

Chapter-I

INTRODUCTION

1.1 The Second Assam State Finance Commission was constituted vide Government Notification No.FEA.130/2000/20 dated April 18, 2001 which read as follows:

“In pursuance of the provisions of Article 243-I and Article 243-Y of the Constitution of India read with the provision of Section 2(1) of the Finance Commission (Miscellaneous Provision) Act, 1995, the Governor of Assam is pleased to constitute the Second Assam State Finance Commission with the following Members, namely:

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| 1. | Shri Rajiv Kr. Bora, IAS
Commissioner & Secretary,
Finance Department. | Chairman |
| 2. | Mr. Dilip Barua, Professor
of Economics, Professor Colony,
Dighalipukhuri, Guwahati-781001 | Member |
| 3. | Shri S.K. Dutta, Retd. Director,
Finance (E.A.) Department. | Member |
| 4. | Dr. Mohamed Ariz Ahamed, IAS
Joint Secretary, Education Deptt. | Member |
| 5. | Director, Finance (E.A.) Deptt. | Member-Secretary |

2. The Commission shall make recommendations as to the following matters:

- (a) The principles, which should govern –
- the distribution between the State of Assam and the Panchayats/ Municipalities of the net proceeds of the taxes, duties, tolls and fees, leviable by the State, which may be divided between them and the allocation between the Panchayats/ Municipalities at all levels of their respective shares of such proceeds;
 - the determination of the taxes, duties, tolls and fees, which may be assigned to, or appropriated by, the Panchayats/ Municipalities;
 - the grants-in aid to the Panchayats/ Municipalities from the Consolidated Fund of the State;

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

The expression ‘Municipalities’ includes Municipal Corporation and Town Committee.

(2) The Commission may make an assessment of (a) the actual debt position of each of the Local Bodies as on 31st March, 2000 (b) estimated debt position of each of

the Local Bodies as on 31st March, 2001 and suggest suitable measures relating to the debts as are deemed necessary, keeping in view also the financial requirements of the State Government.

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

- (i) 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;
- (ii) the resources of the State Government and the demands thereon, in particular, on account of expenditure on maintenance of law and order, civil administration, debt servicing and other committed expenditures;
- (iii) the revenue resources of the Local bodies for the five years commencing on 1st April 2001 on the basis of the level of collection made during 1998-99 from taxes, duties, tolls, fees, cess etc. levied by them;
- (iv) the potential for raising additional revenue from the existing sources available to them; and
- (v) the scope for better financial management consistent with efficiency and economy in expenditures.

3. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 1991 Census in all cases, where population is regarded as a factor for determination of devolution of taxes and duties and grants-in aid.

4. The Commission shall indicate the basis on which it has arrived at its finding and make available the Local Body-wise estimates of receipts and expenditure.

5. The Commission shall make its report available to the Governor of Assam by the 31st October, 2001 on each of the matters aforesaid, covering a period of five years commencing on the 1st day of April, 2001.

Sd/-

(A.K. Thakur)

Commissioner & Secretary
to the Government of Assam,
Finance Department.”

1.2 Shri Girish Ch. Laskar, Director, Finance (E.A.) Department was Member-Secretary of the Second Assam State Finance Commission. He retired from service on 1st May, 2001 and was re-employed on contract basis as Director, Finance (E.A.) Department vide Govt. Notification No.FEB.130/2001/23 dated 17.08.2001. Dr. Mohamed Ariz Ahamed, IAS, Member, Second Assam State Finance Commission was transferred on 23rd October, 2002 as Deputy Commissioner, Sonitpur. He, however, continued to function as a member of the Commission.

Methodology:

1.3 Under Article 243 I (3) of the Constitution of India, the State Finance Commission is competent to determine its procedure. In the light of the above provision, the State Finance Commission adopted the following methodology:

- (1) The constitution of the Commission was given wide publicity through print and electronic media and views, suggestions and opinions were invited from individuals, institutions, political parties and organizations in the month of November, 2001 and again in May, 2002;
- (2) Views and suggestions were invited from Government Departments on the terms of reference;
- (3) Views and suggestions were invited from Hon'ble Members of Parliament and Hon'ble MLAs;
- (4) Views and suggestions were invited from Gauhati University, Dibrugarh University, Central University at Tezpur, Assam University at Silchar, Assam Agricultural University at Jorhat, Omeo Kumar Das Institute of Social Change, Guwahati, Assam Institute of Management, Guwahati and State Institute of Rural Development, Guwahati;
- (5) Separate questionnaires were prepared and sent to Guwahati Municipal Corporation, Municipalities, Town Committees, Zilla Parishads and also the Deputy Commissioners seeking information on both urban and rural local bodies;
- (6) Relevant data/ information was collected from the State and Central Government agencies and autonomous bodies;
- (7) Discussions were held with departmental officers of the State Government;
- (8) A member of the Commission was deputed to participate in the National Workshop on Panchayati Raj Finances organised by NIRD at Hyderabad on 9th May, 2003.

1.4 The Commission hardly received any response to the notification publicized through print and electronic media from individuals, institutions, political parties and organizations. However, State Government departments of Panchayat & Rural Development, Urban Development and Guwahati Development furnished their views on the terms of reference.

1.5 The Commission received information on local bodies as per the prescribed questionnaire from 32 urban local bodies (ULBs) and 1560 rural local bodies (RLBs), namely Zilla Parishads, Anchalik Panchayats and Gaon Panchayats, but the information received was, by and large, sketchy, incomplete and inconsistent. Thus, it was a herculean task for the Commission to make a proper analysis and assessment of the finances of the local bodies.

1.6 Much of the required data and materials and clarifications thereon from the concerned Departments and local bodies, including Guwahati Municipal Corporation, was received by the Commission as shown in the table given below:

Table-1.1

Departments/ GMC	Date of receipt of data/ materials	Date of receipt of clarifications
1. Director, P & RD	December/2002	February/2003 & June/2003

2. Director, MAD	March/2003	June/2003 & July/2003
3. GMC	Feb/2002 & July/2002	Nov/2002 & Dec/2002

- 1.7** There were intensive discussions with the following Government officials:
- (1) Principal Secretary, Transport Department.
 - (2) Commissioner & Secretary, Urban Development Department.
 - (3) Commissioner & Secretary, Panchayat & Rural Development Department.
 - (4) Commissioner & Secretary, Revenue Department.
 - (5) Commissioner & Secretary, Finance Department.
 - (6) Director, Municipal Administration Department.
 - (7) Director, Panchayat & Rural Development Department.
 - (8) Director, Audit (Local Fund).
 - (9) Director, Economics & Statistics.
 - (10) Director of Treasury & Accounts.
 - (11) Director (Decentralized Plan), Planning & Development Department.
 - (12) Commissioner of Taxes.
 - (13) Commissioner of Guwahati Municipal Corporation.
 - (14) Inspector General of Registration.
 - (15) Joint Secretary, Transport Department.
 - (16) Joint Secretary, Finance Department (Taxation).
 - (17) Joint Secretary, Finance Department (Audit & Fund).
 - (18) Joint Commissioner of Transport.
- 1.8** The Commission received memoranda from the following organizations and individuals:
- (1) Brihattar Guwahati Unnayan Samity, Guwahati.
 - (2) All Assam Civic Bodies Worker's Federation, Assam.
 - (3) Shri Jitendra Nath Gogoi, Pamohi, Garchuk, Guwahati-35.
 - (4) Shri Mihir Ranjan Sarkar, Barpeta Road, Barpeta District.
 - (5) Mrs. Silpi Sarkar, M.A., Maligaon, Guwahati.
- 1.9** Views on the terms of reference were received from the following:
- (1) Shri G.C. Langthasa, Hon'ble Minister, Hill Areas Department and Mines & Minerals etc., Assam.
 - (2) Panchayat and Rural Development Department.
 - (3) Municipal Administration Department.
 - (4) Guwahati Development Department.
 - (5) State Institute of Rural Development, Assam.
- 1.10** At the time of the constitution of the Second State Finance Commission, the Panchayati Raj Institutions (PRIs) in Assam were virtually non-functional due to the absence of elected bodies. The Commission's work could not pick up as the required data on the finances of PRIs were not readily available from the concerned departments. Substantial time was required by these departments to collect, compile and present the data to the Commission. The Commission, however, was able to receive many responses to the questionnaires it circulated among the PRIs although the information contained in these responses was not always complete, consistent, and thoroughly dependable.
- 1.11** The Eleventh Finance Commission (EFC), inter alia, recommended that the SFCs should clearly spell out the approach adopted by them, make an analysis of the

resources of the State Government and of the resources of rural and urban local bodies, formulate the principles of distribution between the State and the local bodies of the net proceeds of taxes etc. leviable by the State and the principles on which these may be distributed among different tiers and levels of local bodies, and the grants-in-aid to be given by the State to the panchayats and municipalities.

1.12 Soon after the constitution of the Second Assam State Finance Commission, Panchayat elections were notified and the electoral process was completed by December 2001. The process of formal constitution of the panchayati raj institutions was started in March 2002 and completed by June, 2002. Thereafter, the Assam Panchayat (Administrative) Rules were finalized in July, 2002. This apart, 29 subjects listed in the Eleventh Schedule have been transferred in July 2002. This was followed by the framing of the Assam Panchayat (Financial) Rules, which was done in October 2002. The required bye laws indicating the rates of taxes etc. are yet to be framed by the respective PRIs on the basis of their empowerment under the Act.

1.13 Due to data constraints as explained above, as well as the complexity and voluminous nature of work, the State Finance Commission had to resolve and request the State Government for extension of time for submission of its report to the Government. The State Government was pleased to extend the time for submission of the report of the State Finance Commission on different occasions. Finally, vide notification No.FEA.130/2000/53 dated 08-7-2003, time was extended upto 31st July 2003.

1.14 During the period of its incumbency, the Commission had 58 numbers of sittings.

1.15 We would like to put on record our deep sense of gratitude to the prominent persons, organizations and institutions who were gracious enough to make their valuable observations and suggestions in the course of the detailed discussions we had with them at various stages in the preparation of this report.

1.16 The Commission's work would have suffered greatly but for the untiring effort and keen interest of Shri P.K.Choudhury, IAS, the then Commissioner, Urban Development Department, Government of Assam, Ms. A. Varma, IAS, the then Director, Panchayat and Rural Development, Shri S. Lohiya, IAS, Commissioner, Guwahati Municipal Corporation, Shri A. B. Md. Eunos, ACS, Director, Municipal Administration Department, Shri M.C. Sahu, IAS, Director, Panchayat and Rural Development, Shri H.K. Machary, the then Director, Audit (Local Fund), Shri R.C. Jain, ACS, Joint Secretary, Transport Department, Shri P. D. Kalita, ACS, Joint Secretary and Shri R.L. Duarah, ACS, Joint Secretary of Finance Department, Shri N. C. Dhekial Phookan, the then Director, and Shri M. C. Baruah, the present Director of Economics and Statistics, and, in particular, Shri Braja Das, Joint Director, Economics and Statistics and their supporting staff, all of whom had to cull out crucial data and information, as and when required by us, which we all appreciate, is so difficult a task given the weak database in the State. We acknowledge with gratitude their invaluable contributions.

1.17 We appreciate the helpful discussions we had with the special invitees Dr. (Professor) Haren Choudhury, Department of Statistics, Gauhati University and Sri Reba Nath Bhattacharyya, Retired Joint Director, Panchayat & Rural Development, and acknowledge their valuable contributions.

1.18 Our special thanks go to the National Institute of Rural Development (NIRD), Hyderabad and State Institute of Rural Development (SIRD), Assam, for providing invaluable background materials at our request.

1.19 Thanks are due to Sri Motilal Sarkar and Sri Bipul Kumar Sharma of the Department of Finance (Economic Affairs), Government of Assam, and Sri Bishnu Prasad Goswami, Sri P. Talukdar, Sri A. Talukdar and Sri Ashad Ali of the Computer Wing of Finance (Budget) Department, and Sri Amal Das, PS and Shri Prakash Singh, LDA to Commissioner & Secretary, Finance Department, for their unfailing and ungrudging support all through.

1.20 The Assam Government Press deserves all thanks for the good work that they have done in the quickest possible time.

1.21 We appreciate and acknowledge the help and cooperation that we were fortunate enough to receive, directly or indirectly, from many others from time to time in the course of the preparation of this Report.