदन 31दिसंबर 2006 तक प्रस्तुत करना है। आयोग ने वर्ष 2005-2006 एवं 2006-2007 के लिए अंतरिम व्यवस्था हेतु अपना अंतिरम प्रतिवेदन दिया है। संविधान के अनुच्छेद 243-आई (4) तथा 243-वाई (2) के अनुसरण में महामहिम राज्यपाल को 1 अप्रेल 2005 से प्रारंभ दो वर्षो की अवधि के लिए प्रस्तुत **तृतीय राज्य वित्त आयोग** के **अंतरिम प्रतिवेदन** एवं उस पर की गई कार्रवाई के विवरण (action taken report) का ज्ञापन सदन के पटल पर रखा जा रहा है।

2. **राज्य के शुद्ध कर राजस्व से अंतरणः**

संविधान की धारा 243-आई (1)(ए)(i) एवं 243-वाई (1)(ए)(i) के तहत आयोग ने सिफारिश की है कि पंचायती राज संस्थाओं तथा नगरीय स्थानीय निकायों को राज्य के शुद्ध कर राजस्व में से 2.25 प्रतिशत हिस्सा अनुदान के रूप में वितरित किया जाये। आयोग की सिफारिश को राज्य सरकार ने स्वीकार कर लिया है।

3. आयोग द्वारा स्थानीय निकायों को अंतरिम राशि पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायों के मध्य वितरण का अनुपात 75.7 : 24.3 करने की सिफारिशे की है। इसे भी राज्य सरकार द्वारा स्वीकार कर लिया गया है।

4. पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायों को अनुदान राशि के वितरण के संबंध में आयोग द्वारा सुझाये गये सिद्धांतो को भी राज्य सरकार द्वारा स्वीकार कर लिया गया है। इसके अतिरिक्त बारहवें वित्त आयोग की

सिफारिशों के अंतर्गत देय अनुदान राशि के पंचायती राज संस्थाओं में, तथा नगरीय स्थानीय निकायों में वितरण के संबंध में भी राज्य वित्त आयोग द्वारा सिद्वांत प्रतिपादित किया गया है। इसे भी राज्य सरकार द्वारा स्वीकार कर लिया गया है।

5. आयोग की अंतरिम सिफारिशें वर्ष 2005–06 एवं 2006–07 की अंतरिम व्यवस्थाओं के रूप में है। अतः आयोग के अंतिम प्रतिवेदन में की गई सिफारिशों के अंतर्गत यह अंतरण परिवर्तनीय होगा।

6. **क्रियान्वितिः**

(क) आयोग की सिफारिशों के तहत पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायो को देय राशियों के अंतरण के संबंध में आदेश पंचायती राज विभाग एवं स्थानीय निकाय विभाग द्वारा प्रसारित किये जायेंगें।

(ख) आयोग द्वारा इंगित राशि के व्यय हेतु विस्तृत निर्देश संबंधित विभागों द्वारा प्रसारित किये जायेगे।

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(वसुंधरा राजे)

मुख्यमंत्री (वित्त)

जयपुर

दिनांक : 10 मार्च 2006

Appendix I.2
(Pare-1.4)

Status of Implementation of Recommendations of Second SFC in respect of PRIs

Para	Recommendations	Action Taken
9.8	The State Government should ensure collection and compilation of financial data of PRIs and ULBs on a regular basis.	Financial data are being collected and compiled regularly in the prescribed proforma by the Panchayati Raj Department.
9.10	The Commission recommends that the utilisation of Finance Commission grants should be made in the manner and for the purposes for which they are released.	Grants under the recommendations of SFC have been utilised as per the guidelines issued by the Department letter no. 4423 dated 11-06-2002.
9.11	Necessary arrangements for training of newly elected representatives of Panchayati Raj Institutions and Urban Local Bodies should be made.	For training of newly elected public representatives, funds have been utilised out of the grant available for PRIs.
9.12	All the activities listed in the Eleventh Schedule of the Constitution should be transferred to the PRIs along with budget, staff and logistic support.	After approval of cabinet Sub Committee, activities listed in the Eleventh Schedule of the Constitution have been transferred vide Chief Secretary order no. 565 dated 19.06.07.
9.14	Every Gram Panchayat should be provided with a Secretary .	Secretaries have been appointed in every Gram Panchayat.
9.15	The District Rural Development Agencies should be merged with the Zila Parishads.	The District Rural Development Agencies have been merged with the Zila Parishads w.e.f. 30.08.2003.
9.19	The PRIs should increase their own income by levy of taxes and fees as provided under the Rajasthan Panchayati Raj Act/Rules .	PRIs have been encouraged to levy of taxes and fees as provided under the Rajasthan Panchayati Raj Act/Rules.

9.20	The Panchayati Raj Act /Rules may be amended to make recovery of certain taxes and fees obligatory for the PRIs.	Action is being taken to make recovery of certain taxes and fees obligatory for the PRIs by amending the Panchayat Raj Act/Rules.

9.26	The maintenance of accounts and audit of PRIs and ULBs may be ensured as recommended by the EFC.	As per recommendation of EFC formats for maintenance of accounts and audit by C & AG have been examined and sent to all District head-quarters .

9.27	The Gram Sevak should handle cash and maintain records of Gram Panchayats. The Sarpanch should be kept free from these botherations.	Necessary orders have been issued vide order no. 4924 dated 28.06.02 in this regand.

9.28	Trained and preferably experienced person should be appointed Gram Sevak cum Secretary in Panchayats for efficient functioning.	Granm Sevakas have been trained for efficient functioning.

9.29	The Commission recommends devolutin of 2.25% of state`s net own tax revenue excluding entertainment tax,15% of net revenue from entertainment tax and 1% of net royalty .This works out to Rs.794.43 crores for the award period 2000-05 as assessed by the Commisssion. The amount may, however vary based on actual realisation and may be revised accordingly.	As per recommendations allotment of funds have been made to PRIs during the years 2000-01 to 2004-05 .

9.32	Out of the net proceed of tax revenue of 2.25%, 2.20% amount to be paid as share in taxes for maintenance of civic services to PRIs and ULBs and 0.05% as incentive money for raising resources from untapped sources by the Gram Panchayats and ULBs except Corporations.	As per recommendation funds have been alloted to PRIs under incentive scheme for raising resources from untapped sources by the gram Panchayats from the year 2001-02 .

9.33	The distribution of share in tax amount (2.20%) to be made among districts for PRIs based on population 80%, area 10%, illiteracy 5% and poverty 5% weights.	On the basis of the criteria, funds have been alloted regualarly to PRIs duning the years 2000-01 to 2004-05.

9.34	The distribution of share in tax among three tiers PRIs to be made on 85% to Gram Panchayats, 12% to Panchayat Samities and 3% to Zila Parishads.	The distribution of share in tax among three tiers have been made on 85% to Gram Panchayats, 12% to Panchayat Samities and 3% Zila Parishads.

9.37	Payment of incentive amount to be made to Gram Pancayats by Zila Parishads out of the incentive amount of Rs.12.57 crores which is to be transferred to their PD Accounts out of 0.05% share in net taxes.	The recommendation of SFC was amended by the State Government as follows;- (a) The amount of incentive for Gram Pnachayats will be kept in P.D. A/c at the State level to be operated by Director , Panchayati Raj Department in place of Zila Parishad as recommended by SFC. (b) Un -utilised amount of incentive will be transferred to Consolidated fund at the end of 2004-05 in stead of distribution among the Gram Panchayats as per recommendation . Accordingly, the incentive amount was transferred in the P.D. A/c of Director, Panchayati Raj Deptt. for the year 2001-02 to 2004-05 as per guidelines issued vide letter no. 7927 dated 13.11.02. and prescribed proforma vide no. 8818 dated 07.01.2007. On the basis of proposal received the entire amount has been distributed to Gram Panchayats .

9.42	The EFC grants meant for civic services of be distributed to Gram Panchayats and Urban Local Bodies based on the same criteria as recommended for distribution of SFC amounts to share in taxes .	The EFC grant has been distributed on the same criteria as recommended for distribution of SFC amounts of share in taxes.

9.43	The existing eneral purpose grant being given to PRIs in lieu of land revenue and per capita general purpose grants to Urban Local Bodies to continue and if feasible, may be released on 2001 population	The recommendation of SFC was accepted with the following revision;- " Per capita Grant in lieu of land revenue may be discontinued w. e. f. 2001-02 and in place matching grant equivalent to 18% of EFC grant may be given to PRIs. In pursuance to this decision a sum of Rs. 1767.42 lakhs was allotted to Gram Panchayats every year from 2002-03 to 2004-05 .

Appendix I.3
(Pare-1.4)

Status of Implementation of Second SFC Recommendations of in respect of ULBs

Para	Recommendations	Action Taken
9.5	The Government should appoint the entire Commission at a time and should not change the composition till the Commission completes its prescribed task. Further the Member Secretary should be appointed on full time basis.	Implemented .
9.6	The life span of the SFC should be for a maximum period of 18 months.	Implementation awaited.
9.7	There should be synchronization between the recommendations of National Finance Commission and State Finance Commission .	Action is yet to be done .
9.8	The State Government should ensure collection and compilation of financial data of PRIs and on a regular basis.	For proper collection and compilation of financial data, E-Government Mitra Project has been approved which is being implemented in a phased manner.
9.9	The recommendation of SFC should be monitored by the Finance Department .	SFC recommendations are being monitored by the Finance Department .
9.10	The commissions recommends that the utilisation of Finance Commission grants should be made in the manner and for the purposes for which they are released.	The grants under the recommendations of SFC are being utilised in the manner and for the purpose for which they are released.
9.11	Necessary arrangements for training of newly elected representatives of Panchayati Raj Institutions and Urban Local Bodies should be made.	Implemented More than 10 training programmes have been organized for the elected representatives of ULBs in HCM RIPA and L.S.G. Institute.

9.12	All the activities listed in the eleventh schedule of the Constitution Should be transferred to the PRIs along with budget, staff and logistic support.	Although some of the activities have been transferred. However, for transfer of all activities matter is under consideration of the State Government.
9.13	The powers, function and responsibilities of the State Government and the PRIs and ULBs may be bifurcated between the State Government and PRIs and ULBs on the lines of division of subjects made between te Centre and the State in the Union and States Lists. For this purpose a third list of District Governments may be inserted in the Constitution.	Relates to Central Government.
9.16	A separate Act for Municipal Corporation should be enacted. The 74th Amendment also Stipulates constitution of Metropolitan Area for contiguous area having population of ten Lacs or more. Since Jaipur has crossed population of twenty lakhs the state Government may examine framing necessary Act /Rules for declaring Jaipur a Metropolitan Area.	Under consideration.
9.17	Keeping in view the increased requirements of cleaning, solid waste disposal, etc. these services should be contracted out and in emergent cases powers of hiring labour for cleaning operations may be given to Local Bodies.	Power have been delegated to ULBs for contract out the cleaning operations.
9.18	The criteria for bifurcation of Urban and Rural areas adopted by Census authorities and Local Bodies Department are different which may be synchronised.	For coordination between census and Local Bodies Department for bifurcation of urban and rural areas the matter is under consideration at the Departmental level.
9.22	The Urban Local Bodies should recover house tax. The State Government should expedite rationalisation of house tax provision to make it area based.	The house tax provisions have been rationalized and made area based. The new simplified provisions have already been implemented W.e.f. 01.04.2003.

9.23	The State Government should release grant in lieu of octroi to the Urban Local Bodies on regular basis.	The grant in lieu of octroi is released for 12 months at the beginning of each year by the Government and on he first day of each month the respective treasury transfers the amount in the account of levy these taxes.
9.24	The Urban Local Bodies should recover discretionary taxes and fees so as to increase their revenues.	ULBs are indifferent form levying of discretionary taxes. However ULBs are encouraging to levy these taxes.
9.25	The establishment expenditure in Urban Local Bodies is higher than the norms. The ULBs should rationalize the staff norms and computerize the office functions.	Attempts are being made to reduce the establishment cost and computerization of office work have been initiated.
9.26	The maintenance of accounts and audit of PRIs and ULBs may be ensured as recommended by the EFC.	Action has been initiated for maintenance of accounts and audit of ULBs as per EFC recommendations. It will be implemented in a phased manner.
9.29	The Commission recommends devolution of 2.25% of state's net own tax revenue excluding entertainment tax,15% of net revenue from entertainment tax 1% of net royalty receipts. This works out to Rs.794.43 crores for the award period 2000-05 as assessed by the Commission. The amount may, however vary based on actual realisation and may be revised accordingly.	Implemented.
9.30	The amount of 15% share in entertainment tax to be given to Urban Local Bodies in proporation to the recovery form their areas, and payment of 1% share from royalty on minerals to be made to Gram Panchayats based on actual recovery from the respective districts/ Gram Panchayats .	Implemented.
9.31	The distribution of 2.25% share in net tax revenue to be made between PRIs and ULBs based on the 2001 population percentage of 76.6 and 23.4 respectively.	Funds have been released as per recommendations of the second State Finance Commission.

9.32	Out of the net proceeds of tax revenue of 2.25%,2.20% amount to be paid as Share in taxes for maintenance of civic services to PRIs and ULBs and 0.05% as incentive money for raising resources form untapped sources by the Gram Panchayats and ULBs except Corrporations.	State Government has accepted the recommendation
9.35	Out of ULBs share in taxes (2.20%),85% will be distribution among all the five categories on population basis. The remaining 15% share would be distributed among 11,111,1v categories of Municipalities on the basis of population.	Funds have been distributed as per recommendations.
9.36	Incentive amount equal to the revenue raised from untapped sources of tax/non-tax to be given to Gram Panchayats. Similar incentive may be paid to Urban Local Bodies, but for Corporations on raising tax/non-tax revenue except house tax.	Accepted by the State Government .
9.38	Incentive payment to Urban Local Bodies except Corporations to be made by Director Local Bodies out of the incentive amount of Rs.3.84 croes to be placed at his disposal out of 0.05% share in net taxes.	Accepted by the State Government. But no incentive amount was paid as tax/fees from untapped sources raised by ULBs.
9.39	For raising additional resources the PRIs and ULBs shall have recourse to existing laws and rules.	Accepted by the State Government ULBs have been directed to raise additional resources.
9.40	At the end of award period undisturbed balances including interest if any from the incentive amount may be distributed to Gram Panchayats and ULBs except Corporations on population basis.	Not accepted by the State Government .
9.41	The State government discontinued payment of entertainment tax share to the Urban Local Bodies in spite of its own decision taken in 1997-98. The entire net proceeds of entertainment tax to Urban Local Bodies.	Implemented. The share of ULBs is being transferred out of the amount of Entertainment Tax.

9.42	The EFC grants meant for civic services to be distributed to Gram Panchayats and Urban Local Bodies based on the same criteria as recommended for distribution of SFC amounts of share in taxes.	Implemented . Funds are distributed as per the recommendations of the second SFC.

9.43	The existing general purpose grant being given to PRIs in liue of land revenue and per capita general purpose grants to Urban Local Bodies, to continue and if feasible, may be released on 2001 population.	General-purpose grant was paid to ULBs on the basis of 1991 Census population.

9.44	The funds recommended by the Commission may be provided on a regular basis to the PRIs and ULBs and no ban on withdrawals to be applied after releases have been made.	Accepted and implemented .

9.45	The recommendations made in the final report are to remain operative during the award period 200-02 Funds already released based on our interim report may be adjusted as per the final report.	Implemented.

राजस्थान सरकार

वित्त (आर्थिक मामलात अनुभाग) विभाग

तृतीय राज्य वित्त आयोग द्वारा राज्यपाल महोदय को प्रस्तुत किये गये प्रतिवेदन पर की गई कार्यवाही (Action Taken) का ज्ञापन।

तृतीय राज्य वित्त आयोग का गठन 15 सितम्बर 2005 को वर्ष 2005 से 2010 की, पाँच वर्ष की अवधि हेतु अपना प्रतिवेदन 15 मार्च 2006 तक देने के निर्देश के साथ किया गया था। आयोग का कार्यकाल समय–समय पर बढाया गया। आयोग द्वारा महामहिम राज्यपाल को दिनांक 27 फरवरी 2008 को अपना प्रतिवेदन प्रस्तुत किया गया। इससे पूर्व आयोग द्वारा वर्ष 2005–2006 एवं 2006–07 के लिए अनन्तिम व्यवस्था हेतु दिनांक 17 फरवरी 2006 को अपना अंतरिम प्रतिवेदन प्रस्तुत किया था जिसे कार्यवाही के ज्ञापन के साथ दिनांक 10 मार्च 2006 को सदन के पटल पर रखा गया था।

2. तृतीय राज्य वित्त आयोग का प्रतिवेदन जो कि 1 अप्रेल 2005 से प्रारम्भ पाँच वर्षों की अवधि से संबंधित है तथा उसमें की गई सिफारिशों पर की गई कार्यवाही का ज्ञापन संविधान के अनुच्छेद 243 आई(4) तथा 243 वाई(2) के तहत सदन के पटल पर रखा जा रहा हैं। आयोग द्वारा पंचायती राज संस्थाओं तथा नगरीय स्थानीय निकायो को राशि अन्तरण, अनुदान एवं अन्य बिन्दुओं के सम्बन्ध में की गई सिफारिशों का सारांश अध्याय–IX में दिया गया है।

3. राज्य सरकार द्वारा आयोग की मुख्य सिफारिशों पर सावधानी पूर्वक विचार किया गया है जिनका विवरण एवं राज्य सरकार द्वारा की जाने वाली कार्यवाही का विवरण निम्नानुसार हैं:

क्र. सं.	आयोग की सिफारिशों का सार	राज्य सरकार द्वारा की जाने वाली कार्यवाही का विवरण
1.	आयोग द्वारा अंतरिम प्रतिवेदन के आधार पर स्थानान्तरित राशि का समायोजन अपने अंतिम प्रतिवेदन के आधार पर किये जाने की सिफारिश की गई है।	पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायों को वर्ष 2005–06 एवं 2006–07 में आयोग के अंतरिम प्रतिवेदन में की गई सिफारिशों के आधार पर स्थानान्तरित एवं वर्ष 2007–08 में प्रावधित राशि यथावत रखी जावे एवं आयोग के अंतिम प्रतिवेदन में राज्य के शुद्ध कर (मनोरंजन कर को छोड़कर) राजस्व में स्थानीय निकायों का हिस्सा 3.50 प्रतिशत किये जाने संबंधी सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।

2.	राज्य के शुद्ध कर राजस्व (मनोरंजन कर को छोड़कर) का 3.50 प्रतिशत हिस्सा इन संस्थाओं को अंतरण किया जाये। इसमें से 0.50 प्रतिशत हिस्सा इन संस्थाओं को उनके स्वयं के स्रोत के राजस्व में वृद्धि के प्रयास हेतु प्रोत्साहन हेतु चिन्हित (earmarked) किया जाये।	राज्य सरकार द्वारा आयोग की सिफारिश वर्ष 2008–09 से स्वीकार कर लिया गया है।
3.	खनिजों (मुख्य एवं गौण दोनों) से राज्य को प्राप्त शुद्ध रायल्टी के 1 प्रतिशत हिस्से का अंतरण ग्राम पंचायतों, जहां खनिजों से रायल्टी की वसूली होती है, को किया जाये।	राज्य सरकार द्वारा आयोग की सिफारिश को स्वीकार कर लिया गया है।
4.	राज्य के शुद्ध मनोरंजन कर की संपूर्ण राशि नगरीय स्थानीय निकायों को उनके क्षेत्र में संग्रहण के अनुपात में अंतरित की जाये।	द्वितीय राज्य वित्त आयोग की सिफारिश के अनुसार नगरीय स्थानीय निकायों को वर्ष 2005–06, 2006–07 एवं 2007–08 में शुद्ध मनोरंजन कर की वास्तविक प्राप्तियों की 15 प्रतिशत राशि स्थानान्तरित की गई है। मनोरंजन कर से होने वाली प्राप्ति मुख्यतः सिनेमाघरों से होती है, अतः सिनेमाघरों से प्राप्त होने वाली शुद्ध मनोरंजन कर की वास्तविक प्राप्तियों की संपूर्ण राशि नगरीय स्थानीय निकायों को उनके क्षेत्र में प्राप्त राजस्व के अनुपात में अंतरण किये जाने संबंधी आयोग की सिफारिश को वर्ष 2008–09 से स्वीकृत किया गया है। डीटीएच एवं कैबल से प्राप्त होने वाले मनोरंजन कर के संबंध में अलग से निर्णय लिया जायेगा।
5.	राज्य के शुद्ध कर राजस्व के 3.50 प्रतिशत हिस्से का वितरण 1 मार्च 2005 की अनुमानित जनसंख्या के आधार पर पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायों के मध्य 75.7 एवं 24.3 प्रतिशत के अनुपात में किया जाये।	राज्य सरकार द्वारा आयोग की सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।
6.	शुद्ध कर राजस्व के 3.50 प्रतिशत हिस्से में से 3 प्रतिशत राशि पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायो का सिविक सेवाओं के रख–रखाव के लिए एव 0.50 प्रतिशत राशि ग्राम पंचायतों एंव नगरीय स्थानीय निकायों को प्रोत्साहन राशि के रूप मे अप्रयुक्त स्रोतो से अतिरिक्त संसाधन जुटाने पर दी जाये।	राज्य सरकार द्वारा आयोग की सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।

7.	पंचायती राज संस्थाओं को शुद्ध कर राजस्व में से आवंटित की जाने वाली राशि के जिलेवार वितरण हेतु विभिन्न मानदण्डों के आधार प्रतिवेदन के अध्याय 8 में दिया गया है। प्रत्येक जिले के निर्धारित हिस्से में से जिला परिषद को 3 प्रतिशत, पंचायत समितियों को 12 प्रतिशत एवं ग्राम पंचायतों को 85 प्रतिशत भाग दिया जाये।	पंचायत राज संस्थाओं को आयोग की सिफारिश के तहत दी जाने वाली राशि को निर्बन्ध (untied) अनुदान के रूप में दिये जाने की आयोग की सिफारिश इस संशोधन के साथ स्वीकार की जाये कि अनुदान की कम से कम 15 प्रतिशत राशि पूंजीगत व्यय (Capital Expenditure) हेतु उपयोग लेनी आवश्यक होगी। राशि के उपयोग के संबंध में आयोग द्वारा सुझाये गये कार्यों, जिनका उल्लेख प्रतिवेदन के पैरा संख्या 8.25 पर किया गया है, पर भी स्वीकृति दी जाये। राज्य सरकार को विभिन्न विभागों एवं निगमों की अविवादित (undisputed) बकायात की वसूली के लिये इस राशि से घटाने का अधिकार होगा।राज्य सरकार द्वारा आयोग की सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।
8.	नगरीय स्थानीय निकायों के लिए निर्धारित हिस्से की राशि का 80 प्रतिशत सभी श्रेणी की नगरपालिकाओं को जनसंख्या के आधार पर एवं शेष 20 प्रतिशत राशि श्रेणी II, III एवं IV नगरपालिकाओं को जनसंख्या के आधार पर वितरित किये जाने की सिफारिश की गई है।	राज्य सरकार द्वारा आयोग की सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।
9.	आयोग द्वारा प्रोत्साहन राशि के वितरण के संबंध में निम्न सिफारिशें की गई हैं:– (i) जिला परिषदों में जिलेवार करों में से हिस्से के वितरण हेतु अपनाये गये सिद्धांत के आधार पर ग्राम पंचायतों हेतु प्रत्येक जिले के लिए प्रोत्साहन राशि का आवंटन किया जायेगा तथा यह राशि जिला परिषद के पीडी खाते में राज्य सरकार द्वारा स्थानान्तरित की जायेगी। ग्राम पंचायतों द्वारा कर/गैर–कर के अप्रयुक्त (not tapped) स्रोतों से अतिरिक्त राजस्व उगाहने के बराबर प्रोत्साहन राशि जिला परिषद द्वारा स्वीकृत की जायेगी। संबंधित जिला परिषद के कार्यकारी अधिकारी एवं लेखाधिकारी द्वारा ग्राम पंचायतों से प्राप्त claim का सत्यापन कर प्रोत्साहन राशि स्वीकृत की जायेगी।	राज्य सरकार द्वारा आयोग की सिफारिश को वर्ष 2008–09 से स्वीकार किया गया है।

	(ii) नगरीय स्थानीय निकायों को विवेकाधीन (discretionary) कर एवं शुल्क, के अप्रयुक्त (not tapped) स्रोतों से अतिरिक्त राजस्व उगाहने के बराबर प्रोत्साहन राशि स्वीकृत की जायेगी। प्रोत्साहन कोष की राशि निदेशक, स्थानीय निकाय के स्तर पर इस प्रयोजन हेतु खोले गये पीडी खाते में स्थानान्तरित की जायेगी।	
10.	राज्य सरकार द्वारा वर्ष 1991 की जनसंख्या के आधार पर नगर निगमों, नगर परिषदों को 12.50 रुपये, द्वितीय श्रेणी की नगरपालिकाओं को 25.00 रुपये एवं तृतीय एवं चतुर्थ श्रेणी की नगरपालिकाओं को 37.50 रुपये प्रति व्यक्ति की दर से सामान्य प्रयोजन अनुदान दिया जा रहा है, जिसे आयोग ने वर्ष 2001 की जनगणना के आधार पर भुगतान किये जाने की सिफारिश की है।	पूर्व में ग्राम पंचायतों एंव पंचायत समितियों को भी भू–राजस्व की एवज में प्रति व्यक्ति अनुदान राज्य सरकार द्वारा दिया जा रहा था, जिसे वर्ष 2001–2002 से समाप्त किया जा चुका है। नगरीय स्थानीय निकायो को प्रति व्यक्ति अनुदान दिया जाना व पंचायती राज संस्थाओं को नही दिया जाना दोनो निकायो के मध्य असमान होने से अनुपयुक्त हैं। तृतीय राज्य वित्त आयोग द्वारा स्थानीय निकायों को द्वितीय राज्य वित्त आयोग द्वारा राज्य के शुद्ध कर (मनोरंजन कर को छोड़कर) राजस्व में निर्धारित 2.25 प्रतिशत हिस्से को बढ़ाकर 3.50 प्रतिशत एवं मनोरंजन कर की राशि को 15 प्रतिशत से बढ़ाकर शत–प्रतिशत किये जाने की सिफारिश की है, जिसके फलस्वरूप नगरीय स्थानीय निकायों को पूर्व में दिये जा रहे अनुदान में पर्याप्त वृद्धि होगी। अतः इस समानता के मुद्दे और अनुदान की बढ़ी हुई प्रतिशत को दृष्टिगत रखते हुए, इस अनुदान को जारी रखना आवश्यक नहीं है।
11.	राज्य सरकार द्वारा वर्ष 2001–2002 से 2003–04 तक 10 प्रतिशत के स्थान पर 5 प्रतिशत वार्षिक दर की वृद्धि से चुंगी क्षति–पूर्ति की राशि का भुगतान किया गया है। वर्ष 2004–05 से चुंगी क्षति–पूर्ति राशि 10 प्रतिशत वार्षिक वृद्धि दर से दी जा रही है। राज्य सरकार द्वारा चुंगी की क्षति–पूर्ति 10 प्रतिशत वार्षिक वृद्धि के साथ दिये जाने के वादे की पूर्ति करने का सुझाव दिया है। चुंगी क्षति–पूर्ति वर्ष 2008–09 से restore किये जाने की आवश्यकता बताई है एवं चुंगी क्षति–पूर्ति की वृद्धि दर को 10 प्रतिशत कायम रखने की सिफारिश की है।	राज्य सरकार द्वारा वर्ष 2004–05 से चुंगी क्षति–पूर्ति राशि 10 प्रतिशत वार्षिक वृद्धि दर से दी जा रही है। आयोग की सिफारिश राज्य सरकार द्वारा वर्तमान में अपनाई जा रही नीति के अनुरुप ही हैं। अतः नगरीय स्थानीय निकायों को चुंगी क्षति–पूर्ति की राशि 10 प्रतिशत वार्षिक वृद्धि के साथ दिये जाने संबंधी सिफारिश को क्रियान्वित माना जाये।

12.	आयोग द्वारा पंचायती राज संस्थाओं (जो चुंगी समाप्ति से पूर्व चुंगी वसूल कर रही थी) को भी नगरीय स्थानीय निकायों के अनुरूप 10 प्रतिशत वार्षिक वृद्धि के साथ चुंगी क्षति–पूर्ति की राशि दिये जाने की सिफारिश की गई है।	राज्य सरकार द्वारा पंचायती राज संस्थाओं को चुंगी क्षति–पूर्ति के पेटे 4.76 करोड़ रुपये प्रतिवर्ष स्थानान्तरित किया जा रहा है, इस राशि पर कोई वृद्धि नहीं दी जा रही है। पंचायतों के चुंगी हेतु पूर्व में नियुक्त स्टाफ सहित अन्य कर्मचारियों के संस्थापन व्यय हेतु राज्य सरकार द्वारा अनुदान दिया जा रहा है। अतः चुंगी क्षति–पूर्ति की राशि पर 10 प्रतिशत वृद्धि दिये जाने संबंधी आयोग की सिफारिश को स्वीकार नही किया गया है।
13.	आयोग ने ग्राम पंचायतों के वार्ड पंच, पंचायत समिति के सदस्य एवं जिला परिषद के सदस्य द्वारा मिटिंग में उपस्थित होने पर भत्तों का भुगतान आयोग की सिफारिशों के तहत अंतरित राशि से किये जाने की सिफारिश की है।	आयोग द्वारा पंचायत राज संस्थाओं को अंतरित की जाने वाली राशि के उपयोग के संबंध में की गई सिफारिशों को इस शर्त के साथ स्वीकार किया गया है कि भत्तों में वृद्धि राज्य सरकार की सहमति से की जा सकेगी।

4. आयोग द्वारा पंचायती राज संस्थाओं एवं नगरीय स्थानीय निकायों के संबंध में अन्य सुझाव तथा सिफारिशें की गई हैं। इन सिफारिशों के क्रियान्वयन हेतु संबंधित प्रशासनिक विभागों द्वारा विचार एवं परीक्षण कर नियमानुसार आवश्यक निर्णय लिया जायेगा।

5. **क्रियान्विति:**

(i) राज्य के वास्तविक शुद्ध कर राजस्व से अंतरण के संबंध में आदेश पंचायती राज विभाग एवं स्थानीय निकाय विभाग द्वारा प्रसारित किये जायेंगे।

(ii) राज्य के वास्तविक शुद्ध मनोरंजन कर से अंतरण के संबंध में आदेश वाणिज्यिक कर विभाग द्वारा प्रसारित किये जायेंगे।

(iii) खनिजों से प्राप्त रायल्टी की शुद्ध प्राप्तियों के अंतरण के संबंध में आदेश खान एवं भू–विज्ञान विभाग द्वारा प्रसारित किये जायेंगे।

(iv) आयोग की सिफारिशों के अंतर्गत अंतरित राशि के उपयोग के संबंध में विस्तृत दिशा–निर्देश संबंधित विभागों द्वारा प्रसारित किये जायेंगे।

(वसुंधरा राजे)
मुख्यमंत्री

दिनांक : 17 मार्च, 2008