

## Chapter– 7

### Assessment of Finances of PRIs

- 7.1 Paragraph 4 (i), (ii) & (iii) of the TOR requires the Commission to have regard among other considerations, to the objective of balancing the receipts and expenditure on revenue account of both the local bodies as a whole and the State Government and each local body, the resources of the State Government and demands thereon and the resources of the local bodies for the five years commencing on 1<sup>st</sup> April, 2011 on the basis of the level of collection made during 20 08-09 from taxes, duties, tolls and fees levied by them, the potential for raising additional revenue from the existing sources available to them and the scope for better financial management consistent with efficiency and economy in expenditure.
- 7.2 There are 27 districts in Assam out of which 21 districts are in the General Areas and the remaining 6 districts are constituted as Six Schedule Areas. Two Autonomous Hill Districts of Karbi Anglong and North Cachar and 4 districts of Kokrajhar, Udalguri, Chirang and Baksa constituting the Bodoland Territorial Areas District (BTAD) are treated as excluded areas under Article 243 M. Hence, our assessment is made for the General Areas only.
- 7.3 In keeping with the Constitutional mandate under Article 243 B, the Assam Panchayat Act, 1986 was replaced by the Assam Panchayat Act, 1994. The revised Act adopted a three tier Panchayati Raj System comprising Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. Although the number of districts in the General Areas of Assam is 21, the districts of Kamrup and Kamrup (Metro) is treated as a single entity and hence the numbers of ZPs are confined to 20. The numbers of APs coterminus with development blocks are 185. At the base level the total number of GPs are 2202. The total rural population covered by PRIs at all level is 20198790 which constitutes nearly 88 percent of the total population of the State. The total Area covered by PRIs at all level is 40658.64 Sq Km constituting nearly 52 percent of the total geographical area of the State.
- 7.4 As per relevant provisions of the Assam Panchayat Act, 1994, the number of elected representatives of PRIs at all level is shown in Table- 1 below.

Table- 1  
Elected Representatives of PRIs

Designation	ZP	AP	GP	Total
President	20	185	2202	2407
Vice-President	20	185	2202	2407
Member	380	1832	19818	22030
<b>Total</b>	<b>420</b>	<b>2202</b>	<b>24222</b>	<b>26844</b>

## A. Revenue

- 7.5 The main sources of revenue of PRIs are (i) Tax and non-tax sources statutorily allocated to them, (ii) resource transfer from the State under the award of SFCs, (iii) grants-in-aid from Government of India under the award of Central Finance Commissions and (iv) grant-in-aid from GOI for implementation of poverty alleviation programmes including State's share thereof.

### Tax and Non Tax Revenue of GPs

- 7.6 The taxation powers of GPs are enumerated under Section 25 of the Assam Panchayat Act, 1994. Table- 2 below summarizes the taxation powers of GPs.

Table- 2  
Taxation Powers of GPs

1. (a) Tax on house and structure within the local limits.  
(b) Tax on trades and callings carried on or held within the local limits of its jurisdictions, a tax on the basis of the total annual income accrued from such trade and calling.
  2. (a) A duty in the shape of additional stamp duty on all payments for admission to any entertainment.  
(b) A fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the government.  
(c) A water rate, where arrangement for supply of water for drinking, irrigation or any other purpose is made by the GP within its jurisdiction.  
(d) A lighting rate, where arrangement for lighting of public street and places is made by the GP within its jurisdiction.  
(e) A conservancy rate, where arrangement for deaning private latrines, urinals is made by the GP within its jurisdiction.
  3. (a) A tax on sale of firewood and thatch, conservancy and slaughter house.  
(b) Private hats (markets) and private fisheries.  
(c) Shops, pharmacies, tailoring, laundry, hair cutting saloon, carpentry works, automobile workshops, TV, VCR, radio and tape recorder repairing shop.  
(d) Cultivable land lying fallow for two consecutive years, at a rate not exceeding 25 paise per bigha for every year, being payable jointly or severally by the owner of such land.  
(e) A cess or fee on (i) registration of cattle sold within the local area, (ii) licence for starting tea stall, hotel, sweet meat stall, restaurants and (iii) carts, carriages, bicycles, boats and rickshaws of any kind.
- 7.7 It appears from the list of taxes allocated to the GPs that house tax and tax on trades are the main source of their tax revenue. But the actual collection of taxes depends primarily on the existence of legal and administrative framework. The Assam

Panchayat (Financial) Rules were framed in 2002 after 8 years of enactment of the principal Act in 1994. The Rules lay down the maximum limit of taxes that a GP can levy on a house or on a trade. The Assam Panchayat Act, 1994 provide that for imposition of levies, the PRIs shall have to frame bye-laws indicating the rates etc of taxes to be collected by them. To our knowledge, such bye-laws are yet to be framed. Naturally, this has dampened any enthusiasm that the PRIs might have had in the matter of mobilization of their own resources. More importantly, the post of Tax Collector is lying vacant in 1705 GPs out of 2202 and 314 GPs are running without a Secretary being in position. Similar is the situation in respect of the APs and ZPs. In this backdrop, it would be optimistic to expect any better performance in the matter of internal resource mobilization by the PRIs. On the contrary, it tended to encourage their dependence on exogenous financial support either from the State or the Central governments. This undesirable tendency needs to be curbed once and for all. Hence in order to motivate the PRIs to become pro-active in internal resource mobilization, the required legal and administrative frameworks need to be firmly put in place.

- 7.8 Apart from house tax and tax on trades, all other sources of revenue allocated to the GPs are in the nature of fees, fines, tolls, cess etc. Hence these can be categorized as non-tax revenue. However, the distinction between tax and non-tax revenue being rather fine scanty regard is paid by the employees entrusted with the job in maintaining separate accounts for tax and non-tax revenues or in furnishing bifurcated data. The Commission is therefore severely handicapped to make a distinction between tax and non-tax sources.
- 7.9 By and large, non-tax revenue accrue to the GPs from services provided and user charges levied, tolls, fees and fines imposed by them. As stated earlier GPs are not fully functional with adequate staff and machinery so the level of service delivery is minimal. As a consequence user charges in shape of water rate, conservancy rate, lighting rate etc are also nominal. As of now, the GPs derive bulk of their internal revenue from sources like hats, ferries and fisheries within their respective jurisdiction.
- 7.10 The Commission adopted Fiscal Year 2008-09 as the base as per its TOR. Accordingly, a set of questionnaire was circulated to all concerned with a view to obtaining accurate data particularly about the income and expenditure of the PRIs having Fiscal Year 2008-09 as the base. In response the Commission received the feedback in bits and pieces from different districts. In most cases, apart from inconsistencies and mis-classifications item-wise details of collection were lacking. Moreover, consolidation of information was not done from any quarter. As a result, the Commission had considerable trouble in consolidating the inadequate materials. Anyway, the Commission is fairly convinced that any further extension of time granted to them will not produce a better result. After consolidation and compilation of the materials received, it is found that the actual collection of taxes by the GPs in 2008-09 amounted to Rs.79.22 lakhs and that from non-tax sources Rs.516.88 lakhs. Based on the above actual collection of 2008-09 the projection for the subsequent years up to 2015-16 has been made. Having regard to the narrow base and limited

flexibility of local taxes a modest annual growth of 5 percent per annum has been assumed for the purpose of projection.

#### Tax and Non-Tax Revenue of APs

- 7.11 The taxation powers of APs are laid down under Section 57 of the Assam Panchayat Act, 1994 which is reproduced in Table- 3 below.

Table- 3  
Taxation Powers of APs

1. (a) To levy tolls on persons, vehicles or animals or any class of them at any toll bar established by it on any road other than a kutcha road or any bridge vested in it or under its management.
  - (b) Tolls in respect of any ferry established by it, or under its management.
  - (c) A surcharge on land revenue at the rate of two paise per rupee.
  - (d) A cess or water rate for recovery of cost of minor irrigation works taken up within the jurisdiction of an AP and such cess as may be necessary for the purpose of maintenance and repair of such works.
  - (e) A tax on supply of water and lighting.
  - (f) A tax on profession, trade, calling, manufacture and production.
  - (g) A fee for cinema halls, bricks or tile kilns, Saw mills timber depots, rice mills and haulers, fairs, confectionery and bakery, private fisheries or vegetable gardens used for commercial purposes.
- 7.12 It appears from the above Table that APs are allowed to levy a tax on supply of water and lighting apart from profession etc tax. To our knowledge taxes on profession etc are levied by the State Government and not assigned to the PRIs so far. All other sources allocated to the APs are of the nature of non-tax revenue. Strictly speaking a water rate falls within the category of non-tax revenue since it envisages a quid-pro-quo. However as the relevant Act treated it as a tax item, we are inclined to put it under tax revenue.
- 7.13 Although the Act empowers the APs to levy non-tax revenue in the shape of tolls, fees, cess etc, they do not seem to have exploited these sources to any great length. At present bulk of their non-tax revenue accrue from leasing out of hats, ferries and fisheries within their jurisdiction. As per usual procedure, hats, ferries and fisheries the annual sale value of which is upto Rs one lakh are settled by APs while those exceeding Rs one lakh and less than Rs three lakhs are settled by the ZPs. The proceeds from such settlement are apportioned at the ratio of 20:40:40 among the ZPs, APs and GPs respectively.
- 7.14 As per information received from the field, the actual collection of tax revenue by the APs during 2008-09 amounted to Rs.12.22 lakhs and from non-tax sources amounted to Rs.626.58 lakhs. Based on the above actual collection of 2008-09 the projection for the subsequent years upto 2015-16 has been made assuming an annual growth of 5 percent.

## Tax and Non-Tax Revenue of ZPs

7.15 The taxation powers of ZPs are laid down under Section 95 of the Assam Panchayat Act, 1994 which are reproduced in Table- 4 below.

Table- 4  
Taxation Powers of ZPs

1. (a) To levy tolls in respect of any ferry established by it under its management.
- (b) To levy the following fees and rates.
  - (i) Fees on the registration of boat and vehicle.
  - (ii) Fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the Government by notification.
  - (iii) Fee for licence for fair and mela.
  - (iv) Lighting rate where arrangement for lighting public streets and places is made by the ZP within its jurisdiction and
  - (v) Water rate, where arrangement for supply of water for drinking, irrigation or any other purpose is made by the ZP within its jurisdiction.

7.16 It transpires from the above Table that the sources of revenue allocated to the ZPs mostly belong to the category of non-tax revenue, However, the ZPs have reported a small amount of collection under tax revenue as well.

7.17 As stated earlier their main source of non-tax revenue is from leasing out hats, ferries and fisheries the sale value of which is more than Rs.1 lakh and less than Rs.3 lakhs. However, the proceeds from such leases are shared in the ratio of 20:40:40 among the ZPs, APs, and GPs respectively.

7.18 The actual collection of tax revenue of the ZPs in 2008-09 was Rs.8.19 lakhs and non-tax revenue Rs.246.71 lakhs. Based on these actual figures, the projection for subsequent years up to 2015-16 has been made assuming an annual growth of 5 percent.

7.19 The Table- 5 below summarizes the internal revenue position of PRIs at all levels from 2008-09 to forecast up to 2015-16.

Table- 5  
Internal Revenue Position of PRIs

Level of PRIs	2008-09 Actual	2009-10 Est	2010-11 Est	2011-12 Est	2012-13 Est	2013-14 Est	2014-15 Est	2015-16 Est	Total 2012-16
(Rs Lakhs)									
<b>Zilla Parishad</b>									
Tax Revenue	8.19	8.60	9.03	9.48	9.96	10.45	10.98	11.52	<b>42.91</b>
Non-Tax Revenue	246.71	259.05	272.00	285.60	299.88	314.87	330.62	347.15	<b>1292.52</b>

<b>Anchalik Panchayat</b>									
Tax Revenue	12.22	12.83	13.47	14.15	14.85	15.60	16.38	17.19	<b>64.02</b>
Non-Tax Revenue	626.58	657.91	690.80	725.34	761.61	799.69	839.68	881.66	<b>3282.64</b>
<b>Gaon Panchayat</b>									
Tax Revenue	79.22	83.18	87.34	91.71	96.29	101.11	106.16	111.47	<b>415.03</b>
Non-Tax Revenue	516.88	542.72	569.86	598.35	628.27	659.68	692.67	727.30	<b>2707.92</b>
<b>Total Tax Revenue</b>	<b>99.63</b>	<b>104.61</b>	<b>109.84</b>	<b>115.34</b>	<b>121.10</b>	<b>127.16</b>	<b>133.52</b>	<b>14018</b>	<b>521.96</b>
<b>Total Non-Tax Revenue</b>	<b>1390.17</b>	<b>1459.68</b>	<b>1532.66</b>	<b>1609.29</b>	<b>1689.76</b>	<b>1774.24</b>	<b>1862.97</b>	<b>1956.11</b>	<b>7283.08</b>
<b>Grand Total</b>	<b>1489.80</b>	<b>1564.29</b>	<b>1642.50</b>	<b>1724.63</b>	<b>1810.86</b>	<b>1901.40</b>	<b>1995.49</b>	<b>2096.29</b>	<b>7805.04</b>

- 7.20 One important point that emerges from the foregoing analysis is that all tiers of PRIs are simultaneously vested with taxation powers by the Assam Panchayat Act. This may give rise to an overlapping situation or even encroachment of each others jurisdiction. In this context mention may be made that the Acts of Karnataka and Orissa have vested all powers of taxation solely to the GPs at the base level. Similar is the case in Madhya Pradesh also. However, Rajasthan have entrusted taxation powers to all tiers of PRIs. When all tiers are simultaneously authorized to levy taxes, there may be scope for double taxation and encroachment of mutual jurisdiction. Hence, each tier will have to be vigilant so that it does not happen.

## **B. Transfer from State Government**

### **(a) Assigned Taxes**

- 7.21 Article 243 I (11) of the Constitution mandated that the State Finance Commission shall recommend the principles which should govern the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats.
- 7.22 In this context, the Second State Finance Commission of Assam for the first time recommended global sharing of a percentage of the net proceeds of all States taxes and duties with the Panchayat during their award period from 2001-2006. In view of global sharing they did not favour assignment of any particular tax to the Panchayat.
- 7.23 Similarly, the Third SFC of Assam also recommended a global sharing of certain percentage of the net proceeds all taxes and duties collected by the State with the Panchayat during 2006-2011. Keeping in view the global sharing they did not recommend assignment of any tax to the Panchayats. This recommendation has been accepted by Government.
- 7.24 The present Commission in its interim reports submitted in March, 2011 covering the period 2011-12 also did not recommend assignment of any tax to the PRIs. As such, transfer from State to the PRIs on account of assigned taxes is nil.

### **(b) Share in State Taxes**

- 7.25 State taxes are shared with the panchayats at all levels on the basis of the recommendations of successive SFCs. In this regard the recommendations of the Third SFC were valid for the period 2006-07 to 2010-11. Incidentally, the Third SFC

submitted its report in two parts. In the first part, an Interim Report was submitted covering two fiscals 2006-07 and 2007-08. By the time the Interim Report was submitted on 31-3-2007, the first year 2006-07 came to a close and hence there was no recommendation for that year. For the next year 2007-08 the recommended devolution was 10 percent of the net proceeds of all taxes collected by the State both to the panchayats and municipalities out of which the total share of panchayats at all levels was Rs.264.69 crores. The shares of GPs, APs and ZPs were Rs.132.35 crores, Rs.79.40 crores and Rs.52.94 crores respectively.

- 7.26 The final report of TASFC recommended devolution of 25 percent of the net proceeds of all State taxes to panchayats and municipalities covering the period 2008-09 to 2010-11
- 7.27 Based on the above recommendations, the amount allocated to the Panchayats at all levels during 2008-09 was Rs.641.86 crores. The corresponding shares of each tier were Rs.320.93 crores, Rs.192.56 crores and Rs.128.37 crores for GPs, APs and ZPs respectively.
- 7.28 The amount allocated during 2009-10 to Panchayats at all levels was Rs.679.07 crores. The respective share of GPs was Rs.339.54 crores, APs Rs.203.72 crores and ZPs Rs.135.81 crores.
- 7.29 During 2010-11, the allocated amount to Panchayats at all levels was Rs.716.69 crores. The inter-tier distribution was Rs.358.35 crores for GPs, Rs.215.00 crores for APs and Rs.143.34 crores for ZPs. PRIs share in State taxes is presented in a tabular form below.

Table- 6  
Share of PRIs in State Taxes

(Rs in crore)

Year	GP		AP		ZP		Total	
	SFC Award	Release	SFC Award	Release	SFC Award	Release	SFC Award	Release
2007-08	132.35	34.46	79.40	8.71	52.94	3.01	264.69	46.18
2008-09	320.93	36.27	192.56	9.17	128.37	3.16	641.86	48.60
2009-10	339.54	54.65	203.72	9.65	135.81	3.33	679.07	67.63
2010-11	358.35	66.62	215.00	12.47	143.34	4.33	716.69	83.42
<b>Total</b>	<b>1151.17</b>	<b>192.00</b>	<b>690.68</b>	<b>40.00</b>	<b>460.46</b>	<b>13.83</b>	<b>2302.31</b>	<b>245.83</b>

**(c) General Purpose Grant.**

- 7.30 Grants-in-aid play a significant role in the scheme of resource transfer from the State to the sub-statal bodies. Grant-in-aid may be for general purpose which is unconditional and its utilization is left to the discretion of the recipient body. Usually general purpose grant is intended to cover the assessed post devolution revenue gap, if any. The PRIs were left with comfortable revenue surplus after the devolution recommended by the last SFC. Naturally therefore, the Third SFC did not recommend any general purpose grant to the PRIs. Neither the State Government released any

general purpose or untied grant to the PRIs during this period. Hence, this may be treated as nil.

**(d) Special Purpose Grant**

- 7.31 Special purpose grant is intended to upgrade the standard of administration and creation of physical infrastructure or for meeting special problems. Hence these are tied to specific projects, scheme or issues and can not be diverted for any other purpose. The Third SFC recommended generous grants to PRIs for special purpose.
- 7.32 TASFC recommended an amount of Rs.15.53 crores as grant to PRIs during 2007-08. This amount was meant for filling up of post lying vacant at all levels of PRIs and also to create new post whenever necessary as per prevailing norm. It is gathered that since the vacant posts were not filled up nor any new post created, this amount remained unutilized.
- 7.33 For training of the elected representatives and official functionaries of PRIs including that of other line departments, the TASFC recommended a sum of Rs.2.96 crores in 2007-08 followed by Rs.3.07 crores in each of the subsequent three years upto 2010-11. It is reported that the training programmes were integrated with the Centrally Sponsored Scheme of BRGF. Accordingly State's share thereof was met from plan fund.
- 7.34 During 2008-09 an amount of Rs.46.38 crores was recommended by TASFC as grant to meet the accumulated arrear salary of Secretaries. However, the amount released by GOA was Rs.36 crores.
- 7.35 TASFC recommended a grant-in-aid of Rs.10 crores during 2008-09 for setting up of a Satellite Communication System (SATCOM) for the PRIs. According to information gathered this amount could not be utilized.
- 7.36 TASFC recommended a grant-in-aid of Rs.100 crores to the ZPs at the rate of Rs.5 crores to each ZP. This amount was phased out over three years Rs.30 crore each for 2008-09 and 2009-10 and Rs.40 crores for 2010-11. The ZPs as the nodal agencies would distribute this amount to APs for construction of Multipurpose Rural Halls in the market places of bigger villages by obtaining viable project reports. It is reported that this amount also could not be made available to the ZPs in the absence of viable DPR.
- 7.37 Finally, TASFC recommended annual grant of Rs. 98.80 crores for three years beginning from 2008-09. This amount was intended for routine maintenances of 26906 Km rural roads including 4675 Semi-Permanent Timber (SPT) bridges and rural functional and residential buildings. This was supposed to be implemented by State PWD on behalf of the PRIs. This amount was also not utilized for the intended purpose.

### (e) Transfer for Agency Functions

7.38 By and large, transfer from the State to PRIs for agency functions relate to States share of various Centrally Sponsored Poverty Alleviation Programmes. State share is usually met from the budgetary allocation under the plan. In the absence of reliable and authentic data the year-wise amount of transfer on account of agency functions could not be gathered. However, for the purpose of assessment of PRIs finances, it is presumed that such transfers will be matched by corresponding expenditure. In case of excess or shortfall adjustments can be carried out in the following years.

### C. Transfer from the Central Government

#### (a) Finance Commission Grant

7.39 Transfer from the Central Government to augment the resources of PRIs takes place under the award of the Central Finance Commissions or through discretionary transfer from the Central Ministries for implementation of poverty alleviation programmes. In this regard the Twelfth Finance Commission (TFC) recommended a sum of Rs.20,000 crores for the five year period 2005-10 to all State as grant-in-aid to supplement the resources of PRIs.

7.40 The interse distribution of the above amount among the States as recommended by TFC was 40 percent population, 10 percent geographical area, 20 percent distance from highest per capita income, 10 per cent index of deprivation and 20 per cent revenue effort. Based on the above criteria, the share of Assam for the five years period 2005-10 worked out to Rs.526 crores at the rate of Rs.105.20 crores annually. Against the awarded amount of Rs.526 crores, the amount released by GOI was Rs.368.20 crores which was passed on to the PRIs by the State Government. The year-wise break up is indicated in Table- 7 below.

Table- 7  
Award of TFC for PRIs (Rs crores)

Year	Award of TFC	Amount Released by GOI	Amount utilized
2005-06	105.20	52.60	
2006-07	105.20		50.04
2007-08	105.20	52.60	52.60
2008-09	105.20	52.60	52.60
2009-10	105.20	210.40	212.96
<b>Total</b>	<b>526.00</b>	<b>368.20</b>	<b>368.20</b>

7.41 Thereafter the Thirteen Finance Commission had submitted its report covering the period 2010-15. They recommended a sum of Rs.63,050 crores for the five years period to all States as grant-in-aid to supplement the resources of PRIs.

7.42 The principles adopted by the Commission for interse distribution among the states were 50 percent population, 10 percent area, 10 percent distance from highest per capita income, 15 percent index of devolution, 10 percent SC/ST population and 5 percent CFC grant utilization index. Based on above principles the share of PRIs in

Assam amounted to Rs.1577.59 crores. The amount so recommended has two components viz, basic grants amounting to Rs.1031.51 crores and performance grants Rs.546.08 crores. The Commission suggested that States may appropriately allocate a portion of their share of the general basic grant and performance grant, to the excluded areas in proportion to the population of these areas. This will be an additionality to the Special area basic and performance grant recommended by them. Accordingly, Government of Assam set apart a sum of Rs.136.02 crores and Rs.71.99 crores as basic and performance grant respectively for the excluded areas. Thus, share of General Areas stands reduced to Rs.895.49 crore as basic grant and Rs.474.09 crore as performance grant. The basic grant is unconditional and its release is subject to submission of a utilization certificate for the previous installment drawn. No other documentation is needed. However the release of performance grant is subject to fulfillment of nine conditionalities stipulated by the Commission. The year-wise phasing is indicated in Table- 8 below. It may be mentioned that fund flowing under the award of CFC to the PRIs is in addition to flows from the State Government.

Table- 8  
Award of Thirteenth Finance Commission for PRIs  
(Rs in crore)

Year	Award of 13 <sup>th</sup> FC		Release by GOI		Utilization	
	Basic	Performance	Basic	Performance	Basic	Performance
2010-11	127.51	-	73.44	-	73.44	
2011-12	147.88	50.57	71.67 *	25.28	71.67	
2012-13	172.87	118.64				
2013-14	204.80	139.88				
2014-15	242.43	165.00				
<b>Total</b>	<b>895.49</b>	<b>474.09</b>				

\* 2<sup>nd</sup> installment of 2010-11

### (b) Agency Functions

7.43 The PRIs receive substantial amount of funds from the Central Ministries for performing agency functions on behalf of them. These amounts are not routed through the State budget. As such authentic data about receipt and expenditure against this item is not available to the Commission. As stated in the foregoing paragraph (e) above, the Commission assumed that receipt and expenditure will cancel each other.

### D. Capital Account Receipts & Debt Status

7.44 So far PRIs in Assam have not taken resort to borrowing from financial institutions or from public, they did not receive any loan from the State Government either. As a consequence, capital account receipts of the PRIs may be treated as nil.

- 7.45 However, records reveal that a small amount of loan from the State Government is outstanding against the PRIs even now. In this regards the First SFC mentioned that the outstanding debt of PRIs against GOA was Rs.46.40 lakhs as on 31-03-2002. They further added that this amount was disbursed by the then Local Self Government Department in between the period 1953-54 to 1970-71. In fact, there has been no fresh addition or discharge to the said outstanding amount thereafter. In the meantime the composition of the borrowing local bodies underwent several changes and the lending department has also been changed to the Panchayat & Rural Development Department. It is doubtful that records of such old loan will be available at either end. It therefore, carries no sense in reflecting this amount in accounts year after year.
- 7.46 Having regards to the position as stated above, the First SFC recommended write off of this amount way back in 1996. It was also reiterated by the Second and the Third SFCs. It appears from the latest available accounts that the amount has not been written off as yet. The Commission therefore, reiterates the recommendations of earlier SFCs to write-off this amount.

#### **E. Expenditure on Revenue Account**

- 7.47 By and large, revenue expenditure of PRIs can be grouped under the following sub-heads viz, (i) expenditure on administration, (ii) traditional civic functions, (iii) maintenance of community assets, (iv) agency functions on behalf of Central Government, (v) agency functions on behalf of State Government and (vi) interest payment, if any. However, agency functions on behalf of the Central and State Governments are mainly carried out under various Centrally Sponsored Schemes formulated by the Union Ministries of Panchayati Raj and Rural Development. Consequently, the Central and the State shares thereof are met from the plan allocation of the respective governments. Therefore, it has no impact on the non-plan revenue account of the PRIs.

#### **(a) Expenditure on Administration**

- 7.48 The major portion of the administrative expenditure of PRIs relates to pay and allowances of the employees followed by remuneration and sitting allowances of the elected representatives. It also includes office expenses like stationery and printing, wages, furniture and fixtures, rents and rates, telephone, postage, travelling and daily allowances of officials on tour and other contingent expenditure.

#### **Salary Expenditure**

- 7.49 While making assessment of the salary requirements of PRIs, the Commission in its Interim Report adopted the actual of 2008-09 as the base. Thereafter, it was projected at an annual growth of 10 percent to arrive at the estimated requirements of 2011-12. The additional financial impact on account of revision of pay arising out of the Assam Revision of Pay Rules, 2010 was also taken into account. However, for

the remaining period upto 2015-16, salary burden is worked out on the basis of the number of employees actually in position now.

- 7.50 As per the staffing pattern laid down under the Assam Panchayat (Administrative) Rules, 2002, number of Grade III and Grade IV staff admissible for each tier of PRIs is 18, 8 and 3 for each ZP, AP and GP respectively. This is excluding the posts of Chief Executive Officer (CEO) for ZPs and Executive Officer (EO) for APs. These posts are currently filled up on deputation from State Government. However, for the purpose of calculating the salary burden of PRIs it would be appropriate to include these posts also so that the salary burden of PRIs are truly reflected.
- 7.51 As of now, there are 20 ZPs and according to norm they are eligible to 360 number of Grade III and Grade IV staff. But the staff actually in position is 166. Apart from that the ZPs are entitled to have one post each of Chief Executive Officer, Chief Accounts Officer and Chief Planning Officer. At present only the post of CEO is filled up on deputation from State Government. The number of staff actually in position is therefore 186.
- 7.52 Similarly, there are 185 APs and as per norm they are entitled to have 1480 number of Grade III and Grade IV staff. However, Grade III and Grade IV staff actually in position is 435. The APs are also entitled to have one post of Executive Officer. The post of EO is filled up either by Panchayat cadre officers or from ACS cadre. It is reported that 101 panchayat cadre officers are now posted as EO. The remaining 84 is presumably deployed from ACS cadre. Accordingly, the number of staff actually in position is 620.
- 7.53 The GPs are 2202 in number and as per norm they are not entitled to any Grade I or Grade II staff. One Secretary and one Tax Collector under Grade III and one Peoncum-Chowkidar under Grade IV is admissible to the GPs. The GP Secretaries are filled up by both graduate and non-graduate incumbents. Incidentally, incumbents in both the categories are enjoying the same scale of pay. At present, there are 1660 graduates and 228 non-graduates holding post of Secretary. In the remaining 314 GPs the post is lying vacant. Tax Collector is in position in 497 GPs and lying vacant in 1705 GPs.
- 7.54 The entire position is summarized in Table- 9 below showing the position each tier-wise and in each category of post.

**Table- 9**  
Existing Norm and Staff in Position of PRIs

Category of Post & level of PRIs	No of ZP/AP/GP	Present Norm	Total Staff as per norm	Staff in position
(1)	(2)	(3)	(4)	(5)
<b>Zilla Parishads (ZP)</b>				
1. Chief Executive Officer	20	1	20	20
2. Chief Accounts Officer	20	1	20	-
3. Chief Planning Officer	20	1	20	-

4. Head Assistant	20	1	20	-
5. UDA	20	2	40	16
6. LDA	20	4	80	49
7. Accountant	20	1	20	12
8. Junior Engineer	20	1	20	9
9. Tax Collector	20	2	40	7
10. Driver	20	1	20	14
11. Grade IV	20	6	120	59
<b>Total ZP</b>	<b>20</b>	<b>21</b>	<b>420</b>	<b>186</b>
<b>Anchalik Panchayats (AP)</b>				
1. Executive Officer				
a) Panchayat Cadre	185	1	185	101
b) ACS Cadre	-	-	-	84
2. UDA	185	1	185	28
3. LDA	185	2	370	152
4. Tax Collector	185	2	370	99
5. Grade IV	185	3	555	156
<b>Total AP</b>	<b>185</b>	<b>9</b>	<b>1665</b>	<b>620</b>
<b>Gaon Panchayats (GP)</b>				
1. Secretary Graduate	2202	1	2202	1660
Secretary, non-graduate	-	-	-	228
2. Tax Collector	2202	1	2202	497
3. Grade IV	2202	1	2202	578
<b>Total GP</b>	<b>2202</b>	<b>3</b>	<b>6606</b>	<b>2963</b>
<b>Grand Total</b>	<b>2407</b>	<b>33</b>	<b>8691</b>	<b>3769</b>

7.55 The above Table clearly brings out the number of posts currently being filled up against each category and each tier of PRIs. Hence, for the purpose of working out the salary burden of PRIs our calculation is based on the number of employees as shown in column (5) of the above Table. The total financial implication for salary payment of the existing employees is worked out in the revised scales of pay which became effective from 1-9-2009. At the first instance, basic pay of each category of post in the pre-revised scale is determined. This is done taking into account the minimum plus maximum of pre-revised scales divided by two and fixed at the stage available. At the next step, fixation benefit in the revised scale is allowed as per formula evolved by the Pay Commission and accepted by government. Having determined the band pay, grade pay is allowed as per latest decision of government enhancing the grade pay of 13 scales in PB 1 and PB 2. Dearness allowance at the rate of 51 percent of pay plus grade pay is allowed. House rent allowance is 12 percent for the ZPs and 10 percent for the APs and GPs. Medical allowance is admissible at a flat rate of Rs.350 per month.

7.56 Based on the above assumption, the salary burden for the year 2010-11 of each tier of PRIs is worked out at Rs.4.50 crores for ZPs, Rs.14.86 crores for APs and Rs.64.54 crores for GPs totalling to Rs.83.90 crores. The details of calculation is shown at Annexure- 7.1.

- 7.57 It may be mentioned that the projected salary of PRIs in 2010-11 as included in our interim report was Rs.80.58 crores against Rs.83.90 crores worked out now vide Annexure- 7.1. The revised calculation is on the higher side mainly because it takes into account the salary burden of CEOs and EOs of Z Ps and APs respectively. These posts are usually manned by ACS cadre officers and their salary is booked under the respective head of account in the State budget. On the contrary, the calculation in the interim report was based on actual expenditure which did not reflect the salary expenditure of CEOs and EOs. However, for any meaningful accounts classification, the salary of all functionaries should be booked under the major head of account to which their services are placed. It would therefore be appropriate to meet the salary burden of these officers from the major head of account "3604 Compensation & Assignment etc". This will not impose any extra financial burden on State exchequer because there will be corresponding reduction of expenditure in the head of account from which these officers draw their salary now. In keeping with this approach, the Commission is inclined to adopt the figure of Rs.83 .90 crores worked out during 2010-11 as the base for the purpose of projection in subsequent years upto 2015-16. Projection is made assuming an annual growth of 10 percent. Due to this revised calculation there may be some escalation in the gap earlier assessed for 2011-12 in the interim report. However, there will be no additional devolution or grant during 2011-12 to cover any such gap.
- 7.58 It is pertinent to maintain that the additional ToR mandated the Commission to recommend a suitable staffing pattern with corresponding revised scales of pay for the employees of PRIs. In keeping with the additional ToR, the Commission will separately suggest a staffing pattern for the PRIs along with corresponding pay scales. The additional annual financial impact thereof has not however been taken into account for purpose of gap assessment of the PRIs, since the staffing pattern will be subject to governments approval. It is precisely because of this new staffing pattern that the Commission refrained from taking any view on the posts lying vacant as per existing norm.

### **Wages**

- 7.59 Apart from salary wages of casual employees constitute an important element of revenue expenditure of the PRIs. It is reported that there are 1812 casual employees out of which 1573 are engaged at GP level, 214 at AP level and 25 at ZPs. These casual employees belong to Grade- III category and are paid at a flat rate of Rs.4500 per month. The annual financial impact for payment of wages is Rs.978.48 lakhs at the rate of Rs.849.42 lakhs for the GPs, Rs.115.56 lakhs for the APs and Rs.13.50 lakhs for the ZPs. The same amount is projected for all the years from 2012-13 to 2015-16.

### **Remuneration of Elected Representatives**

- 7.60 Next to salary and wages remuneration of the elected representatives constitutes an important element of expenditure of the PRIs. The Assam Panchayat (Administrative) Rules, 2002 prescribed the rate of remuneration for the President, Vice-President

and Members of each tier. In case of ZP the prescribed rate is Rs.2000, Rs.1500 and Rs.700 per month for the President, Vice-President and Members respectively. For AP it is Rs.1500, Rs.1000 and Rs.500 per month for the President, Vice-President and Members respectively. While in case of GP it is Rs.1000, Rs.600 and Rs.300 per month for the President, Vice-President and Members respectively.

- 7.61 The rates of remuneration fixed a decade ago is now regarded as inadequate by the incumbents. Consequently, there is a growing demand for its upward revision and in this regard the Commission received a lot of representations during its field visit. Admittedly, the existing rate of remuneration is low and the demand for upward revision is understandable. It is pertinent to point out that the urban development department recently made an upward revision of the remuneration rates for Chairman, Vice-Chairman, and Commissioner of Municipalities and Town Committees. It is also pertinent to mention that as per relevant Rules the remuneration and sitting allowance of elected representatives of PRIs is required to be met from their internal resources. Thus it is directly linked to tapping of internal revenue by the PRIs. In the given situation, the Commission is inclined to suggest that Government may fix a suitable upper limit which the PRIs shall abide by depending on their capacity to pay without taking recourse to diversion of fund from elsewhere. This would also give a fillip to the PRIs to become pro-active in internal revenue mobilization. The revised rates suggested by P&RD Department seem reasonable the annual financial implication of which is worked out and shown at Table- 10 below.

Table- 10  
Remuneration of Elected Representatives of PRIs

Level of PRI	No of incumbent	Rate per month (Rs)	Annual Cost (Rs Lakhs)
<b>Zilla Parishad</b>			
1. President	20	10000	24.00
2. Vice President	20	7500	18.00
3. Member	380	3500	159.60
<b>Anchalik Panchayat</b>			
4. President	185	7500	166.50
5. Vice President	185	5000	111.00
6. Member	1832	2500	549.60
<b>Gaon Panchayat</b>			
7. President	2202	5000	1321.20
8. Vice President	2202	3000	792.72
9. Member	19818	1500	3567.24
<b>Total</b>	<b>26844</b>	<b>-</b>	<b>6709.86</b>

For the purpose of our assessment however we have not taken into account the revised rates as government have not taken a decision on this as yet. Commission however recommend that the revised rates as given in the Table above may be accepted by government.

### **Sitting Allowance**

- 7.62 Apart from remuneration, the members of each tier of PRIs are entitled to sitting allowance under the provision of the Assam Panchayat (Administrative) Rules, 2002. But the President and Vice-President of any tier of the PRIs are not entitled to this benefit. The rate of sitting allowance is equal to the rate of daily allowance admissible to the officers of corresponding grade while on tour. The pre-revised rate of daily allowance on tour was Rs.120 per day. However, the Assam Revision of Pay Rules, 2010 has enhanced the rate of daily allowance on tour to Rs.240. This enhanced rate will now be admissible to the members of PRIs as sitting allowance. Based on the number of sitting per year, the annual financial implication at pre-revised rate was Rs.1.58 crores. Henceforth, it will be double this amount per year at Rs.3.16 crores.

### **Miscellaneous Expenditure**

- 7.63 In this category is included all sorts of office expenses plus minor repair and maintenance including community assets. The breakup of expenditure against each item is not available separately. Moreover, the level of these expenditure is subject to availability of fund after meeting the salary burden. As such in the base year such expenditure is almost negligible. It would be appropriate to set apart an amount of Rs.1 lakhs per month for each ZP, Rs.50,000 for each AP and Rs.20,000 for each GP so that they can look after petty repair and maintenance after meeting office expenses. It would require an amount of Rs.66.35 crores annually.

### **(b) Civic Functions**

- 7.64 The core civic functions of the PRIs relate to water supply and sanitation. Apart from this they are also expected to look after solid waste disposal, street lighting etc. However, due to manpower and resource constraint they have not been able to perform these functions effectively so long. For the first time, Twelfth Finance Commission (TFC) allowed the grants for the PRIs recommended by them to be utilized to improve the service delivery by the PRIs in respect of water supply and sanitation. Accordingly, from 2005-06 to 2009-10, the amount awarded by TFC has been utilized for the purpose of water supply and sanitation even though a small amount thereof was utilized for other purposes like computerization of accounts, creation of data base and maintenance of income generating assets.

### **(c) Expenditure on Maintenance of Community Assets**

- 7.65 In the matter of maintenance of community assets, the present practice is that if any fund is available after meeting the salary burden and other contingent expenditure, that amount is utilized for this purpose. Consequently, the expenditure, if any, on the account is negligible. Moreover, segregated data on maintenance of community assets is not available to the Commission. Therefore, it is suggested in a preceding paragraph that a fixed sum may be allocated to each tier of PRIs which would enable them to look after petty repair and maintenance works.

#### **(d) & (e) Expenditure on Agency Functions**

- 7.66 As noted earlier, PRIs are expected to perform agency functions on behalf of the Central and State Governments. Such agency functions on behalf of the Central Government has been growing tremendously over the years. They relate to implementation of Centrally Sponsored Schemes like MGNREGS, NRHM, BRGF, ARWSP, IAY, PMGSY, SSA etc. The amount is released directly to PRIs and not routed through the State budget. Hence, any comprehensive data on fund inflows and outflows is not available. The respective shares of the Central and State governments against these schemes are met from the plan allocation. For the purpose of assessment of revenue gap of the PRIs, it is presumed that inflow and outflow will cancel each other.

#### **(f) Expenditure on Interest**

- 7.67 As of now, PRIs in Assam have not taken resort to borrowing from market, financial institutions or the government. As a result, expenditure on account of interest payment may be treated as nil.

#### **F. Expenditure Incurred Directly by State Government on behalf of Local Bodies (Salaries etc)**

- 7.68 By virtue of the Assam Panchayat Employees (Provincialisation) Act, 1999 which came into force with retrospective effect from 1-10-91, the services of 4565 Grade III and Grade IV employees were provincialised with effect from 2-10-91. As a result salary payment of the aforesaid provincialised employees was met from the respective major head of account in the State budget upto 2007-08. Thereafter, on the recommendation of TASFC the salary burden of provincialised panchayat staff are being met from the fund transferred to PRIs as devolution under the award of TASFC. In view of this it can no longer be treated as expenditure incurred directly by State Government on behalf of PRIs.

#### **G. Deferred Expenditure**

- 7.69 No proposal is received by the Commission from any quarter relating to deferred expenditure of the PRIs. In this context it may be recalled that TASFC recommended a sum of Rs.46.38 crores during 2008-09 for payment of deferred salary of GP Secretaries.

#### **H. Capital Expenditure**

- 7.70 TASFC recommended a sum of Rs.100 crores for construction of multipurpose rural halls. Apart from this they suggested an amount of Rs.1000 crores approximately for consideration of Government of India for the purpose of office buildings of the PRIs at all levels. The construction of multipurpose rural halls did not come up because suitable DPR could not be finalized timely. In regard to office buildings no positive

response was received either from GOI or from the Central Finance Commission. As a result there is hardly any expenditure under non-pl an capital account.

- 7.71 In this back drop, the Commission in its Inter im Report worked out the requirement of fund for provision of office accommodation to al l tiers of PRIs and also staff quarters to employees on a selective basis. The total cost of construction was estimated at Rs.601.42 crores and one fifth of this amount equal to Rs.120.28 crores was recommended as grant-in-aid for the year 2011-12. It is recommended that the balance amount would be provided as grant to the PR Is during the next four years upto 2015-16 at the rate of Rs.120.28 crores per year. The details of cost calculation is shown at Table- 11 below.

Table- 11  
Estimated Cost of Construction of PRI Buildings

Level of PRI	No of Units	Per Unit Cost (Rs. Lakh)	Total Cost (Rs. Lakh)
1. ZP Office Building	20	125.00	2500
2. AP Office Building (New)	88	28.00	2464
3. AP Office Building (Extn)	97	21.00	2037
4. Multipurpose Hall, AP	149	125.00	18625
5. BDO Quarter for AP	185	6.30	1166
6. Grade III Quarter for AP	185	3.40	629
7. Grade IV Quarter for AP	185	2.10	388
8. Office Building GP (New)	602	11.00	6622
9. Office Building GP (Extn)	1600	8.50	13600
10.GP Secretary Quarter	2202	3.40	7487
11.Grade IV Quarter for GP	2202	2.10	4624
<b>Total</b>	-	-	<b>60142</b>

- 7.72 Apart from functional and residential building s recommended in the Interim Report, the PRIs at all levels has approached the Commissio n with various proposals for creation and improvement of physical infrastructure . These include cremation and burial grounds, improvement of hats and weekly markets, piped water supply, drains, public toilets, play grounds, mini stadia, yoga centres, tourist spots, parks, waiting sheds, libraries, guest houses, computer centres, cold storages and the like. The total financial involvement of such proposals r uns into several thousand crores. There are similar demands from the urban local bodie s involving thousands of crores. Aparently, the Commission cannot take cognigance of all these proposals with the limited resources in sight. More important ly, the Commission is mandated by its ToR to have regard among other considerations, to the resources of the State Government and the demands thereon in particular, on account of expenditure on law and order, civil administration, debt servicing and other committed expenditure.
- 7.73 Having regard to the above constraints, the Commission is left with no option but to become selective in the matter of picking up the demands of PRIs. Some of the demands like improvement of hats and markets and construction of cremation and burial grounds are common to all. Apart from this, a few ZPs Barpeta, Darrang,

Dibrugarh, Nagaon, Tinsukia, Silchar, Karimganj and Morigaon have asked for construction of cold storage duly supported by DPR. These few items may be considered during the next four years under grants-in-aid.

#### **Hats and Markets**

- 7.74 The unit cost for construction/improvement of markets for ZP is taken at Rs.150 lakhs, for APs at Rs.50 lakhs and for GPs at Rs.25 lakhs. Construction of two markets each for the ZPs and APs and one each for the GPs may be taken up. At this rate the total cost for ZPs would be Rs.60 crores, Rs.185 crores for the APs and Rs.550.50 crores for the GPs. The year-wise phasing from 2012-13 to 2015-16 may be done in the following manner. Every year five ZPs may be selected at the rate of Rs.15 crores per year. In case of APs, for the first three years 46 APs may be selected at a cost of Rs.46 crores each year. In the final year 47 APs will be taken up at Rs.47 crores. In case of GPs, 550 GPs may be selected in the first three years and the remaining 552 in the final year. The cost per year will be Rs.137.50 crores each in the first three years and Rs.138 crores in the final year.

#### **Cremation and Burial Grounds**

- 7.75 The estimated cost of construction of cremations and burial ground is Rs.8 lakhs each. This includes earth filling, development of site, erection of platform, hall cum waiting shed, boundary wall, electrification and sanitary installations etc. In each ZP and AP one cremation and one burial ground may be set up at an estimated cost of Rs.16 lakhs each. The total cost for the ZPs would amount to Rs.3.20 crores at the rate of Rs.80 lakhs per year. In case of APs total cost would be Rs.29.60 crores at the rate of Rs.7.36 crores for the first three years and Rs.7.52 crores for the final year.

#### **Cold Storage**

- 7.76 The Commission has received proposals for construction of cold storage for 8 ZPs viz, Barpeta, Darrang, Dibrugarh, Nagaon, Tinsukia, Silchar, Karimganj and Morigaon. Out of these proposals, the DPR submitted by ZP, Silchar is the lowest at Rs.3 crores. The Commission is inclined to accept Rs.3 crores as the estimated cost of construction of a cold storage. Two ZPs may be covered in each year at the rate of Rs.6 crores per year.
- 7.77 Table-12 below summarizes the estimated cost of upgrading the physical infrastructure of PRIs during the four years beginning from 2012-13. However, all construction works may be complemented through State PWD including functional and residential buildings mentioned at Table- 11.

Table- 12  
Upgradation of Physical Infrastructure of PRIs

(Rs. Lakhs)

Item	No of Unit	Unit Cost	Total Cost	2012-13	2013-14	2014-15	2015-16
1. Markets for ZPs @ 2 each	40	150	6000	1500	1500	1500	1500
2. Markets for APs @ 2 each	370	50	18500	4600	4600	4600	4700
3. Markets for GPs @ 1 each	2202	25	55050	13750	13750	13750	13800
4. Cremation/Burial Ground for ZPs @ 1 each	20	16	320	80	80	80	80
5. Cremation/Burial Ground for APs @ 1 each	185	16	2960	736	736	736	752
6. Cold storage for 8 ZPs	8	300	2400	600	600	600	600
<b>Total</b>	-	-	<b>85230</b>	<b>21266</b>	<b>21266</b>	<b>21266</b>	<b>21432</b>

### I. Net Budgetary Position

7.78 Based on the foregoing analysis and assumptions, the internal revenue, non-plan expenditure and fresh capital expenditure of PRIs at all levels and the gap assessed during the years 2012-13 to 2015-16 is summarized in Table- 13 below. Tier-wise position is indicated at Annexure- 7.2 to 7.4.

Table- 13  
Net Budgetary Position of PRIs

(Rs Lakhs)

Particulars	2012-13 Est.	2013-14 Est.	2014-15 Est.	2015-16 Est.	2012-16 Total
<b>A. Revenue Receipt</b>					
1. Tax Revenue	121.10	127.16	133.52	140.18	521.96
2. Non-Tax Revenue	1689.76	1774.24	1862.97	1956.11	7283.08
<b>Total- A</b>	<b>1810.86</b>	<b>1901.40</b>	<b>1996.49</b>	<b>2096.29</b>	<b>7805.04</b>
<b>B. Revenue Expenditure</b>					
1. Salary	10151.40	11166.54	12283.20	13511.52	47112.66
2. Wages	978.48	978.48	978.48	978.48	3913.92
3. Remuneration	1341.97	1341.97	1341.97	1341.97	5367.88
4. Sitting Allowance	315.41	315.41	315.41	315.41	1261.64
5. Admn Expenditure	6635.00	6635.00	6635.00	6635.00	26540.00
<b>Total- B</b>	<b>19422.26</b>	<b>20437.40</b>	<b>21554.06</b>	<b>22782.38</b>	<b>84196.10</b>
<b>C. Capital Expenditure</b>					
1. Functional & Residential Building as per Table- 11	12028.50	12028.50	12028.50	12028.50	48114.00
2. Others as per Table- 12	21266.00	21266.00	21266.00	21432.00	85230.00

<b>Total- C</b>	<b>33294.50</b>	<b>33294.50</b>	<b>33294.50</b>	<b>33460.50</b>	<b>133344.00</b>
<b>D. Total Expenditure (B+C)</b>	<b>52716.76</b>	<b>53731.90</b>	<b>54848.56</b>	<b>56242.88</b>	<b>217540.10</b>
<b>E. Assessed Gap (A-D)</b>	<b>50905.90</b>	<b>51830.50</b>	<b>52852.07</b>	<b>54146.59</b>	<b>209735.06</b>

### **J. Review of Fiscal and Financial Management**

- 7.79 It can well be conceded that PRIs in Assam are languishing in a primitive stage of evolution in the matter of fiscal decentralization and grass root level governance. This points to the need for greater emphasis not only from the PRIs but from the government and other stakeholders as well so that decentralized governance can be put in place on a firm footing at the lowest level. The position that emerges now is far from being satisfactory. The present scenario is marked by a deficiency syndrome. There is an all round scarcity of financial resources. And more importantly, manpower is far below the required level. Lack of physical infrastructure like functional buildings, road connectivity, electricity and transport bottleneck are formidable obstacles. As a consequence, service delivery is at rock bottom level. The ground reality is that devolution of funds, functions and functionaries as it should be under the notified activity mapping has not taken place at all. The inevitable fall out is that PRIs in Assam deliver only limited number of services to its constituents like identification of beneficiaries, BPL families, processing of application and issue of job cards, payment for work done and issue of no objection certificate etc. As regards statutorily mandated core civic services their performance level is poor.
- 7.80 Given the above scenario, PRIs at all levels has mobilized internal resources to the extent of Rs.14.90 crores during 2008-09 both from tax and non-tax sources. This is slightly better than the assessment of TASFC which was Rs.9.10 crores for that year. As reported by TASFC the actual collection from tax and non-tax sources during 2005-06 was Rs.7.86 crores. It went up from Rs.7.86 crores in 2005-06 to Rs.14.90 crores in 2008-09 and further to Rs.23.46 crores in 2010-11. As a percentage of Gross State Domestic Product (GSDP) it went up from 0.013 in 2005-06 to 0.018 in 2008-09 and 0.023 in 2010-11. However, their internal revenue mobilization in relation to state taxes collection is gradually going down. It was 0.54 percent of state tax collection in 2005-06 but went down to 0.36 percent in 2008-09 and further to 0.31 percent in 2010-11. This decelerating trend might have serious impact on local body grant awarded by the Central Finance Commission. It may be recalled that in the matter of interse distribution of local body grant the TFC adopted the criterion of revenue effort 10 percent with respect to State's own revenue and another 10 percent with respect to GSDP. In this context internal revenue mobilization by the PRIs assumes a great significance.

### **Additional Resource Mobilisation**

- 7.81 Additional Resource Mobilisation (ARM) plays a vital role in sustaining fiscal consolidation as well as to bring about a positive turn around in the financial health of an organization. There is no denying the fact that PRIs in Assam have not been able to make much head way in normal revenue collection let alone fulfilling the

target of ARM given to them. In this context mention may be made that TASFC fixed a target of Rs.50 crores in 2008-09, Rs.55 crores in 2009-10 and Rs.60 crores in 2010-11 as ARM for the PRIs at all level. It is evident from the actual collection of 2008-09 that it relates to the current level and that the target of ARM given to them by the TASFC was not considered at all. It is surprising that during 2008-09, 20 ZPs together raised Rs.2.55 crores both as tax and non-tax revenue. Likewise, 185 APs raised only Rs.6.39 crores and 2202 GPs raised Rs.5.96 crores totalling Rs.14.90 crores at all levels during the year. It clearly brings out the total apathy of the PRIs to raise revenue from sources statutorily allocated to them. There seems to be a general tendency to shy away from levying tax for fear of public criticism. But it is untenable because people will pay taxes or levies provided they get some service in return.

- 7.82 However, the PRIs in general may not be solely responsible for the stalemate in internal revenue mobilization. Though the Constitutional Amendment empowered them with powers and authority in this regard, but at the same time subjected them to have access to such resources as the State Legislature may, by law, confer on them. It is precisely in this context that the Assam Panchayat Act, 1994 empowers all the three tiers of PRIs to levy taxes, duties, tolls and fees. But the broad features of taxation as enumerated in the Act are subject to such rules as may be framed in this behalf by the State Government.
- 7.83 Accordingly, the Assam Panchayat (Financial) Rules was framed in 2002 and amended in 2004 which prescribes the maximum limit that the GPs can levy on houses and structures and on trades and callings et c. This necessitates framing of bye-laws indicating all details relating to tax base, rates of taxes, exemption limit, manners and time of collection and so on. To our knowledge relevant bye-laws are yet to be framed. Unless the required legal framework along with an appropriate administrative machinery are put in place, it would be futile to expect PRIs to become pro-active in augmenting internal revenue generation.
- 7.84 As mentioned earlier, the Assam Panchayat Act simultaneously empowers all the three tiers to levy and collect taxes. Nevertheless, the main thrust is laid on the GPs and two important items of taxes viz tax on houses and structures and tax on trades etc are entrusted to the GPs. On the contrary, the present norm laid down a staff strength of three for GP offices which includes a Secretary, a Tax Collector and a Grade IV. The worst situation is that in most GPs even the full strength of three is not always there. For instance, out of 2202 GPs 300 GPs are now running without a Secretary in position. Worse still, the post of Tax Collector is lying vacant in 1705 GPs. The staff strength is no better in upper two tiers either. In the given situation PRIs can not be expected to function effectively and augment revenue mobilization.
- 7.85 Apart from house tax and tax on trades etc, PRIs at all levels are empowered to levy and collect non-tax revenue from user charges, tolls, fees, fines etc. These are collected from levies imposed on places of worships or pilgrimage, fairs and melas where sanitary arrangements are provided, water rate, lighting rate, conservancy rate where such facilities are provided to the public. As already noted, service delivery being extremely poor, the yield from user charges or other services related

return is only nominal. As a result, major portion of revenue in the non-tax category is derived from sale and settlement of market, ferries, fisheries and ponds. These are settled annually by inviting sealed tenders by the APs where the annual sale value is less than rupees one lakh and by the ZPs where the annual sale value is more than rupees one lakh and less than rupees three lakhs. The sale proceeds are apportioned at the ratio of 20:40:40 between ZP, AP and GP respectively. With a view to augmenting revenue from these sources, the annual sale value may be determined having regard to the prevailing market price. This may be done every year before inviting tenders for leasing out markets, ferries and fisheries. The annual sale value may be revised every-year depending upon the size of business and economic activities that take place.

- 7.86 The present condition of markets, ferries and fisheries run by the PRIs are reported to be in a deplorable condition. The markets are having no permanent structures, drainage, sewerage, public conveniences and other amenities are also non-existent. Storage facilities are not there. Accordingly, PRIs in general approached the Commission for adequate fund to upgrade the infrastructure in respect of revenue generating assets like markets, ferries and fisheries. Keeping in view the resource position of the State Government, it may not be possible for the Commission to satisfy one and all to the desired extent. Anyway, the Commission would like to provide a token grant to the PRIs so that they can renovate at least one or two markets within their respective jurisdiction. Now that Central Finance Commission grant is, by and large, unconditional they may integrate CFC grant with that of the SFC grant for the purpose of upgrading the revenue generating assets. With gradual expansion of business activities and emergence of new business hubs in rural areas, it may be necessary to set up new markets at such places. Grant recommended by CFC and SFC may be pooled together supplemented by their own resources to accomplish these tasks.
- 7.87 It is essential for fiscal decentralization to be meaningful that PRIs exploit the full potential from all sources allocated to them. For this purpose, the relevant rules and bye-laws should be put in place at the first instance. Moreover, the rules need not put a cap on the rate structure as is being done presently in case of house tax and tax on trades etc. Rather than fixing a maximum limit, the rules may prescribe minimum rate leaving the rate of actual levy at the discretion of the PRIs. Apart from rate fixation, the exemption limit, revision of rates, manner of collection etc may also be left to them. There may be suitable provision for periodic revision of the rate structure. All these measures will enable PRIs to play a more pro-active role in mobilization of internal revenue.
- 7.88 TASFC mentioned that PRIs are running a number of minor irrigation works but not levying any water rate or user charges. They recommended formation of Water Users Association which will collect water charges from the beneficiaries and use the revenue so collected for operation and maintenance of irrigation works. This may be implemented forthright if not done already. In fact, user charges may be realised from the beneficiaries in all cases where services are provided by PRIs to meet at least a part of the operation and maintenance costs.

- 7.89 All the previous SFCs unequivocally recommended transfer of the issuance of birth and death certificate from the Health and Family Welfare Department to the PRIs. This may be given effect to immediately. In return for issue of these certificates, PRIs may realize a nominal fee from the incumbents.
- 7.90 Above all there is an absolute need to spread awareness among the people that these institutions belong to them and can only thrive with their support and active cooperation. People will only be eager to pay and collect receipts which serves as a valid document for many other purposes. Simultaneously there is a great need to sensitize both the elected representatives and the official functionaries of PRIs about their role in augmenting the internal revenue of PRIs. All these measures put together might bring about a paradigm shift in the right direction.

### **Expenditure Management**

- 7.91 Apart from their traditional civic functions, the activities of PRIs should cover all the 29 subjects listed in the Eleventh Schedule of the Constitution. In case of Assam, activity mapping document was notified way back on 25<sup>th</sup> June, 2007 devolving 23 subjects covering 17 departments. The activity mapping document clearly states the activities to be performed at the levels of ZP, AP and GP. It also mentions the functionaries to be deputed at each level. However, the activity mapping did not quantify the fund to be transferred against such activity. But the fact remains that in spite of having a well structured activity mapping, precious little has been done in the matter of devolution of functions, functionaries and fund. In respect of the transferred subject the respective line departments still play a dominant role.
- 7.92 In regard to their traditional civic functions, the biggest challenge before the PRIs is shortage of manpower at each level. It is further aggravated by resource constraint and lack of economic infrastructure. In most cases GP offices are a one man institution. Moreover, while ZP and AP offices have at least some semblance of civil infrastructure, GP offices are totally denied of that. Most of the GP Offices are located in far flung areas having poor connectivity. Usually, GP Secretary being a single-handed officer, during his absence on field visit or tour, the GP office very often remain closed. This being the ground reality, the delivery of mandated services to the citizen is poor. One of the traditional functions of PRIs is maintenance of community assets but scanty regard is paid in this respect.
- 7.93 In the given situation, the main component of revenue expenditure of the PRIs is payment of salaries to their employees followed by remuneration and sitting allowances of the elected representatives. It is evident that during 2008-09 expenditure on salary, remuneration etc amounted to Rs.63.93 crores constituting 0.079 percent of GSDP. In contrast their internal revenue mobilization during the year was 0.018 percent of GSDP. In fact their revenue collection during the year is only about 23 percent of their salary expenditure. Similarly, their salary and remuneration expenditure escalated to Rs.95.58 crores during 2010-11 representing 0.093 percent of GSDP. Their internal revenue collection being 0.023 percent of GSDP. It is evident that salary burden of PRIs is disproportionately high in relation to

their own income in spite of the fact that full sanctioned strength is not in position now. If the vacant positions as per existing norms are filled up or the staffing norm is revised it will further distort the ratio between own income and salary expenditure. It would therefore be imperative for the PRIs to augment income from sources given to them so that it covers at least 50 percent of their establishment expenditure.

- 7.94 The main reason for high establishment cost is disproportionately large number of GPs. While in Kerala GPs have an average population of 30,000 in case of Assam it is only about 9000. In this context the statutory provision is that each GP will have a population ranging between 6000 to 10000. But in actual practice there are now 225 GPs having population less than 6000. This has not only reduced the viable size of GPs but escalated establishment cost as well. It would be appropriate to reconstitute the GPs through merger and reorganization so that the population size of each GP conforms to the statutory limit of 6000. It would also cut establishment costs significantly.