

Chapter - III

RURAL LOCAL BODIES

73rd Amendment to the Constitution:

3.1 The Constitution (Seventy-third Amendment) Act, 1992 accorded the Panchayati Raj Institutions (PRIs) a constitutional status. The main features of the 73rd Amendment Act are the following:

1. Constitution of a three tier structure of Panchayats in every state (at village, intermediate and district levels) having a population of twenty lakhs (Article 243 B).
2. Reservation of seats for scheduled castes, scheduled tribes, and women (Article 243 D).
3. Fixed tenure for Panchayat bodies (Article 243E).
4. Transfer of powers, authority and responsibilities to Panchayats, including 29 subjects listed in the Eleventh Schedule (Article 243 G).
5. Powers to impose taxes (Article 243 H).

3.2 Article 243 I of the Constitution provides that the Governor of a State shall within one year from the commencement of the Constitution (Seventy third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor.

Historical background :

3.3 The genesis of the system of Panchayati Raj can be traced back to the vision of Mahatma Gandhi, who advocated the revival of the traditional Panchayats so that Gram Swaraj, which had been an integral part of the social system of India, could become a reality. The Panchayat was for him an instrument which would foster peoples' participation in the governance of the country. The Gandhian ideology had a spontaneous appeal to the rural masses, who were faced with the problems of hunger, disease and poverty. Reordering of a composite traditional rural social system through a community based panchayat approach thus became an objective of local governance in independent India.

3.4 The Directive Principles of State Policy in Article 40 of the Constitution envisaged that States would take steps to organize village panchayats and endow them with such powers and authority, as may be necessary to enable them to function as "units of self-government". In 1992, the 73rd Constitutional Amendment Act was passed, which is a watershed in the history of development of panchayats as it made

the constitution, consolidation and empowerment of these local bodies mandatory with well defined subjects.

3.5 PRIs in different forms and at different times have been in existence in Assam since ancient times. Apart from undertaking various welfare activities, these organizations also played an important role in settlement of local disputes. After assuming India's administration from the East India Company, the British colonial government adopted Lord Mayo's Resolution in 1870 under which a District Board was constituted in most states of the country. The District Boards remained virtually under the control of the colonial government as the chairman and other members were government officials. With a view to reducing government control over local self-government, Lord Ripon's Resolution was adopted in 1882, which advocated constitution of a Local Board at the sub-divisional level. The numbers of official members of the Local Board were restricted to one-third of the total, while the majority of other members including the chairman were inducted from the public. While District and Local Boards were constituted in most states, in Assam however, only Local Boards at sub-divisional level were constituted. Unlike Local Boards elsewhere, the Local Boards in Assam were constituted by the colonial government whose members were either government officials or nominated by government. This was followed by the enactment of Assam Local Self Government Act of 1915 and Assam Rural Self Government Act of 1926.

3.6 The system of Panchayats in independent India was introduced in the light of the specific mention made in the Directive Principles of State Policy under Article 40 of the Indian Constitution. The Assam Panchayati Raj Act was passed in 1948 right after independence and before the new constitution became operative. It was a two-tier structure. A new Panchayat Act in Assam was passed in 1959, which was in conformity with the Balwant Rai Mehta Committee Report. This Act provided for a three-tier Panchayati Raj structure with Gaon Panchayats (GP) at the lowest level, Anchalik Panchayats (AP) at the block level and Mahkuma Parishads (MP) at the sub-divisional level which was the apex level.

3.7 The Assam Panchayati Raj Act, 1972 replaced the 1959 Act with a new two tier system abolishing the AP. This Act was again replaced by the Assam Panchayati Raj Act, 1986. The 1986 Act again provided for a three tier system of GPs, APs and MPs. Under this Act, each GP was to have a coverage of 6-10 thousand people so as to make peoples' participation more effective.

3.7 Thereafter, with the passing of the 73rd Amendment Act, the Assam Panchayat Act, 1994 was introduced from May, 1994. This Act provides for a three tier panchayat system, comprising Gaon Panchayats, Anchalik Panchayats and Zilla Parishads (ZP) in accordance with the provisions of the Constitutional Amendment. The first Panchayat election as per the Assam Panchayat Act, 1994 was held in December, 2001 and constitution of all the three tiers of Panchayats were completed in June, 2002.

Profile of RLBs :

3.9 The rural population of Assam as per 1991 census is 19.93 million which constitutes 88.9% of the total population of the State, the all India average being 73.87%. In 1981, the percentage of rural population in Assam was estimated at 90% against 76.3% for India as a whole. The rural area of the State is estimated at 77667.99 sq. kms which accounts for nearly 99% of the total geographical area of the State. The numbers of rural local bodies in each tier that are to be constituted under the provisions of the Assam Panchayat Act, 1994 are shown below:

Zilla Parishad	21	(including Kokrajhar district in BTC area)
Anchalik Panchayat	203	
Gaon Panchayat	2487	
Total :	2711	

3.10 As per provisions of the Assam Panchayat Act, 1994 the number of non-official elected representatives of the PRIs are to be as follows:

President of ZP	21
Vice President of ZP	21
Members of ZP	428
President of AP	203
Vice President of AP	203
Members of AP	2081
President of GP	2487
Vice President of GP	2487
Members of GP	22383
Total :	30314

3.11 Article 243 G of the Constitution endows the Panchayats with powers and responsibilities with respect to the implementation of schemes for economic development and social justice as may be entrusted to them by the State Government including those in relation to the matters listed in the Eleventh Schedule. The Government of Assam vide Notification No.PDA. 336/2001/Pt./80 dated 26.07.2002 has devolved 29 subjects listed in the Eleventh Schedule to the PRIs. However, this was not followed by transfer of funds and functionaries. The subjects transferred to the PRIs are shown below:

1. Agriculture including agricultural extension
2. Land improvement, reforms, consolidation and soil conservation
3. Minor irrigation, water management and watershed development
4. Animal husbandry, dairying and poultry
5. Fisheries
6. Social forestry and farm forestry
7. Minor forest produce
8. Small scale industries including processing industries
9. Khadi, village and cottage industries

10. Rural housing
11. Drinking water
12. Fuel and fodder
13. Roads, culverts, bridges, ferries, waterways
14. Rural electrification including distribution
15. Conventional sources of energy
16. Poverty alleviation programme
17. Education including primary and secondary schools
18. Technical training and vocational education
19. Adult and non-formal education
20. Libraries
21. Cultural affairs
22. Markets and fairs
23. Health and sanitation including public health centres and dispensaries
24. Family welfare
25. Women and child development
26. Social welfare including welfare of handicapped and mentally retarded
27. Welfare of the weaker sections, and in particular of the scheduled castes and the scheduled tribes
28. Public distribution system
29. Maintenance of community assets.

3.12 Necessary funds and functionaries for the implementation of schemes covered by the transferred subjects should be passed on to the PRIs in a planned and phased manner enabling them to become effective organs of local self government. It is widely held that all responsibilities and functions which can be undertaken relatively more efficiently at the lowest level of government should be transferred to the local bodies. Since many of the transferred subjects would fall in this category, all these schemes and programmes falling under this category should logically be transferred to the PRIs. The State Government should prepare the modalities for transferring such schemes and programmes in a time bound framework to the PRIs.

3.13 Vide Notifications no.PDA.113/95/58 dated 26.07.2002 and no.PDA.149/95/157 dated 09.10.2002 the Government of Assam notified the Assam Panchayat (Administrative) Rules, 2002 and Assam Panchayat (Financial) Rules, 2002 respectively. But the relevant bye laws stipulating the rates of taxes etc. leviable by the PRIs on the basis of empowerment under the Panchayat Act, 1994 are yet to be framed. The inevitable fall out of such delay in implementing the follow-up actions has seriously impeded the functioning of the PRIs. It has not only delayed the process of decentralization but has also deprived the PRIs of grants recommended by Union Finance Commissions and also Central funding under various Centrally Sponsored Schemes.

Review of the existing state of finances of PRIs :

3.14 The terms of reference have mandated that the Commission shall have regard, among other considerations, to the objective of balancing the receipts and expenditure on revenue account of the local bodies as a whole and for each local body severally on the basis of the level of collection from taxes, duties, tolls, fees etc levied by them.

3.15 The data base on the finances of rural local bodies in Assam is virtually non-existent. In fact, there is no financial or budgetary data including data relating to tax and non-tax receipts, funds received from State or Central Governments, expenditure on salaries, debt servicing or operation and maintenance. In the absence of any reliable and up-to-date data no local body-wise estimates of receipts and expenditure could be made. However, the Commission has attempted to make an assessment of the financial requirements of the PRIs on the basis of the revenue raising powers as well as functions and responsibilities entrusted to them.

3.16 By virtue of powers conferred under the Assam Panchayat Act, 1994, the Assam Panchayat (Financial) Rules, 2002 have been framed in October 2002 which, inter alia, lays down the financial rules and procedures, budgetary and accounting procedures, provisions for audit and the ceiling in respect of imposition of taxes, fees, cess etc by the PRIs. The Assam Panchayat Act, 1994 also stipulates that for imposition of levies, the respective PRIs shall have to frame bye laws indicating the rates of taxes, fees, tolls etc. allocated to them under the Act. Such bye laws are yet to be framed by the PRIs and hence collection of own revenue by them is negligible. As of now, they derive most of their revenues from settlement or lease of hats, ghats, ferries and fisheries which are collected by the Anchalik Panchayats. The proceeds from the settlement or lease of these assets are shared amongst the Panchayati Raj Institutions, with Anchalik Panchayats retaining 40% of the proceeds, the Gaon Panchayats and Zilla Parishads getting 40% and 20% respectively.

3.17 Apart from their own revenues, under Section 26 of the Assam Panchayat Act, 1994, the GPs are entitled to get a share of land revenue and local rates collected by the State Government as per recommendations of the State Finance Commission. However, the First State Finance Commission did not make any recommendation in this regard in view of the global sharing of taxes recommended by them. As such, the GPs are reported to be receiving share of land revenue and local rate on an adhoc basis. Other sources of fund of the PRIs, as of now, are grants from the Central and State Governments for implementation of various Centrally Sponsored Schemes which are presently channelized through the DRDAs.

3.18 A review of the sources of revenues currently available to the PRIs indicates that most of the taxes and duties allocated to them are of low yield. On the other hand, the subjects transferred to them entail functions and responsibilities which are vast in number and scope. This is likely to create a serious mismatch between resources and responsibilities. PRIs, therefore, have to make vigorous efforts to collect revenue from the sources allocated to them, to be supplemented by devolution of funds from the higher tiers of government.

3.19 Payment of salaries and allowances constitute the major expenditure of the PRIs. However, the financial burden of payment of salaries rests with the State Government. It is stated that panchayat employees were provincialised with effect from October 1991. After provincialisation, the State Government created 4259 posts for deployment of the provincialised staff numbering 4565 at that time. Subsequently, 43 Grade IV posts were abolished, leaving the number of sanctioned posts at 4216. As on date, the category-wise details of sanctioned posts, staff in position and the vacant posts as furnished by Panchayat and Rural Development (P & RD) Department are shown below:

Table-3.1
Category-wise details of staff position of PRIs

	Category of posts	No of sanctioned Posts	Staff in position	Vacant posts
1.	U.D. Asstt	239	36	203
2.	L.D. Asstt.	478	372	106
3.	Tax Collector	392	140	252
4.	Tax collector-cum-Road Mohorar	1092	809	283
5.	G.P. Secretary	683	356	327
6.	Driver	43	30	13
7.	Peon-cum-chowkidar	1289	1214	75
	Total	4216	2957	1259

3.20 In respect of the posts of secretary for 2487 GPs, there are 683 sanctioned provincialised posts. Additionally there are 1707 GP secretaries who were engaged at a fixed monthly remuneration of Rs.900 which was subsequently raised to Rs.1800. It is reported that the services of the 1707 engaged GP secretaries have been regularized by the respective ZPs. As of now, there are 2390 sanctioned posts of GP secretaries, including 1707 GP secretaries regularized by ZP. As such 97 posts are yet to be sanctioned. It is to be noted that the total number of vacancies in the cadre of GP secretaries are 424 (which includes 97 posts yet to be sanctioned).

3.21 In conformity with the devolution of powers and responsibilities to the Panchayats following the 73rd Amendment, the staffing pattern for ZPs, APs and GPs are laid down in the Assam Panchayat (Administrative) Rules, 2002. As per the approved staffing pattern the requirements of staff for each tier are as follows :

Table-3.2
Approved staffing pattern for PRIs

		Zilla Parishad	Anchalik Panchayat	Gaon Panchayat
1	Head Assistant	1	-	-
2	Upper Divn. Asstt	2	1	-
3	Lower Divn. Asstt	4	2	-
4	Accountant	1	-	-
5	Junior Engineer	1	-	-
6	Tax Collector	2	2	1
7	Driver	1	-	-
8	Peon	4	2	1
9	Chowkidar	2	1	-
10	Secretary	-	-	1
	Total	18	8	3

3.22 The total requirement of staff in respect of PRIs on the basis of approved staffing pattern, number of sanctioned posts, staff in position are shown below:

Table-3.3
Requirement of staff as per approved pattern

Tier of Panchayat	No. of posts required as per staffing pattern	No. of sanctioned posts	Staff in position
Zilla Parishad			
Head Assistant	20	-	-
Junior Engineer	20	-	-
U.D.A	40	43	11
Accountant	20	-	-
L.D.A	80	86	80
Tax collector	40	-	-
Driver	20	43	30
Grade-IV	120	86	80
Anchalik Panchayat			
UDA	203	196	25
LDA	406	392	292
Tax collector	406	392	140

Grade IV	609	588	519
Gaon Panchayat			
GP Secretary	2487	2390 *	2063 *
TC/ RM	2487	1092	809
Grade IV	2487	615	615
Total	9445	5923	4664

NB: Sanctioned post of ZPs were against erstwhile MPs. Approved staffing pattern for ZPs (excluding Kokrajhar District falling under BTC area)

* Including 1707 posts regularized.

3.23 The other important items of expenditure to be met from the own resources of PRIs as per amounts prescribed in the Assam Panchayat (Administrative) Rules, 2002 relate to the remuneration of non-official members including the Presidents and Vice Presidents of each tier and sitting allowance of the non-official members other than Presidents and Vice- Presidents. As per estimates submitted by the P & RD Department, the annual financial implication for payment of remuneration and sitting allowance is Rs.1533.07 lakhs comprising Rs.48.06 lakhs for ZPs, Rs.195.75 lakhs for APs and Rs.1289.26 lakhs for GPs. Apart from these, the requirements projected for office expenses including training is Rs.6.20 crores per year for the PRIs as a whole. Operation and maintenance (O & M) expenditure on the existing assets and civic facilities will also be a major item of expenditure of all PRIs. However, no estimate on the requirements of PRIs on this account was submitted to the Commission.

3.24 The State has a total of 2487 GPs of which 1200 GPs have their own office buildings while the remaining 1287 need buildings of their own for office accommodation. Though the APs have their own office buildings, there is not enough space for conduct of meetings. The APs offer a platform for conducting various meetings of all tiers of PRIs. Therefore, each of the 203 APs need a meeting hall, while the existing buildings of ZPs need some repair and extension. As per estimates submitted by the Department, total financial involvement for construction of buildings is Rs.6447.25 lakhs.

Panchayat Financial Year :

3.25 The Assam Panchayat Act, 1994 under Section 2 (26) (i) and (ii) defines “Financial Year” and “Panchayat Year” as follows:

‘Financial Year’ means the year commencing on the first day of April every year and ending on the thirty first day of March next year.

‘Panchayat Year’ means the year commencing on the first day of July or on such other date as the State Government may by notification appoint.

On the other hand, Rule 32 (1) of the Assam Panchayat (Financial) Rules, 2002 stipulates that the panchayat financial year will begin on the first of

July and end on thirtieth of June or any other date as may be prescribed by the State Government. Again, Rule 16(2) of the aforesaid Rules states that receipt books shall be verified at the end of each financial year commencing from first day of April every year and ending on thirty-first day of March next year. These contradictory provisions in the Act and Rules framed there under have created unnecessary confusion and need to be resolved.

3.26 The financial year of the Central and State Governments and that of urban local bodies is from 1st April to 31st March. Currently most of the funds being received by the PRIs are either from Government of India or the State Government and submission of utilization certificates for such funds need to conform to the financial year followed by the Central and State Governments. Hence, discrepancy in financial years between the government and rural local bodies is likely to create difficulties in maintenance of accounts, audit of accounts, as well as devolution of funds from higher tiers of government. The Commission maintains that uniformity of financial year between RLBs and the Central and State Governments is essential for smooth financial and operational management, apart from avoiding confusion. As such, PRIs should adopt the financial year from 1st April to 31st March.

Additional Resource Mobilisation (ARM) :

3.27 The terms of reference mandated the Commission to have regard, among other considerations, to the potential for raising additional revenues from the existing sources available to the local bodies.

3.28 The basic thrust of the 73rd Amendment is to endow the panchayat bodies with adequate powers and responsibilities to function as autonomous institutions of self governance. In view of this, it is to be ensured that in the administration of taxes and duties assigned to the PRIs, there should be minimum interference from the State Government. In framing the guidelines, utmost care should be taken to allow adequate freedom to the PRIs in matters of rate fixation, assessment procedures, exemption, revision of rates and manner of collection. In this regard, the Commission makes the following recommendations:

- (i) The Assam Panchayat (Financial) Rules, 2002 prescribes the maximum limits of taxation for each tier of the PRIs, thereby limiting their autonomy in matters of fixation of rates. Instead, a floor rate with provision to revise the rates suitably at the expiry of, say, every three years would induce the panchayat bodies to play a more active role in mobilization of resources thereby imparting greater buoyancy to their revenues.
- (ii) One of the major sources of revenue for the GPs is the tax on houses and structures, which needs to be tapped properly. However, the rules prescribe the ceiling limit of taxes that the GPs can impose on each type of building, thereby restricting the scope of the yield. The Commission recommends that

instead of a ceiling rate, a floor rate depending on the types and sizes of the buildings may be prescribed.

- (iii) In respect of tax on trade licences also, the rules prescribe a ceiling limit. The Commission suggests that this should be replaced by a floor rate relating the tax to the total income or turnover for such trades.
- (iv) The GPs are empowered by the Assam Panchayat Act, 1994 to impose an additional stamp duty on all payments for admission to any entertainment and the rules framed there under prescribe that the rate shall not exceed rupee one per admission. This provision is not expected to yield any substantial amount. There is a similar provision in the Assam Municipal Act, 1956 in respect of ULBs authorizing them to impose a surcharge on stamp duty on sale, gift, lease, mortgage of immovable property at a certain percentage of the sale value. This provision may also be extended to RLBs. More importantly, the modalities of imposition of additional stamp duty or surcharge on stamp duty may be finalized in consultation with the concerned Government departments without any loss of time.
- (v) The Assam Panchayat Act, 1994 empowers the GPs to impose a tax on cultivable land lying fallow for two consecutive years at a rate not exceeding twenty five paise per bigha per year, which has not been incorporated in the rules. This may be incorporated in the rules with fixation of suitable floor rate instead of ceiling rate as prescribed in the Act.
- (vi) The present condition of the markets, fisheries, ponds, ferries run by the Panchayats are reported to be in a dilapidated condition. A little fresh investment to improve the amenities is likely to bring in substantial amount of additional revenue to the RLBs. Further, setting up of new hats in villages presently not covered by panchayat hats may be considered which is expected to yield substantial revenue to the GPs.
- (vii) The PRIs should prepare a list of fisheries under their control and settle these by inviting sealed tenders for a minimum lease period of at least 3 years after fixing the minimum lease rent.
- (viii) It is reported that RLBs have taken up a number of minor irrigation works but are not levying any water rate. The Commission suggests that water users association be constituted. The associations should collect water charges from the beneficiaries and use the revenue collected for operation and maintenance of irrigation works. Wherever services are provided by the PRIs, which depend largely on transfer of subjects to them, service charges should invariably

be realized from the beneficiaries to meet the operation and maintenance costs fully.

- (ix) The First State Finance Commission (FSTC) recommended transfer of the issuance of birth and death certificates presently administered by the Health & Family Welfare Department to the local bodies who may charge suitable registration fee for this purpose. This recommendation has not been acted upon. The Commission reiterates the above recommendation of First State Finance Commission.
- (x) The creation of awareness among the functionaries of PRIs as well as general public is a must for better compliance of tax payment by the public.
- (xi) Above all, the GPs should make a proper assessment of annual yield from various sources allocated to them and fix the target of collection for the year and monitor the annual collections with the target fixed.

Expenditure Management:

3.29 The revised requirements of staff as per prescribed staffing pattern under the Assam Panchayat (Administrative) Rules, 2002 needs a review in relation to the staff already in position. At the first instance, the staff of the erstwhile Mahkuma Parishads may be distributed among the newly created ZPs, APs and GPs. It is reported that P & RD Department has already abolished 400 vacant posts of tax collectors and tax collector-cum-road mohorars which will be managed by engaging staff on a commission basis. Similar steps may be taken in respect of the vacant posts of peon-cum-chowkidars. The vacant posts of drivers may be abolished forthwith. Out of the 30 drivers in position, 20 posts may be retained for ZPs as per approved staffing pattern and the remaining 10 posts abolished as soon as the incumbents go on retirement. After abolition of the vacant posts and redeployment of erstwhile MP staff, if there is any shortfall in staff, that should be met by redeployment of surplus Government staff either by sending them on deputation to the PRIs or by placing their services at the disposal of PRIs. Engagement of additional manpower, if considered essential, may be made on a contractual basis after fully exploring the possibility of meeting such requirements by redeployment of surplus State Government staff.

3.30 It is reported by Panchayat and Rural Development Department that the current level of salary expenditure on provincialised panchayat employees is Rs.2937.90 lakhs per year. It is also reported that provincialised panchayat employees are enjoying the benefits of revised scales of pay with effect from March, 2001 as per the Revision of Pay Rules, 1998. However, the arrear dues to the employees of the revised scales, for the period from January 1, 1996 to February 28, 2001 could not be released due to fund constraints. Since the salary liability of provincialised panchayat employees devolves on the State Government, the Commission

suggests that the State Government may project this liability including the arrear pay liability before the Twelfth Finance Commission (TFC).

3.31 Since the levels of government, educational qualifications and job requirements are different, the Commission recommends that the Government of Assam, in consultation with the panchayat bodies, frame a separate pay structure for the panchayat employees taking into account the capacity of the panchayat bodies to bear the salary liabilities of their employees. Panchayat bodies being a separate level of government, who have been entrusted with considerable revenue raising powers, should sooner rather than later, raise adequate revenues for meeting the salary liabilities of their employees. The Commission feels that the development of the fiscal capacity of the panchayat bodies, over time so as to enable them to bear, at least a part of their own salary expenditure is essential for the establishment of independent and healthy institutions of local self government.

3.32 As of now, the State Government is providing grants-in-aid to the panchayat bodies to meet their salary expenditure. Keeping in view the observations in the preceding paragraph, the Commission feels that the grants-in-aid from the State Government to the panchayat bodies should not continue indefinitely and should be reduced in phases over the time. However, since the panchayat bodies are nascent institutions, the Commission recommends that the grants-in-aid from the State Government to meet the salaries should cover the salary liability of the panchayat bodies for the first three years. Thereafter, with the panchayat bodies becoming fully functional, the grants-in-aid should be reduced by 5% every year for the next two successive years, i.e, 2004-05 and 2005-06 as by then the panchayat bodies can be expected to raise increased revenues to support themselves.

3.33 One of the most critical areas in the functional domain of PRIs is the maintenance of community assets and other core civic amenities. While the capital cost of civic services would be met by funds channelised through various Centrally Sponsored Schemes and decentralized State Plan schemes, the cost of operation and maintenance of these assets and amenities should be met by PRIs from their own revenues including user charges. The Commission is given to understand that 15% of the funds channelised through Sampoorna Grameen Rozgar Yojana are eligible for maintenance of assets. This amount should be properly utilized for the purpose of maintenance only. In this regard, grants recommended by the EFC will also be of immense help. The EFC grant carries a stipulation that it can neither be utilized for payment of salaries and wages nor disbursed to district or intermediate level local bodies which do not have any direct responsibility for maintenance of these services. Hence, this fund can be profitably utilized for operation and maintenance of core civic services. Requirements beyond the period covered by the award of EFC may be projected before the TFC.

3.34 However, for arriving at a reasonable estimate of annual requirements for operation and maintenance of basic core services, the

relevant data are not available. For this purpose, data on number and types of assets created, capital cost of creation, depreciated value, age of assets, etc are required. In this regard the Commission could obtain only a list of assets created under the two Centrally Sponsored Schemes viz, Employment Assurance Scheme and Jawahar Gram Samridhi Yojana for the five year period from 1997-98 to 2001-02. The total capital cost of creation of these assets amounted to Rs.46098.84 lakhs. The assets created include roads, bridges, culverts, school buildings, community halls, market sheds and waiting sheds. Again, the value of these assets and their distribution as between different panchayat bodies are not available. It is understood that there are many more assets created under other schemes during this period or even prior to that. Unless proper accounts of the assets are kept, their maintenance cannot be ensured. Maintenance of assets are equally, if not more, important than their creation. Long period of neglect in maintenance of assets will lead to their deterioration and eventual ruin which will necessitate their replacement involving heavy capital costs. The Commission, therefore, recommends that the PRIs maintain a Register of Assets showing the relevant details of all assets created.

3.35 According to the guidelines, funds released for the Centrally Sponsored Scheme SGRY can be utilized for construction of buildings. As far as possible, construction of buildings, particularly office buildings for the GPs may be accommodated within the allocation of SGRY. Besides, the construction programme of buildings may be phased over a number of years and projected before the Central Finance Commission for award of a special grant for this purpose.

3.36 The Commission however, feels that assets required to be maintained by the PRIs are comparatively of smaller size and dimension than those required to be maintained by the State Government departments. For instance, village roads and different types of buildings required to be maintained by the PRIs are simpler structures requiring lower maintenance expenditure compared to say, state highways or multi-storied RCC buildings required to be maintained by the State PWD. As such, the norms applicable for maintenance of roads and buildings by the State PWD, would not be appropriate for the maintenance of roads, buildings and other community assets belonging to the PRIs. It is, therefore, imperative to have a separate set of norms for the PRIs. The Commission, therefore, recommends that the State Government should, in consultation with technical experts, evolve appropriate norms for the maintenance of assets belonging to PRIs.

Creation of Database :

3.37 In the wake of non availability of data relating to the PRIs, the Commission was unable to make a proper assessment of the financial position of the rural local bodies as a whole or severally for each local body. The situation is such that data on financial, budgetary, social or economic indicators concerning the PRIs are simply not available. Other than population, no other data disaggregated up to the GP level could be made

available to the Commission. Even data relating to the geographical area of GPs and actual number of persons living below the poverty line in each GP could not be produced before the Commission. Utter lack of database prevented the Commission from making any meaningful analysis of the present financial position of the PRIs. For this purpose, the following data, which is illustrative and not exhaustive, are essential:

Budgetary data	demand and collection of revenue from different sources of tax and non tax revenues; contributions and grants received from Central Government, State Government and others; loans received from various sources; revenue expenditure with details showing salary and establishment, expenditure on O & M; capital expenditure with details.
Social infrastructure data	number of schools, enrolment, student-teacher ratio; number of hospitals, public health centres, dispensaries, sub-centres, immunization coverage, medical and para-medical staff; number of persons below poverty line, water supply schemes with details.
Economic infrastructure data	types and length of roads; types and number of buildings; types of minor-irrigation schemes with details; number of fair price shops etc.
Organisational data	population, composition of population, geographical area; number of employees category-wise, etc.

3.38 The FSFC recommended creation of a data bank for local bodies. However, the situation till today is no better than what it was during the period of FSFC.

3.39 We, therefore, strongly recommend the creation of a data bank for collection and compilation of data mentioned earlier for all tiers of PRIs. The possibility of integrating the data with that maintained by the CICs at the block level may also be explored. In fact, all data pertaining to the GPs and APs may be compiled at the CICs where online computer connectivity exists. The data relating to the district level may be maintained in the offices of the ZPs or Deputy Commissioners. The panchayats may consider engaging individuals or non-government organisations (NGOs) against lump sum payment for collection, compilation and periodic updating of the data bank. The Commission recommends updating of data bank on a quarterly basis. The grant-in-aid recommended by the EFC for this purpose may be utilized fully and if necessary supplemented by the resources of the PRIs.

District Planning Committee and Decentralised Planning :

3.40 Article 243 ZD of the Constitution of India provides for setting up of a District Planning Committee (DPC) in each district with a view to associating the local bodies with the planning process through consolidation of rural and urban plans of the district as a whole and its integration with the State's planning process. In pursuance to the above Constitutional provision, Section 3 of the Assam Panchayat Act, 1994 stipulates the formation of a DPC in each district to consolidate the plans prepared by ZPs, APs, GPs, Municipal Corporations, MBs and TCs and to prepare a draft development plan for the district as a whole.

3.41 In fact, decentralized planning was started in Assam with effect from 1st April, 1986 as per provisions of the Assam Panchayat Act, 1986. Under the Act of 1986, each civil sub-division was adopted as the unit of planning and a Sub-divisional Planning & Development Council (SPDC) was constituted for each sub-division. The objective of decentralization is to secure peoples' participation in the planning process, with due regard to local needs and resources and aspirations of the local people. Decentralised planning is expected to lead to better matching of local services to the preferences of local citizens, creation of community assets including employment generating assets, and greater transparency and cost efficiency in the provision of services and amenities. As of now, all schemes other than the State level schemes are taken up under the decentralized planning process. The State level schemes are categorized as follows:

- (i) schemes implemented in a fixed location but designed to benefit the whole state;
- (ii) schemes of highly technical nature requiring constant supervision and guidance from officers at State head quarters;
- (iii) projects and programmes relating to generation, transmission and distribution of power, major and medium irrigation, major and medium industries, university education, professional and technical education, research and training, state highways, inland water ways.

3.42 Accordingly, altogether 38 sectors of the State Plan have been identified for decentralized planning comprising about 50% of the total state plan outlay of which about 70% represented salary component and 30% works component. The works component is likely to increase substantially during the coming years due to the ongoing process of normalization of plan posts by the State Government. The table below shows the current level of allocation under decentralized planning:

Table-3.4
Allocation under decentralised planning

Year	Total State Plan outlay for general areas	Sectoral outlay of decentralised plan	Decentralised allocation	Col.4 as % of col. 2	Salary component	Works component
1	2	3	4	5	6	7
1998-99	1128.70	778.82	589.68	52.24	413.48	176.20
1999-2000	1306.23	817.22	661.91	50.67	363.59	298.32
2000-01	1306.23	824.33	660.15	50.54	494.15	166.00
2001-02	1543.63	803.27	634.63	41.11	521.19	113.44
2002-03	1507.35	800.05	620.38	41.15	419.36	201.02

3.43 It would appear from the above table that a substantial amount of State plan outlay has been devolved to the districts annually under decentralized plan. The DPC may, after finalizing the district plan, determine the rural-urban sharing of the decentralized plan outlay. Till date, DPCs have not been constituted in any district, though it is mandatory under the Constitution and the Assam Panchayat Act, 1994. Moreover, DPCs have an important role to play in the panchayati raj system since both the President and CEO of ZPs are ex-officio chairman and secretary of the DPC respectively.

3.44 The Commission, therefore, recommends that the District Planning Committees be constituted by superseding the existing SPDCs and that the entire decentralized planning process at the district level and below be entrusted to the DPCs. The State Government should determine the modalities for effecting the change.

Accounts and Audit:

3.45 A critical aspect of fiscal decentralization is to ensure transparency and accountability at all levels. For this purpose the system of accounts maintenance and audit of accounts need to be firmly established. The present position of maintenance of accounts and its audit, particularly in respect of RLBs are in a deplorable state. In most cases, the audit is in arrear for ten to fifteen years. As per information received, hardly any accounts are maintained, particularly at the GP level. As mentioned earlier, lack of information on panchayat finances, particularly, non availability of audited accounts, acted as a single biggest constraint in the Commission's efforts in determining the award for PRIs.

3.46 In this regard, the guidelines issued by the Government of India, Ministry Finance for utilization of EFC grants envisage that the C&AG shall be responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers of PRIs and ULBs. However, the C&AG desires active participation of Local Fund Audit Wing of the State Government, particularly in auditing the PRIs at the grass root level. In view of the above, it has been decided that the audit of ZPs and

APs will be conducted by the C&AG and the audit of GPs will be conducted by the Director of Audit (Local Fund) of the State Government who will conduct the audit under the technical supervision and advice of the C&AG. Necessary training to the local audit staff of the Government of Assam will be provided by the C&AG. Further, it is stated that no audit fee will be charged for conducting audit of the local bodies by the C&AG.

3.47 As regards proper maintenance of accounts the FSFC recommended certain formats. It is understood that Panchayat and Rural Development Department of GOA has also prescribed certain formats. Meanwhile, C&AG have prescribed the necessary formats for maintenance of accounts by the PRIs, which is supposed to be uniform all over the country. The Commission therefore, recommends that the accounts formats prescribed by the C&AG be adopted superseding all earlier formats.

Debt Position of RLBs :

3.48 It appears from the Finance Accounts of the Government of Assam for 2001-02, compiled by the C & AG that the outstanding debt of PRIs in respect of loans availed from the State Government stood at Rs.46.40 lakhs as on March 31, 2002. In this connection, the FSFC has observed that the outstanding State Government loan against the panchayats was Rs.46.40 lakhs at the end of March 31, 1996. They further observed that this amount was disbursed to the rural local bodies by the erstwhile Local Self Government Department of Government of Assam during the period 1953-54 to 1970-71. There has been no fresh addition to the outstanding amount all these years and the same amount is being reflected in the accounts year after year. The erstwhile LSG Department has been converted to the present Panchayat & Rural Development Department. It is learnt from P & R.D. Department that there are no loan sanction and disbursement record and they are unable to identify the original loan recipient. Having considered all these aspects of the loans outstanding against the panchayats, the FSFC recommended that these loans be written off by the State Government. It appears from the present status of accounts maintained by the C & AG that this amount has not been written off as yet. The Commission, therefore, reiterates the recommendations of the FSFC to write-off the outstanding loan against the panchayats amounting to Rs. 46,40,466.00.

3.49 The Commission maintains that the PRIs, during the present transitional stage, should not go for fresh borrowing. However, once they become fully functional with gradual transfer of functions from the State Government, the need for borrowings may arise. In such a situation, borrowings by the financially sound PRIs may be considered only against viable schemes which will generate adequate returns to meet debt servicing liability. In no case, borrowings should be resorted to for meeting current expenditure requirements. While proposals for borrowings should require prior approval of the State Government, such proposals may be considered only on the basis of the project viability where Government guarantee is not required.