

CHAPTER-6

PROFILE OF GMC FINANCES

SOURCES OF REVENUE

- 6.1** The principal sources of revenue of GMC are (i) collection from tax and non-tax measures allocated to it under the Gauhati Municipal Corporation Act, 1971 (ii) resource transfer from the Government of Assam (GOA) in the form of devolution of shared taxes and duties (iii) grants-in-aid from GOA and (iv) grants-in-aid from Government of India (GOI) under Centrally Sponsored Schemes (CSS) and under award of the Central Finance Commissions (CFC).

TAXATION POWERS OF GMC

- 6.2** As per section 144(1) of the GMC Act, 1971, GMC is empowered to impose the following taxes:

- (a) Property tax;**
- (b) A tax on draught animals, vessels and vehicles other than those mechanically propelled;**
- (c) A tax on theatres, theatrical performances and other shows for public amusements;**
- (d) A tax on advertisement other than advertisement published in the newspapers;**
- (e) A duty on the transfer of property;**
- (f) A tax on professions, trades and callings;**

- (3)** In addition to the taxes mentioned above, GMC may levy any or all of the following taxes, namely:

- (a) A betterment tax on properties whose value may have increased as a result of town planning scheme undertaken in the city;**
- (b) A tax on dogs kept within the city;**
- (c) A toll on vehicles and animals entering the city but not covered under clause (1) (b) above;**
- (d) Market dues on persons exposing goods for sale in any market or in any space belonging to or under the control of government or the Corporation;**
- (e) A drainage tax where a system of drainage has been introduced;**
- (f) A tax on pilgrims resorting periodically to a shrine within the limits of the Corporation;**
- (g) A tax on passengers and goods carried by road or inland waterways;**
- (h) A toll on new bridges constructed by the Corporation;**
- (i) Octroi and**
- (j) Any other tax with the prior approval of GOA.**

6.3 des, GMC is also empowered under Section 145 to levy, with the sanction of GOA, a surcharge on any tax other than taxes on professions, trades and callings, levied by GMC for the purpose of providing any specific civic service or amenity.

6.4 Keeping in view the above statutory parameters, the performance of GMC in internal revenue mobilization has to be assessed. But it is pertinent to mention that vehicle entry fees collected through establishment of check posts and parking fees on commercial vehicles had once been the main source of revenue of GMC, which constituted more than 50 percent of its internal revenue

generation. There had been four check posts at Saraighat, Khanamukh, Khanapara and Narangi and three parking places for commercial vehicles at National Highway 37, Jalukbari and Gar Pandu. But the GOA by an order No. GDD 95/2002/24 dated 12-3-2003 had abolished these check posts and parking places except the parking place at Gar Pandu. GMC has thus been deprived of its most potential source of revenue without appropriate compensation in lieu.

- 6.5 With the abolition of check gates and parking places, property tax is the principal source of revenue of GMC now. There are four components of property tax. These are (i) general property tax (ii) water tax (iii) scavenging tax and (iv) lighting tax. Under Section 150 of the GMC Act, 1971, assessment of property tax is done on the basis of Annual Rental Value (ARV). ARV is the annual rent at which such building or buildings might reasonably expected to be let out. It is equal to 7.5 percent of the total value of land and cost of construction of the buildings. Deduction of 10 per cent of ARV is permissible for annual repair and maintenance in respect of all categories and types of buildings. Rebate of 25 percent of ARV is allowed if the building is exclusively used for residential purpose. The land area not covered by the plinth area of the house is deemed as vacant land. Along with the ARV of the floor area, 5 percent of the land valuation of vacant land is added to determine the total ARV. Property tax demand is made on quarterly basis by GMC.
- 6.6 Additionally, urban immovable property tax is also collected by GMC along with property tax. In the past, this tax was used to be collected by GOA as per provision of the Assam Urban Immovable Property Tax Act, 1963 and the net proceeds of such collection were passed on to the ULBs including GMC. Presently, this tax is

being collected by GMC and other ULBs along with property tax at the rate of 3 percent of ARV.

- 6.7 The system of integrated property tax under which various other charges like water, lighting, scavenging etc are collected along with property tax has some advantage over single point property tax. In the first place, it is administratively very simple to operate requiring minimum number of staff leading to economy in cost of collection as numbers of levies are collected together. But it suffers from the shortcoming that under-valuation of property results in loss of revenue from these levies also which is imposed on the basis of property tax. Secondly, it becomes difficult to revise the rates of these levies, independent of property tax since these are collected along with property tax. Nevertheless, integrated property tax system is blessed with better yield at lower cost.
- 6.8 Based on the above procedure of assessment of property value, the yield from property tax in 2005-06 was reported at Rs.1092.68 lakhs and it constituted about 48 percent of total collection of revenue by GMC. The demand for the year was Rs.2378.30 lakhs. Against this the actual collection was only about 46 percent. In per capita term collection of property tax has increased from Rs.86 in 2000-01 to Rs.135 in 2005-06. In Madhya Pradesh the average (1995-96 to 1999-2000) per capita collection of property tax in respect of municipal corporations was only Rs.36.1. Performance of GMC in the matter of collection of property tax is by and large satisfactory inspite of the fact that reassessment is long pending. Reassessment of property tax was last done in 2000-01 but it could not be fully implemented due to public resistance. It was partially implemented in case of new construction only from April 2000. The under-valuation of urban land coupled with outdated method of value assessment and delay

in reassessment has kept the yield from this important source fairly below its potential. It is expected that with favourable changes in the present method of assessment and in the value of land, property tax will gradually be able to emerge as a major source of revenue of GMC and fill up the lacuna created by abolition of check gates.

- 6.9 The next important source of revenue of GMC is trade license fees. The reported actual collection from this source during 2005-06 was Rs.671.73 lakhs. It is reported that collection of trade license fees get vastly hampered due to non-receipt of no objection certificate (NOC) from concerned land owner and the ambiguous status of business being carried out from premises on encroached government land. Revision of rates of trade license fees is long over-due. Although the periodicity of revision is three years, it is reported that the last revision was done in April, 2001. But implementation had been spread over a period of three years up to 2003-04. Timely revision of rates and issuance of provisional license where NOC and encroachment cases are pending will have favourable impact on yield.
- 6.10 The next important source of revenue of GMC is market fees. There are three types of markets (i) rented markets (ii) private markets and (iii) auctioned markets. The auctioned markets are settled annually by inviting sealed tenders fixing marketwise estimated value for settlement. Though the lease period is for one year, it can be extended beyond one year provided the performance of the lessee is satisfactory and that he is willing to enhance the earlier settled value to the extent of 20 per cent per annum. From private markets GMC charges monthly scavenging fees and also realizes fines from the proprietors/landowners of such markets for violation of accepted norms. The actual collection from all types of markets during 2005-06 was reported

at Rs.129.84 lakhs against the demand for the year of Rs.157.32 lakhs.

- 6.11 Apart from the above major sources, the other notable collections of GMC in 2005-06 were from (i) advertisement and hoarding Rs.92.50 lakhs (ii) sale of water Rs.69.32 lakhs (iii) fines and penalties Rs.59.16 lakhs (iv) tolls on slow moving vehicles Rs.31.68 lakhs (v) parking fees on vehicles Rs.31.97 lakhs and (vi) other Rs.116.82 lakhs. Thus, total revenue collection by GMC in 2005-06 aggregated to Rs.2295.70 lakhs. This has been adopted as the base and an annual growth of 10 per cent has been applied for arriving at the estimates of subsequent years up to 2010-11. A statement of revenue receipts of GMC along with projection up to 2010-11 is at Annexure- 6.1.

ASSIGNED REVENUE

- 6.12 Under section 184 of the GMC Act, 1971, the proceeds of the following taxes collected in the city reduced by the cost of collection as determined by GOA shall be paid to GMC for the performance of its functions:

- (1) Land Revenue collected under the Assam Land and Revenue Regulation, 1886**
- (2) Local Rates collected under the Assam Local Rates Regulation, 1879**
- (3) Property tax collected under the Assam Urban Immovable Property tax Act, 1969**
- (4) Motor Vehicle Tax collected under the Assam M.V. Taxation Act, 1936**
- (5) Entertainment tax collected under the Assam Amusement and Betting Tax Act, 1939.**

- 6.13** It appears from the present status of devolution that the existing statutory provisions in regard to sharing of the net proceeds of taxes and duties collected by GOA with local bodies have not been strictly enforced in conformity with the rules in force. Most often, transfer to local bodies took place on an adhoc basis depending on the budgetary allocation and ways and means position of GOA. It is on record that GMC has never received any share of land revenue and local rates despite specific provision of the GMC Act in this regard.
- 6.14** Under the Assam Urban Immovable Property Tax Act, 1963, a tax on urban immovable property was being collected by GOA and the net proceeds thereof were passed on to ULBs. However, with the introduction of the Assam Urban Immovable Property Tax Act, 1969, ULBs were authorized to assess and collect this tax themselves. Accordingly, this tax is now being collected by GMC along with property tax at the rate of 3 per cent of the ARV of land and buildings. Hence, the question of any further devolution against this item does not arise.
- 6.15** As per GMC Act, 1971, the net proceeds of MV tax collected in the city by GOA are to be transferred to GMC. However, payment to GMC is not being made in the manner envisaged in the Act. Rather, as per decision of the State Cabinet, 30 percent of the MV tax collection of GOA is shared with all ULBs including GMC. The divisible pool of 30 percent is first distributed among the districts on the basis of the number of registered vehicles in each district. The share of each district is then divided among the ULBs in the district on the basis of population. As per the revised formula, GMC's share in MV tax has gone down from the provision that the Act envisaged. The devolution to GMC on account of share of MV tax was Rs.202 lakhs in 2005-06 and the same amount has been retained for the next fiscal year also.

- 6.16 Devolution to GMC on account of the share of entertainment tax was Rs.153.59 lakhs during 2005-06. However, the amount of devolution went down to Rs.120 lakhs in the next year.**
- 6.17 GMC is empowered to levy a surcharge on stamp duty under Section 178 of the GMC Act, 1971. However, the Corporation has not exercised this power so far. In lieu, the GOA assigns a share of surcharge on stamp duty collected by it to GMC. The amount transferred to GMC on this account was Rs.113.16 lakhs in 2005-06 and Rs.100 lakhs in 2006-07.**

GRANTS-IN-AID

- 6.18 Release of grants-in-aid from GOA to GMC is rather an exception than the rule. Only in times of ways and means problems, grants-in-aid are considered by GOA to enable GMC to tide over the crises. For instance, in 2005-06, Rs.700 lakhs was released as grants-in-aid to GMC, out of which Rs.500 lakhs was for meeting CPF liability of employees and Rs.200 lakhs for meeting the shortfall in administrative expenditure. Similarly, in 2006-07, Rs.1035 lakhs was sanctioned for meeting the revenue gap of GMC. However, grants-in-aid from GOI are tied to particular projects/schemes and it is not available for supplementing their ways and means position.**

REVENUE EXPENDITURE OF GMC

- 6.19 By and large, non-plan revenue expenditure (NPRE) of GMC can be grouped under two categories (i) establishment expenditure consisting of salary and allowance of employees, employer's contribution to CPF, terminal benefits, office expenses etc and (ii) operation and maintenance (OM) expenditure which include all services provided by GMC, purchase of materials, equipment and machinery, vehicles and petty non plan development expenditure.**

6.20 Payment of salaries and wages constituted the major item of NPFE of GMC. It is a matter of deep concern that salary bill far outstrip their own internal revenue generation making them dependent on outside support for mere sustenance. The total number of sanctioned posts in different categories in GMC is reported to be 3639, out of which 2668 are in position and the remaining 971 posts are vacant. In the absence of any approved staffing pattern it cannot be taken for certain whether GMC is overstaffed or not. The ratio of salary bill to internal revenue generation might be considered to be a pointer to down sizing of the administration. However, the better course would be to commission a proper study and determine the staff size considering the volume of work especially with reference to the increased quantum in the wake of the introduction of Jawaharlal Nehru National Urban Renewal Mission (JNNURM). It is unfortunate that Guwahati has not been able to obtain common separate funds while other cities have already got 1,103 projects worth Rs. 42,986 crores sanctioned.

6.21 GMC has adopted GOA pay scales for its employees. In fact, it has revised the pay scales of its employees with effect from January 1, 1996 as per Revision of Pay Rules, 1998 of GOA. This has escalated their wage bill beyond their capacity to pay and as a result huge arrears of pay started to accumulate. The total financial involvement for payment of salaries and wages was reported at Rs.2704.99 lakhs in 2005-06. On the other hand their own revenue from tax and non-tax sources was only Rs.2295.70 lakhs. Their own revenue plus assigned revenue (Rs.468.75 lakhs) from GOA could barely cover the wage bill. There was almost nothing left to discharge even their obligatory functions. Eventually a grant-in-aid of Rs.700 lakhs from GOA kept them going somehow. In per capita terms (of population in the city) the

wage bill accounted for Rs.335 against per capita collection of revenue of Rs.284. Requirement of fund for salary during the forecast period up to 2010-11 has been projected assuming an annual increase of 8 per cent over the level attained in 2005-06.

6.22 The most important component of NPRE of GMC is the expenditure on operation and maintenance of services provided by them. As stated above, due to severe resource crunch the actual level of expenditure on OM has been kept unduly low at Rs.806.23 lakhs during 2005-06. An annual growth of 10 percent has been allowed for the purpose of projection during the forecast period.

6.23 Apart from current expenditure, a hefty sum of Rs.4839.93 lakhs has been reported to be accumulated over the years as outstanding liabilities of GMC consisting (i) arrear salary, dearness allowance and terminal benefits Rs.3699 lakhs, (ii) pending bills of suppliers Rs.694.34 lakhs and (iii) pending energy bill to ASEB Rs.446.59 lakhs. However, TASFC in its Ad Interim Report has recommended Rs.3699 lakhs in 2007-08 for one time liquidation of the arrear pertaining to employees. Pending bills of suppliers and ASEB has been left to be cleared by GMC raising additional resources and collection of arrears which are due to them.

6.24 In regard to arrear, GMC has put up a claim for Rs.804 lakhs as receivable to them from (i) property tax on private holdings Rs.410 lakhs, (ii) trade license fees Rs.57 lakhs and (iii) property tax on ASEB's holdings Rs.337 lakhs. Even if a part of this amount can be realized, it would go a long way to meet part of their pending supplier's and energy bills. There is a case for adjusting energy bills against counter claim of GMC in respect of property tax from ASEB. A Settlement Tribunal may be constituted by

GOA, on the Mumbai model, to settle all cases of arrears of property tax within a year.

TRAINING OF ULB FUNCTIONARIES

- 6.25 TASFC has been keenly aware of the need to impart training to the functionaries of PRIs and ULBs. As such in the fourth meeting of TASFC held on 20-10-2006, it was decided to constitute a Task Force for assessment of training need of the elected representatives and official functionaries of ULBs and PRIs. In the matter of training, PRIs appear to be in an advantageous position because apart from SIRD a local branch of NIRD is located at Guwahati which could provide logistical support for conduct of training. In case of ULBs, however, there is no such facility available either at Guwahati or elsewhere within the State.**
- 6.26 For training of ULB functionaries, the Task Force was expected to finalise the background materials in collaboration with the All India Institute of Local Self Government (AIILSG), Mumbai. Meanwhile Chairman, TASFC and Dr. A.K. Bhutani, Secretary to GOA, GDD who is also a member of TASFC took initiative in this connection. AIILSG's President Dr. J.V. Modi visited Guwahati for detailed discussion. After that AIILSG have agreed to open a Branch at Guwahati. The relevant correspondence is at Annexure-6.2. GOA should take advantage of AIILSG's offer as soon as possible.**
- 6.27 TASFC also organized a seminar on September 9, 2007 entitled "Towards an Effective, efficient and Sustainable Urban Institution in Assam". The seminar was largely attended by Chairpersons and Deputy Chairpersons of ULBs apart from Councilors of GMC. Guest speakers who participated in the seminar included eminent persons in the field like Shri S.P. Jakhanwal, IAS (Rtd), Director General, Amity School of Urban Management and Dr. Jatin V**

Modi, President, AIILSG, Mumbai. The basic objectives of this seminar was to acquaint the elected representatives of ULBs with the modern concepts of efficient management and good municipal governance with a view to providing better civic amenities and upgrade the quality of life of city dwellers. Needless to mention that elected representatives and staff of ULBs are not well equipped with functional knowledge to provide better quality of life to the citizen. It cannot be denied that the participants in general were greatly benefited by the discourse in the seminar. However, the core motto of the seminar was to help in augmenting the capacity building of ULBs and to find out the possible avenues of training.

- 6.28 It was very nice of Dr. Modi to announce, while wrapping up the discussion in Technical Session I, that it would be possible to open a branch of the AIILSG at Guwahati for providing training to ULB functionaries. On a rough reckoning the fund requirement for this purpose was estimated at Rs. 204.58 lakhs. This is not a substantial sum. TASFC recommends Rs 66.98 lakhs for 2008-09, Rs. 66.97 lakhs for 2009-10 and Rs. 70.63 lakhs for 2010-11 for the purpose of training of GMC and other ULB functionaries.**

TOWN HALL FOR GMC

- 6.29 TASFC keenly felt the need for a town hall in each ULB in the same model as in Mumbai and Kolkata. As such ULBs were asked to put up proposals for construction of town halls. But unfortunately, till submission of the Ad Interim Report no such proposals had been received. In the Ad Interim Report Rs.100 lakhs was provided to GMC and another Rs.100 lakhs to the other ULBs during 2007-08 to facilitate preparation of**

feasibility/project reports. GMC has submitted the plan and estimates for a town hall at Guwahati at a cost of Rs.24.60 crores.

- 6.30** It is regrettable that Guwahati, the premier city of entire north-eastern region does not have a town hall till now. There was a small town hall-cum-library near Dighalipukhuri named Curzon Hall which was later renamed Nabin Bordoloi Hall. It is now lying in a ramshackle condition and from 1984 it has been used only as a library. As a result, the city is totally deprived of a public hall to carry on any event of public importance. A town hall is the basic need of citizens where people can sit and discuss various issues relating to the development of the town, organize cultural programmes, public functions, public meetings and any other events of public importance. Absence of a town hall in Guwahati can be constructed as a major infrastructural lapse of the city.
- 6.31** Keeping in view this major infrastructural lapse, GMC has proposed to construct a ‘Town Hall’ with all modern facilities for the Guwahatians at the western banks of Dighalipukhuri. The site proposed is centrally located having good connectivity with all parts of the City. Moreover, the area selected is having important buildings like the High Court, Rabindra Bhawan, State Museum, District Library, RBI Local Head Office. And open spaces like Judges Field, Latasil Field and Nehru Park will be nearby. So apart from fulfilling the aspiration and long standing demand of Guwahatians it will give a face lift to the area. However, considerations of traffic congestion, pollution and inadequacy to provide for more people in the auditorium might be considerations which will dictate construction of a bigger hall elsewhere.
- 6.32** The proposed town hall will be six storied RCC building having a floor area of 1860 sq meter in each floor. The ground floor will be used for parking, reception and meeting hall will be housed in

first floor, art gallery in second floor, banquet hall in third and fourth floors and auditorium in fifth and sixth floor. The estimated cost of the project is Rs.24.60 crores based on Assam Public Works Department Schedule of Rates for 2004-05. Very detailed discussion will be required between GOA and GMC to finalise the location, size and estimates of an architecturally attractive and imposing town hall. TASFC recommends an amount of Rs. 10 crores to be given as grants-in-aid to GMC during 2008-09 towards the margin/seed money required for construction of a town hall. The remaining amount may be taken as loans from Banks and financial institutions.

FUND FOR TRANSFERRED SUBJECTS

6.33 The twelfth schedule of the Constitution of India envisages transfer of 18 subjects to ULBs. But all activities relating to these entrusted subjects are yet to be transferred to GMC along with fund and functionaries. In response to TASFC's request, Commissioner, GMC has submitted the estimated requirement of fund under non-plan for 18 subjects due to be transferred. The estimated requirement of fund under non plan for the year 2007-08 has been worked out at Rs.3359.48 lakhs. It is not possible to verify the authenticity of this figure. Apparently it seems some plan allocations are also mixed up in the estimates. Moreover, the number of functionaries have not been related to the requirement of fund. As such it is not known whether only those posts which will need to be transferred to GMC have been included in working out the figures or all posts have been included. Even the estimates have not been bifurcated between salary and other expenditure. Therefore, these estimates can not be taken into cognizance. GOA should immediately draw up an Activity Mapping for GMC and other ULBs for transfer of functions, functionaries and funds as per provision of Article 243, read with the Twelfth Schedule, of

the Constitution. Sufficient devolution is being given to GMC and ULBs in this Report and there should be no difficulty in paying salary etc. to persons taken on deputation from GOA by GMC and ULBs.

- 6.34** However, based on the analysis in this chapter a statement of non plan revenue expenditure of GMC along with projection up-to 2010-11 has been prepared and placed at Annexure- 6.3.

ADDITIONAL RESOURCE MOBILISATION BY GMC

- 6.35** The main source of revenue of GMC is the property tax. The first general assessment of property tax was done in 1979-80. Although there is statutory provision for quinquennial reassessment of property tax. The first attempt in this regard was taken up precisely after 21 years in 2000-01. But that too could not be implemented due to stiff public resistance on the ground that basic amenities were not provided by GMC. Hence, it was partially implemented in case of new constructions only. All necessary steps should be taken forth-with to redress public grievances so that collection to full potential can be restored immediately.
- 6.36** As earlier mentioned, total collection from property tax in 2005-06 was Rs.1092.68 lakhs against the demand of Rs.2378.30 lakhs. It constituted barely 46 percent of total demand. This yawning gap between demand and collection need to be plugged to augment revenue.
- 6.37** Above all, the outdated procedure of property valuation based on ARV should be replaced by the Unit Area Method (UAM) which is more rational and simple in procedure. Many States like Gujarat, Madhya Pradesh, Karnataka, Bihar, Uttar Pradesh, Tamil Nadu etc. have adopted this new model. Under this method, the disparity in assessment of similar types of property is removed

and the scope of subjectivity is limited. It is also easily amenable to periodic revision. Under this method, the basic tax is related to plinth/carpet area of the buildings. Location, type and uses to which buildings are put constitute the three basic parameters of UAM. Location wise, buildings may be classified into (1) buildings on principal main road, (ii) buildings on main road and (iii) building on other roads. The types of buildings may be (1) pucca building with RCC roof, (ii) pucca building with asbestos or corrugated sheets and (iii) other buildings. The uses of buildings may be classified into (1) commercial or industrial, (ii) residential and (iii) others. On the basis of all these three key elements i.e. location, type and use of buildings, a reasonable tax rate per square foot is determined. GMC and in fact, all other ULBs should switch over to this new method of property valuation. In the opinion of GMC it would enable them to double the collection.

- 6.38 Broadening the property tax base through inclusion of properties hitherto left out of tax net and inclusion of all newly constructed buildings will augment revenue to a large extent. The periodic revision of property value to ensure appreciation in land value and rentals may be enforced in conformity with the rules in force.**
- 6.39 Target for collection may be fixed and employees achieving the target may be rewarded while those who fail to achieve may be penalized.**
- 6.40 Similarly, marginal rebates may be given for timely payment by tax payers but heavy penalties for delay in payment.**
- 6.41 Computerization of billing and accounting system is expected to augment yield from property tax.**
- 6.42 Flying squad for verifying and checking the uses to which property is put, the area of property and its location will check evasion and improve collection of tax.**

- 6.43** Another important source of revenue of GMC is trade license fees. GOA under letter NO GDD58/94/Pt-1/144 dated 22-12-2000 accorded approval for revision of rates of trade license fees which were made effective from April, 2001. It is reported that these rates are still in force although it is due for revision once in every three years. This has kept the yield unduly low. Periodic revision of rate may be enforced strictly in accordance with the rules.
- 6.44** Collection of trade license fees is greatly hampered on account of factors such as non- receipt of no objection certificate (NOC) from concerned land owners and the ambiguous status of business being carried on from premises of encroached government land. It is felt that issuance of provisional trade licenses pending receipt of NOC from land owners and disposal of encroachment cases may compensate GMC from loss of revenue on this account.
- 6.45** Trades listed in the Fourth Schedule under Section 180 of the GMC Act, 1971 do not include many new trades which have been coming up in recent years. Such emerging trades include private hostel, marriage hall, audio/video cassette production centers, computer centers, cyber cafes, beauty parlours, real estate developers, shopping malls, hubs, multiplexes etc. All such new trades should be included in the Fourth Schedule so that they come within the trade license fee net of GMC. Similar steps may be taken in case of other ULBs.
- 6.46** Usually GMC markets are settled annually by inviting sealed tenders fixing minimum estimated value for settlement of each market. A realistic assessment of minimum value of each market through a market specific study taking into account the number of shops and volume of business generated will help augmenting revenue collection of GMC.

- 6.47** Due to the presence of dual authority in the matter of granting permission for construction of building, GMC has not been able to realize the full revenue potential from this source. Permission for construction of houses is being granted simultaneously by GMDA and GMC. This has not only encouraged evasion but resulted in violation of norms also. SASFC recommended abolition of dual authority in favour of GMC but it has been continuing even now. The presence of dual authority should be done away with. Moreover, building permission is now being granted on periodic patta land only. Whereas indiscriminate construction of buildings / houses are taking place on annual patta land, government khas land, ceiling surplus land and reserve land. GMC has been deprived of both property tax and building construction fees from such illegal and unauthorised constructions. Pending settlement of such unauthorized constructions, GMC may be allowed to collect property tax permission fees on a provisional basis.
- 6.48** In Guwahati and elsewhere growth of unauthorized markets has snowballed and unauthorized vendors have been selling their wares from almost every where. Apart from imposing fines on such unauthorized markets and vendors, GMC may develop proper markets with adequate amenities and encourage the vendors to sell their products in such markets.
- 6.49** In keeping with the observations of EFC, GMC may, if not already done, consider levy of user charges on the properties of Central and State Governments instead of property tax.
- 6.50** Finally a vigorous drive may be initiated by GMC to mop up additional resources through collection of arrear taxes. GOA may consider setting up of a Settlement Tribunal for settlement of long outstanding dues of GMC with ASEB and other para statal or para central bodies, if any.

DEBT POSITION OF ULBs

- 6.51** Loans to ULBs may be from GOA and also from financial institutions like LICI and HUDCO. So far as loans from GOA is concerned the accounts are maintained by the AG, Assam and these are reflected in the Finance Accounts of GOA. However, Finance Accounts of GOA compiled by the C&AG do not show the debt position local bodywise. The total loan outstanding against all ULBs taken together along with the aggregate amount of loan disbursed to and repaid by all ULBs in each year is reflected in the accounts. As such individual debt position of ULBs can not be ascertained from the accounts maintained by AG. In order to assess the debt position of each ULB, TASFC called for relevant information from the concerned Departments viz, MAD, TCP, GDD and PHE. Only GDD and MAD responded.
- 6.52** In reply GDD stated that there is no outstanding debt of GMC against GOA, though it seems quite improbable. GMC had raised loan amounting to Rs. 1177.58 lakhs during 1990-93 against guarantee given by GOA. The loan was raised for the purposes of providing housing facilities to its employees, building new markets, improving roads, water supply facilities etc. After repayment of Rs. 165.75 lakhs as principal, GMC defaulted in making any further payment. As such, the balance amount of principal of Rs. 1011.83 lakhs along with accumulated interest of Rs. 2956.88 lakhs as on 31-03-2005 amounted to Rs. 3968.71 lakhs. GOA being the guarantor of the loan has made a one time settlement with HUDCO in 2004-05 and paying the settled amount since then.
- 6.53** In reply Director, MAD stated that outstanding debt of ULBs against GOA as on 31-03-2005 is Rs. 439.87 lakhs principal and Rs. 340.29 lakhs interest. Local body-wise details of the

outstanding amount are not indicated. Along with his reply Director, MAD has furnished an extract from the Audit Report of Principal AG where outstanding amount of principal is shown at Rs. 84.63 lakhs and interest Rs. 225.69 lakhs. Again Finance Accounts of GOA for 2004-05 recorded under the head of account 6217- Loans for Urban Development Rs. 3532.33 lakhs as outstanding loans of ULB against GOA. However, Finance Accounts do not show the break up between principal and interest or local body-wise details of the outstanding amount. Apart from this Finance Accounts also reflected another sum of Rs. 740.44 lakhs as outstanding loans of ULBs against GOA under the head of account 6215- Loans for Water Supply, Sewerage and Sanitation, TASFC is thus confronted with a baffling situation of three sets of figures for the same period each widely at variance with the other. It seems no loans ledger is being maintained either in the concerned Secretariat Department or in the Heads of Departments. TASFC can not take a view unless the firm figure of outstanding loans as at the end of a particular year is made available.

- 6.54 As reported by Director, MAD outstanding debt of ULBs against LICICI is Rs. 340.48 lakhs as on 31-03-2007 consisting of Rs. 143.22 lakhs and Rs. 197.26 lakhs as principal and interest respectively. The claim is preferred by LICICI as per calculation made by them. It involves 9 municipalities. Further details like year of raising, rate of interest etc are lacking. The loan seems to be pretty old as the overdue interest has already outstripped the principal amount. With every passing year the accumulated interest will go on escalating. GOA being the guarantor of the loan will have to pay more, the more the delay in settlement. TASFC recommends that GOA make a one time settlement with LICICI as was done in case of the loan of GMC from HUDCO.

ISSUANCE OF BONDS BY ULBS

- 6.55** Clause 2 (C) of the terms of reference mandated TASFC to examine the feasibility and make recommendation on raising of resources by the ULBs through issuance of bonds.
- 6.56** The financial position of ULBs in the State is such that they are not even in a position to bear the burden of their own employees, let alone catering to the civic needs of the people. Perennial resource crunch has led to their growing dependence on GOA and gradual assumption of many local functions by the State or parastatal bodies like Development Authorities. For development of a sound municipal bond market the immediate prerequisites are (i) credit worthiness of large number of ULBs (ii) existence of credit rating agencies (iii) strong initiative in revenue generation from own sources of revenue by the ULBs (iv) technical know how (v) professional skill in presenting commercially viable or bankable projects and above all (vi) confidence among the lenders about the ability of ULBs to service the debt.
- 6.57** Recently a Workshop on Devolution of Funds to ULBs conducted by the Amity School of Urban Management was held in October, 2006. The Workshop, among other things, also discussed the issue of bond floatation by the municipalities. Their conclusions appear to be of much relevance in the context of Assam.
- 6.58** In the country, urban infrastructure has generally been financed through budgetary support by the Central/State governments and guaranteed regime of borrowing by ULBs. It was felt that both these traditional financing methods have considerable limitations as they can hardly motivate ULBs to be proactive for rationalizing pricing and cost recovery in provision of urban infrastructure and services.

6.59 Plan or budgetary allocations, by their very nature, are treated as soft money. Pricing or cost recovery therefore, do not constitute a serious agenda in such systems of funding. Similar is the case with guaranteed regime of lending by financial institutions. As guarantee is given by the higher levels of governments borrowing organization never cares for pricing and cost recovery for repayment of loans. These two traditional systems of funding, by and large, make cost recovery initiative rather subdued. It has led to a mind set that urban infrastructure is a social welfare service. In this context, it would be desirable to have access to capital market through appropriate debt instruments.

However, the essential preconditions for availing debt instruments are:

- 1. There must exist a long term debt market. As cost recovery in urban infrastructure is not feasible in the short run, hence there has to be long term debt market.**
- 2. Urban infrastructure projects have to be commercially viable to attract investors.**
- 3. Accessing capital market requires investment grade credit rating.**
- 4. Financial reporting and accounting system must be transparent.**
- 5. Adequate availability of fund for project development.**

6.60 An important role of institutional finance is to promote efficient use of borrowed funds. Hence, financial institutions have to provide technical assistance for improving the municipal management system. Funding also need to be for leveraging reforms in municipal management and cost recovery. Financial

institutions also need to gradually come out of the system of guaranteed regime of lending.

6.61 ULBs in India have raised capital from non-conventional sources only in a few cases. Eleven cities have so far accessed the capital market and the total size of issue was Rs.6975 million. Out of eleven cities, nine cities have accessed the capital market without government guarantee. Invariably, this has led to a change in the mind set that urban infrastructure and service should no longer be treated as social welfare service. But can it be emulated successfully by municipalities of small cities and towns? In this regard the Workshop observed that, small and medium towns are not in a position to access the capital market on a stand alone basis because of their lack of credit worthiness individually. In this case, pooled finance mechanism is the viable alternative, where State sponsored intermediaries borrow on their own financial strength for a number of smaller ULBs that are individually incapable to have access to the capital market. Tamil Nadu experimented with this method. Tamil Nadu method can be replicated in case of ULBs in Assam.

PUBLIC PRIVATE PARTNERSHIP

6.62 Clause 2 (d) of the terms of reference mandated TASFC to examine the feasibility and make recommendations on creation of urban infra-structure and other civic amenities by the ULBs through Public-Private Partnership (PPP) and exploring avenues of viability gap funding.

6.63 That municipal services in the State are in abyss and that the authority displays no sense of urgency in restoring it is palpable from the pitiable condition of solid waste management and the resultant accumulation of filth, dust, dirt and garbage everywhere. No better is the condition of streets, drains, markets, street

lighting and parks, if there is any. Pollution level has assumed alarming proportion engendering health and hygiene of city/town dwellers. In order to improve the quality of civic services it is imperative to associate the public with the performances of municipal services. The basic objective of PPP is to involve local people, having better knowledge of local problems, in the task of improving the quality of civic services with required promptness. For this purpose, Self Help Groups (SHG), Local Residents Association etc may be formed with support and advice from the municipal authorities. It would help the cash trapped ULBs to conserve scarce resources for alternative use and simultaneously improve the quality of civic services. It is pertinent to mention that TFC, in para 8.42 of its report, had highlighted the importance of PPP in case of ULBs so as to enhance the service delivery in respect of solid waste management. It had suggested that the municipalities should concentrate on collection, segregation and transportation of solid waste. GOA was required to get municipalities having populations of over one lakh to prepare a comprehensive scheme including composting and waste to energy programme to be undertaken in the private sector for appropriate funding from the grants-in –aid recommended by it. Grants-in –aid however, was to be made available to support the cost of collection, segregation and transportation only. The activities to be taken up by the private sector were expected to be commercially viable once the municipality was able to discharge its role effectively. In paras 8.16 and 8.17, the TFC had also envisaged out-sourcing of the services connected with solid waste management. In their opinion composting and waste to energy initiatives would be economically viable in the private sector provided municipalities can assure regular supply of solid waste. The role of municipalities should therefore be restricted to

ensuring proper collection, segregation and transportation. Again if these activities were outsourced there would be no need for capital expenditure on machinery and equipment etc.

6.64 In conformity with the above observations of TFC, the possibility of privatization of certain civic services might be considered with a view to reducing municipal expenditure and improving services. At the first instance, those services which the private sector would be able to deliver at a comparative cost advantage might be taken up for privatization /out-sourcing. As suggested by TFC, collection, segregation and transportation of solid waste may be taken up initially this may be followed by street lighting, maintenance of public parks, municipal markets and parking lots. Even it can be experimented in collection of certain taxes, as is being done by GOA in case of land revenue collection.

6.65 Private commercial establishments alone should not stand qualified for outsourcing of these services. In this regard, Local Unnayan Samitis, Citizens Forums, NGOs and SHGs may be considered for deployment. If these services can be provided by private operators at a comparatively lower cost than that of the municipalities, then there is a strong case for its adoption. Entry of private operators in this field, earlier the monopoly of municipalities, could encourage the spirit of competition and users will be benefited with better service at lower cost. However, ULBs shall have to provide necessary guidance and continue to remain responsible for overall supervision. However, the GOA may frame necessary guidelines for private sector participation indicating the terms and conditions of the contract, tariff structure in relation to cost of services provided.

KNOWLEDGE MISSION FOR RURAL / URBAN DEVELOPMENT

- 6.66** In the past half-a-century, there seems to have been a spurt, almost an explosion, of knowledge which has surpassed in magnitude and dimension, if not in significance, even the Renaissance of the 15th century and the Industrial Revolution of the 18th Century. This has resulted in a sea change in the way people live and work. While the Green Revolution helped improve the production of wheat, rice and other crops, a knowledge revolution can lead to the enhancement of human productivity and creativity in every sphere of human activity. In this mission, computers and internets serve as the important tools facilitating dissemination of knowledge far and wide.
- 6.67** Keeping in view the importance of knowledge economy, TASFC had organized a seminar on this subject on September 19, 2007, which was attended, among others, by eminent personalities like Dr. PC Acharya, Director, Assam Branch of Indian Tea Association (ABITA), Dr. A.R. Barua, Director, Assam Science Technology and Environment Council (ASTECC), Shri B.K. Sarma, President Assam Science Society, Shri Bhaskar Phukan, BDO. Chaiduar Development Block and Ms.Archana Sarma, Head of Department, Economics, Gauhati University. The minutes are at Annexure- 6.4.
- 6.68** TASFC could gather from the seminar that some feeble and spatially restricted attempts have been made in Assam in the past, through a few projects, to pass on knowledge to the rural people. These are essentially of extension education type. One such attempt was by ABITA's Gramin Krishi Unnayan Prakashana, in collaboration with the Indian Space Research Organisation (ISRO). It was spread over 10 selected village clusters covering a population of 120051 only. Similarly, the Aryabhata Science Centres proposed to be set up by ASTECC in all 219 development blocks of Assam is yet to be operationalised.

- 6.69** It is felt that the most important step taken in this direction has been the two science laboratories and the three knowledge centers at Gohpur cluster under the Chaiduar Development Block. This has been possible with finance from GOI's schemes of Provision of Urban Services in Rural Areas (PURA). This should spread to the other 218 Development Blocks of the State.
- 6.70** In order to absorb the changes in science and technology, it is imperative that the leaders of society should be properly initiated into the new developments in the relevant disciplines. Scholarships should be created for study of science by the rural youths who could then help local communities in dissemination and use of scientific knowledge.