

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

**EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN ON THE
RECOMMENDATIONS MADE BY THE SECOND ORISSA STATE FINANCE COMMISSION IN
ITS REPORT SUBMITTED TO THE GOVERNOR ON SEPTEMBER 29, 2004.**

1. The State Finance Commissions are constituted by the Governor after every five years or earlier under provisions of Article 243(I) and 243 (Y) of the Constitution of India, read with Section 3 and 8 of Orissa Finance Commission (Miscellaneous) Act 1993 to give recommendations on specified aspects of Local Bodies-State fiscal relations.
2. The Second Orissa State Finance Commission was constituted by the Governor on June 5, 2003 to give recommendations on specified aspects of Local Bodies -State fiscal relations for the period 2005-10. The Commission submitted its Report covering all aspects of its mandate on September 29, 2004
3. Summary of the Commission's main recommendations relating to devolution, grants-in-aid and other matters is contained in Chapter –XI of the Report of the Commission. This is placed at **Annexure – I**

The 2nd State Finance Commission have recommended altogether Rs.1916.505 crore for the period 2005-10 in favour of the local bodies out of which Rs. 1458.305 crore relates to Rural Local Bodies and Rs.458.200 crore relates to Urban Local Bodies. The detailed break-up of devolution and grants-in-aid Rural Local Body wise and Urban Local Body wise are given below.

(Rs. in Crore)		
Item	Per annum	For five years (2005-10)
(i) Devolution in favour of Local Bodies (a+b)	211.830	1059.150
(a) Rural Local Bodies (RLBs)	169.464	847.320
(b) Urban Local Bodies (ULBs)	42.366	211.830
(ii) Grants-in-aid (a+b)	171.471	857.355
(a) Rural Local Bodies (RLBs)	122.197	610.985
(b) Urban Local Bodies (ULBs)	49.274	246.370
(iii) Total Devolution & Grants-in-aid (i+ii)	383.301	1916.505
(a) Rural Local Bodies (RLBs)	291.661	1458.305
(b) Urban Local Bodies (ULBs)	91.640	458.200

- Besides, transfers made on account of Salaries, Allowances, TA etc. of the elected local bodies shall also flow to the respective tiers of the PRIs independent of the funds recommended for devolution. (Chapter-VII, Para-7.28, page-214 of the Commission's Report – Extract placed at **Annexure – II**).
 - To give 20% increase every year on devolution of Entry Tax in favour of the ULBs as against the present level of 10% increase every year.
 - A number of taxation measures to augment internal resources of the local bodies.
 - Transfer of a number of functions, functionaries and funds in favour of the local bodies to enable them to function as institutions of self-government.
4. **State's projection to the 12th Finance Commission vis-a-vis recommendation of the 12th Finance Commission.**

The State Government in its Memorandum to the 12th Finance Commission had projected a sum of Rs.3713.36 crore for 5-year period 2005-10, to supplement the consolidated fund of

the State for the purpose of transferring the said amount to the local bodies as indicated below.

For Rural Local Bodies	-	Rs.2713.36 crore
For Urban Local Bodies	-	Rs.1000.00 crore

However, 12th Finance Commission, while estimating non-plan revenue expenditure of the State for the 5 year period from 2005-06 to 2009-10 have assumed Rs.1256.30 crore towards compensation and assignment to be given by the State Government from its own resources to the Local Bodies. The 12th Finance Commission in Para- 6.45 of its report has observed as under:

“The expenditure under this item (major head 3604) represents the explicit grants-in-aid provided by the states to their local bodies.”

Besides this, the 12th Finance Commission has also recommended Rs.907.00 crore (to be divided between the PRIs and ULBs at a proportion of 80:20) as grant-in-aid in favour of the Local Bodies of the state for the 5- year period from 2005-06 to 2009-10 for the following purposes.

For Rural Local Bodies (Rs.803.00 crore)

- (i) To improve the service delivery by the Panchayats in respect of water supply and sanitation;
- (ii) To take over the assets of Swajaladhara schemes and utilize these grants for repair/rejuvenation and maintenance of these projects to make them fully operational and to bear the entire cost of O&M of water supply for an initial period of five years. If not possible, should however, recover at least 50 percent of the recurring cost in the form of user charges;
- (iii) For disposal of solid waste, cleaning of drains etc., until there is basic sanitation coverage for the purpose of maintaining environmental sanitation;
- (iv) For creation of database and maintenance of accounts through use of modern technology and management systems, where possible.

For Urban Local Bodies (Rs.104.00 crore)

- (i) For improving the standards of civic services rendered by the local governments to enhance service delivery relating to solid waste management;
- (ii) The State Government would prepare a comprehensive scheme including composting and waste to energy programmes in the private sector, for appropriate funding from this grant for towns over 100,000 populations as per 2001 census;
- (iii) To support the cost of collection, segregation and transportation of waste only, as the activities to be taken up by the private sector should be commercially viable;
- (iv) At least fifty percent of the grant recommended by the Commission should be earmarked for solid waste management;
- (v) For creation of database and maintenance of accounts through the use of modern technology and management systems, where possible.

Thus against the **transfer of Rs.383.301 crore per annum** on the average recommended by the Second State Finance Commission, the 12th Finance Commission has **recommended Rs.432.66 crore per annum on the average.** (Compensation and assignment Rs.251.26 crore + grants Rs.181.40 crore)

5. Present level of transfer in favour of the local bodies.

At present, the following transfers are being made in favour of the local bodies of the state as per 2003-04 & 2004-05 actual.

Purpose of grants (A) - RURAL LOCAL BODIES	Amount (Rs. in lakh)	
	2003-04 actual	2004-05 actual
Kendu Leaf Grant (@ Rs.1311.00 Lakh arrear + Rs.980.00 lakh current)	2276.70	1590.00
Land Cess (@ Rs.380.70 Lakh arrear + Rs.533.59 lakh current)	1064.30	914.30
Minor Forest Produce	0.00	0.00
Sairat	100.00	100.00
Entertainment Tax	0.00	13.40
Honorarium to Sarpanchas and Naib Sarpanchas	369.80	447.76
Grants to Gram Panchayats for staff subsidy (Salary of G.P Secretaries)	1347.20	271.09
DA and Sitting Fees to Sarpanchas, Naib Sarpanchas and Ward Members for attending GP meetings	386.28	325.65
Honorarium and Allowances to Panchayat Samiti Chairman, Vice- Chairman and Non-official Members	302.81	320.58
Grants to Zilla Parishad (Salary of Z.P staff)	195.30	179.15
Honorarium and Allowances to Zilla Parishad Presidents, Vice-Presidents and Non-officials	120.14	106.87
Strengthening of Block Staff	6782.05	6811.11
Sub Total – For grants and compensation	12944.58	11079.91
States Matching Share against FC Grants	2229.99	2174.55
Total - RLBs	15174.57	13254.46
(B)-URBAN LOCAL BODIES		
Entertainment Tax	0.00	0.00
Stamp Duty (For 2000-01 to 2003-04)	423.01	28.96
Motor Vehicle Tax	1491.46	1559.35
Grants to ULBs for Staff Subsidy	832.20	0.00
Sub Total- For grants and compensation	2746.67	1588.31
States Matching Share against FC Grants (11 th FC)	236.36	75.20
Entry Tax	11482.62	11951.81
Total – ULBs	14465.65	13615.32
Grand total- (RLB + ULB)	29640.22 (Rs. 156.92 crore towards compensation & grants + State share Rs. 24.66 + Entry Tax compensation Rs. 114.83 crore)	26869.78 (Rs. 126.68 crore towards compensation & grants + Rs. 22.50 crore towards State Share + Rs. 119.52 crore towards Entry Tax compensation)

6. The Government has carefully considered the main recommendations contained in the report of the Second Orissa Finance Commission, the recommendations of the 12th Finance Commission relating to local bodies, have decided to take the following action on 2nd State Finance Commission recommendations as detailed below.

7. The 2nd State Finance Commission vide Para 10.8 and Para 10.21 have observed as under:

Para-10.8

“ Be that as it may, any additional burden on the State Exchequer should be supported by the 12th Finance Commission. The Second State Finance Commission has recommended Rs.211.83 crore per annum i.e. Rs.1059.15 crore for the five years of award period from 2005-06 to 2009-10. This amount is suggested to be awarded by the 12th Finance Commission for augmenting the Consolidated Fund of the State of Orissa in order to save the State from reeling under further deficit.”

Para-10.21

“On the whole the State Finance Commission urge upon the 12th Finance Commission to consider a grant of Rs.1181.08 crore (Rs.1059.15 crore devolution + Grants-in-aid Rs.121.93 crore) during the award period of five years from 2005-06 to 2009-10.”

In other words, according to the recommendation of the 2nd State Finance Commission, out of Rs.1916.505 crore the 12th Finance Commission was supposed to provide Rs.1181.08 crore (Devolution Rs. 1059.15 crore + Grants-in-aid Rs.121.93 crore) and the balance Rs.735.425 crore was to be provided by the State Government from its own resources, the annual average being Rs.147.085 crore.

- (i) However, against Rs.1181.08 crore recommended by the 2nd State Finance Commission to the 12th Finance Commission to provide to the State, the 12th Finance Commission have recommended Rs.907.00 crore for the period from 2005-06 to 2009-10 and out of Rs.907.00 crore, Rs.803.00 crore has been recommended for Rural Local Bodies and Rs.104.00 crore has been recommended for Urban Local Bodies.
- (ii) Further, the 12th Finance Commission while estimating State's non-plan revenue expenditure have, however, at P.402 of the report have assessed the compensation and assignment to Local Bodies for Rs.1256.30 crore as per the year-wise break-up given below:

Year	(Rs. in crore)		
	Amount assessed by 12 th F.C. towards Compensation and assignment to Local Bodies		
	Total	80% towards RLBs	20% towards ULBs
2005-06	195.80	156.63	39.17
2006-07	220.27	176.22	44.05
2007-08	247.81	198.25	49.56
2008-09	278.78	223.00	55.78
2009-10	313.63	250.90	62.73
Total	1256.29 or say 1256.30 crore	1005.00	251.29 or say 251.30 crore

The annual average of non-plan revenue expenditure towards compensation and assignment to Local Bodies thus works out to Rs.251.26 crore and taking the same ratio of 80:20 for Rural Local Bodies and Urban Local Bodies, the average annual estimate of compensation and assignment as per recommendation of the 12th Finance Commission comes to Rs.201.00 crore for Rural Local Bodies and Rs.50.26 crore for the Urban Local Bodies.

- (iii) As per the recommendation of the Second State Finance Commission Rs.735.43 crore is to be transferred to the Local Bodies (Rs.588.34 crore for RLBs + Rs.147.09 crore for ULBs) by the State Government from its own resources during the period from 2005-06 to 2009-10, the annual average being Rs.147.09 crore (Rs.117.60 crore for Rural Local Bodies + Rs.29.49 crore for Urban Local Bodies). Since the devolution by the State Government from its own resources as per the estimate by the 12th Finance Commission is more (Rs.1256.29 crore), the State Government have decided to transfer Rs.1256.29 crore to Local Bodies in place of Rs.735.43 crore recommended by the 2nd State Finance Commission.
- (iv) Against the present level of transfer for Rural Local Bodies ranging from Rs.126.46 crore in 2002-03 and Rs.129.45 crore in 2003-04 (including arrear Kendu Leaf Grant of Rs.13.11 crore and arrear Cess on Land Revenue for Rs.3.81 crore), as per the estimation of the 12th Finance Commission, the Rural Local Bodies would receive starting from Rs.156.63 crore in 2005-06 to Rs.250.90 crore in 2009-10, per annum on the average being Rs.201.00 crore. This amount would include the various items under which the Rural Local Bodies are receiving from State Government. Among others, this would include salary for the Block staff, Salary for G.P. Secretaries, T.A., D.A., Sitting Fees, Honorarium of the elected representatives of Rural Local Bodies, profit from Kendu Leaf trade, Cess on Land Revenue, Royalty on Minor Forest Produce, Sairats, Surcharge on Entertainment Tax etc. The Local Body Grant recommended by 12th Finance Commission shall not include the salary for Gram Panchayat Secretaries.
- (v) The royalty from Kendu Leaf has reduced from Rs.75.00 crore in 2002-03 to Rs.31.68 crore in 2003-04 and Rs.24.25 crore in 2004-05. Hence, the profit from Kendu Leaf Trade has reduced drastically and therefore 50% of such drastically reduced profit would be around Rs.5.00 crore per annum, which may be reduced further. However, in order to protect the assured sources of revenue to the PRIs, a lump sum amount of Rs.10.00 crore per annum shall be earmarked towards share of the PRIs from the profit of Kendu Leaf Trade out of the total assignment of Rs.201.00 crore per annum on the average irrespective of the amount of profit from Kendu Leaf Trade. The existing pattern of distribution of Kendu Leaf Grant may continue (i.e. @ 72% to G.Ps, @ 10% to PSs, @ 8% to Z.Ps and @ 10% as Hard Cash Kendu Leaf Grant to be distributed by Government).
- (vi) There is a considerable time gap in ascertaining the actual collection from Cess on Land Revenue, surcharge on Stamp Duty, surcharge on Entertainment Tax, Sairat, Minor forest produce etc. In order to ensure a definite amount on this account on annual basis, a fixed amount as indicated below may be provided out of the compensation and assignment of Rs.201.00 crore per annum on the average for Rural Local Bodies:

Cess on Land Revenue	Rs. 15.00 crore
Sairat	Rs. 1.00 crore
Surcharge on Entertainment Tax	Rs. 0.15 crore
Royalty on Minor Forest Produce	Rs. 1.00 crore

- (vii) Similarly, against the present level of transfer to Urban Local Bodies ranging from Rs.23.43 crore in 2002-03 to Rs.27.46 crore in 2003-04 (including arrear Surcharge on Stamp Duty for 4 years for Rs.4.23 crore), the Urban Local Bodies would receive Rs.39.17 crore in 2005-06 and Rs.62.73 crore in 2009-10, the annual average transfer of fund would be Rs.50.26 crore and this would include the following:
- Road Maintenance Grant @ not less than Rs.15.00 crore per annum
 - Surcharge on Stamp Duty for Development Authorities @ Rs.3.00 crore per annum
 - Surcharge on Entertainment Tax @ Rs.0.15 crore per annum.
 - Pensionary contribution by State Government for Non-LFS employees of the ULBs.
 - The State Government's share as per the agreed pattern for the non-teaching posts approved prior to 1.1.74 and for the teaching posts approved prior to 1.11.76. Since the teaching and non-teaching staff of the Schools hitherto managed by the Urban

Local Bodies have been transferred to School & Mass Education Department as per Resolution No.4942/M-III-M/43/2003/HUD, dated 28.2.2004 and their salary requirement is to be met by providing out of the Entry Tax entitlement of the Urban Local Bodies, the Grant-in-aid towards State's contribution would be accordingly reduced.

- (viii) At present, the State Government is compensating the Urban Local Bodies out of the Entry Tax collection by giving 10% increase per annum, even though the growth rate of collection of Entry Tax is less than 10% per annum and it was as low as 2.1% in 2004-05. However, as recommended by the 2nd State Finance Commission, the State Government will provide 20% increase per annum towards compensation on Entry Tax to the Urban Local Bodies. But out of this 20% hike, 10% hike would be passed on to the Urban Local Bodies as untied resources and the balance 10% hike would be released by the State Government to the concerned Urban Local Bodies based on their performance in undertaking various reforms including augmentation of internal non-debt resources.
- (ix) For effective functioning of the Local Bodies, there should be simultaneous transfer of functions, functionaries and fund. Without transfer of functions and functionaries, mere transfer of fund will not make the Local Bodies effective and vibrant. The concerned Administrative Departments should take steps in these directions.
- (x) After meeting the committed expenditure for the Local Bodies on different items under which they are receiving fund from the State Government under the recommendation of the 1st State Finance Commission, the Panchayati Raj Department and Housing & Urban Development Department should indicate projects / programmes under which the remaining amount would be utilised by the Local Bodies for specific work and programmes towards non-salary component only.
- (xi) The Local Bodies should ensure appreciable growth in their own non-debt revenue from year to year to take care of the basic services supposed to be provided by the Local Bodies. Appropriate incentive schemes should be worked out by Panchayati Raj Department and H & U.D. Department to encourage the Local Bodies to increase their own revenue as recommended by the 2nd State Finance Commission as well as by the 12th Finance Commission. A part of the additional devolution may be earmarked for such performance linked incentives.
- (xii) Other recommendations and suggestions including revenue generation measures as recommended by the 2nd State Finance Commission have been accepted by Government. The respective Departments would examine the feasibility and of implementation in detail and take follow up action with concurrence of Finance Department, other concerned Departments and with approval of the Chief Minister.

8. The Report of the Second Orissa State Finance Commission covering the five years period commencing from April 1, 2005 together with the Explanatory Memorandum on the action taken on the recommendations of the Commission is being laid on the Table of the House, in pursuance of Article-243 (I) (4) and 243 (Y) (2) of the Constitution.

P. C. Ghadai
Minister of Finance

Bhubaneswar,
August, 2006.

Chapter – XI of the Report of the Second State Finance Commission

SUMMARY OF THE RECOMMENDATIONS

“True democracy cannot be worked out by twenty men sitting at the Centre. It has to be worked from below by the people of every village.” Again, “Rights accrue automatically to him who duly performs his duties. In fact the right to perform one’s duties is the only right that is worth living for and dying for. It covers all legitimate rights.”

Mahatma Gandhi

The empowerment of the Panchayati Raj Institutions and Urban Local Bodies, now emphasized by the Constitution is only a blending of what Gandhiji said then in different hue and words. In the preceding Chapters, the Commission have discussed and elucidated the different aspects of such empowerment and the crises encountered by the local bodies, wherever possible with data and vivid analysis. This Chapter attempts a summation of all the Key Points of discussions and final Recommendations made by the Commission in the various Chapters of the Report. Briefly, they are:

(i) FUNCTIONS AND FUNCTIONARIES FOR PANCHAYATI RAJ INSTITUTIONS:

The mandate assigned by the 73rd amendment of the Constitution to endow the Panchayati Raj Institutions with such powers and authority as may be necessary to enable them to function as institutions of self-government can be fulfilled only if they are strengthened with the support of appropriate functionaries at different levels. The devolution of powers to Panchayati Raj Institutions so far made is limited to (a) some sort of accountability of certain officials to the different tiers without any disciplinary liability, (b) visits to some of the Government offices / Institutions by the head of the concerned PRI (c) transmission of performance reports relating to some officials and (d) sanction of casual leave to the heads of few such offices of different levels. The Commission have felt that such devolution of powers is only a beginning and the real is yet to follow. The Commission recommend the Government to take up further devolution of functions and functionaries to the PRIs in the real sense of the term and make it meaningful. An Activity Mapping has been tabled in the recommendations clearly depicting different activities that can be entrusted to the three different levels of the P.R.Is concerning the 29 items in Schedule-IX of the Constitution. [Chapter-IV, Para – 4.47]

(ii) Empowerment of the PRIs is not meaningful as long as the officials of different levels of the P.R. system are not brought under the control of the PRIs. The Constitution does not intend to make the PRIs mere deliberative bodies. They have to be effective and have to exercise financial and administrative powers on which depends the success of the Panchayati Raj System. Hence, the Commission have recommended that along with the activities delineated under the Activity Mapping adequate gripping power over the functionaries of the concerned 21 Departments of the Government

(Table No-4.A) should also be given to the PRIs to enable them to function as “Institutions of Self-Government”. More specifically, powers like Performance Appraisal, Supervision and Monitoring, Power to call for report / Information, Routine Administrative Control Powers, Powers of Imposition of Minor Penalties and Powers to Sanction Development Works are recommended for making the empowerment efficacious. (Chapter-IV, Para 4.53 to 4.58).

(iii) MERGER OF D.R.D.A. WITH Z.P:

The D.R.D.As were created in the Country for the sole purpose of implementing and monitoring the 'Poverty Alleviation Programmes'. But under the Constitution (Seventy – third Amendment) Act, 'Poverty Alleviation Programme' is a function that should be assigned to the PRIs. Hence, for doing away with a dual system, the Commission recommend for complete merger of the D.R.D.A. with the Z.P., with a full time Executive Officer for the Z.P. (Chapter-IV, Para 4.52).

(iv) STRINGENT PUNISHMENT FOR UN-HYGIENIC AND UNCLEANLINESS HABITS IN URBAN LOCALITIES:

Maintenance of hygiene and cleanliness is the most important function of Municipal governance. The Urban – dwellers and the floating population in the Urban areas should refrain themselves from making the public streets / roads / parks and drains unclean. To inculcate this habit, provision of stringent punishment should be made against wrong doers both in the Indian Penal Code and Municipal Laws of the State. (Chapter-IV, Para-4.59)

(v) SOLID WASTE MANAGEMENT AND SANITATION IN URBAN AREAS:

Solid waste Management is an important area where skill and sincerity are an imperative need. Availability of funds, exposure, experience and expertise of cleaning personnel are pre-conditions to the effective handling and success of the scheme. It is necessary to create awareness among the people to keep the houses, compounds, drains, etc clean. Anti-Mosquito activities such as spread of M.L. oil, etc should be a regular process. All concerned need be alerted to keep the towns clean and mosquito free. The Commission recommend the State Government to provide necessary training, expertise and assistance to the staff and beneficiaries for mosquito and fly eradication in the urban areas, through the respective elected councils (Chapter-IV, Paras 4-59 to 4-67).

(vi) SURVEY OF ROADS, DRAINS AND SEWERAGES IN URBAN AREAS:

The Urban roads in the State are in shabby condition. The streets look unkempt with overhead wires and open drains. The Commission recommend the State Government to take steps to have detailed survey and investigations done and cost estimates prepared for making the urban roads black-topped / cement concrete and for proper laying & under-ground drains and sewerages, in all U.L.Bs, as a first step for arranging funds, for thwarting health-hazard and environmental deterioration. (Chapter-IV, Paras-4.68 to 4.71)

(vii) PROPER MAINTENANCE OF ROADS AND DRAINS BY THE ELECTED COUNCILS:

Adequate funds may not be available for rebuilding all the roads and drains, in the near future. But, further deterioration of these assets has to be prevented. The Commission, therefore, recommend that the roads belonging to different line Departments lying within the jurisdiction of U.L.Bs be handed over to the concerned U.L.Bs with funds equivalent to last three years average expenditure on such roads for proper upkeep and maintenance. (Chapter-IV, Para 4.68 to 4.71).

(viii) STREET LIGHTING IN U.L.BS:

Secured and dependable quality of electricity supply is necessary in the cities and towns not only for quality of life but also for development of the secondary sector for economic growth. The Commission recommend that the State Government, the Elected Councils / Corporations and the Electricity Supply Company of the town / city must sit periodically to chalk out programmes for keeping the streets well lit and to draw up plans for underground electricity cabling. (Chapter-IV, Para-4.72)

(ix) SAFE DRINKING WATER:

Provision of Safe Drinking Water is a statutory function of the Urban Local Bodies, both under the Constitution and the Municipal Laws. The Commission recommend that the function of providing safe drinking water and the functionaries, particularly technical and funds now spent on

this account on an annual average of last 3 years, should be transferred to the respective Urban Local Body for effective supply, service and maintenance. (Chapter-IV, Para-4.73 to 4.74)

(x) IMPROVING FACILITIES IN THE PRIMARY SCHOOLS IN U.L.BS:

The Local Bodies, though not experts in education and educational administration, are conscious and aware of the fast deterioration of the standard of education at formative stages and witness the deficiency in the provision of infrastructure. The Commission recommend that the Local Bodies must find funds and commit themselves to provide a nutritious lunch to the poor children after proper identification. The Ward Member / Councilor / Corporator should control and manage the programme and should be officially accountable. Two pairs of school dress for each of them along with learning materials should be provided. The regular attendance of such children should be ensured by schoolteachers as well as the Ward Member / Councilor / Corporator. Proximity of the teacher to the school need be ensured. Whenever possible, Music teachers, Sports and Art teachers should be provided fully or on part time basis to the schools and playgrounds should be developed. The G.P./ Town must prepare an advance action plan for such education programme and the programme should be closely monitored by the Panchayat Samiti / Municipal Council apart from the Educational officers. All money released by the Ministries and Departments of the Central and State Government in charge of welfare of S.Cs and S.Ts, towards education should be channelised through the local bodies. (Chapter-IV, Paras 4.75 to 4.85).

(xi) ACTIVITY MAPPING FOR URBAN LOCAL BODIES:

The Commission recommend an Activity Mapping for Urban Local Bodies, keeping in view the items listed under Schedule-XII of the Constitution, to facilitate proper devolution of functions and functionaries to the U.L.Bs to enable them to become 'Institutions of Self-Government'. (Chapter-IV, Para 4.87) The Commission further recommend that the State Government should make 'necessary and unambiguous' provisions for carrying out and implementing the constitutional mandate of entrusting the responsibilities of 'Urban Planning including town planning', and 'Regulation of land-use and construction of buildings' to the U.L.Bs, as spelt out in the first two items of the Twelfth Schedule. All Development Authorities, Water and Sewerage Boards, Town Planning Organizations, PHD and Water Supply Departments etc should be kept under one umbrella of the respective Local Body and all such institutions ought to be accountable to the concerned Local Body.

(xii) ESTABLISHMENT OF A STATE INSTITUTE OF URBAN DEVELOPMENT:

Training is an essential requirement for increasing efficiency. The Commission recommend to establish a State Institute of Urban Development on line with the State Institute of Rural Development to impart regular training to functionaries at different levels and on different subjects. (Para 4.87.24)

(xiii) RECOMMENDATIONS FOR RESOURCE MOBILISATION OF THE PANCHAYAT RAJ INSTITUTIONS

Panchayati Raj Institutions in the State are impoverished. Prosperity cannot keep company with them unless they themselves endeavour to enrich their corpus. There is no point in day dreaming without efforts and beyond one's capabilities. It is the responsibility of the State Government to provide scope for an elastic revenue base to the PRIs and in turn the PRIs have to leave no stone un-turned to collect revenue. When they need more they must aim at getting more. Kautalya has pointed out a Calf thirsting for milk does not hesitate striking at the udder of the mother. In this back ground and fully aware of the poverty condition of the people and the usual resistance of people to any sort of taxation, the Commission recommend certain taxation measures under Chapter –VI for augmenting the internal revenue of the Panchayati Raj Institutions. These are the following –

1. Reintroduction of Panchayat Tax (Pare –6.27 to 6.28)
2. Turnover Tax on Commercial Agricultural Farms (Para 6.29)
3. Livestock Registration and Development Fee (pare 6.30)

4. Capital/ Property Transaction Fee (Para 6.32)
5. Population Welfare Cess (Para 6.33)
6. Pisciculture Cess (Para 6.35)
7. Education, Environment and Health Care Cess on Industries (6.37)
8. Education, Environment and Health Care Cess on Mines (Pare 6.38)
9. Education, Environment and Health Care Cess on Ports and Jetties. (Para 6.39)
10. Education, Environment and Health Care cess on Power Plants (Para 6.40)
11. Parking Fees (Para 6.41)
12. Licence Fees from shops on the basis of turn over (para 6.42)
13. Toll fees for using village, G.P. and P.S. Roads (Para 6.46)
14. Local Body Cess by Forest Corporation for Kendu Leaves Collected (Para 6.47)
15. Local Body Health Fees from Private Hospitals and Nursing Homes (Para 6.48)
16. Pilgrim Fee (Para 6.49 to 6.50)
17. Turn over Tax on Minor Forest Produce. (Para 6.52 to 6.53)

(xiv) TRANSFER OF MARKETS UNDER THE REGULATED MARKETING COMMITTEES TO GRAMA PANCHAYATS

Markets and fairs are now constitutional responsibility of the PRIs as they find place in schedule –IX of the Constitution. To enable them to discharge such responsibility, the Commission recommend to repeal the Orissa Agricultural Produce Markets, Act, 1956 and to transfer all markets now managed by the Regulated Marketing Committees to the concerned G.Ps. (Para –6.43)

(xv) TRANSFER OF SAIRAT SOURCES AND MINOR MINERALS TO GRAMA PANCHYATS.

Government are now transferring the Sairat income to the PRIs through a lumpsum arrangement. For want of proper watch and ward, the Sairat sources do not yield much revenue now. After examining pros and cons, the Commission recommend that existing Rules regarding Sairat sources and Minor Minerals may be amended and all such sources situated within the area of Grama Panchyats may be transferred to the control and management of the respective Grama Panchayats, to put an end to the 'dual authority' arrangement now prevailing. (Para-6.44 & 6.45)

(xvi) FEE FOR BIRTH AND DEATH CERTIFICATE

Maintenance of vital statistics including registration of birth and death is now a function of the ULBs. Though this function does not find place in Schedule XI, the Commission feel that such statistics can be very easily collected by the G.Ps. in the monthly meetings of the villages and kept up-to-date by the 'data bank' of the G.P. The Commission have also found that such arrangement exists in many of the States in the country. Hence, the Commission have recommended that the Executive Officer of the G.P. be declared as the Registrar / Sub-registrar of Births and Deaths and authorized to issue Birth and Death certificates by collecting prescribed fee for issue of such certificates (Para 6.51)

(xvii) SHARING OF NET INTERNAL INCOME BY THE THREE TIERS OF THE PRIs

Since the Panchayat Samites and the Zilla Parishads have no power to levy and collect any tax or fees, etc. the Commission recommend that each G.P. should contribute 5 percent of its net internal income to the concerned Panchayat Samiti and another 5 percent to the concerned Z.P., for strengthening their internal income and the three tier structure (Para 6.56)

(xviii) RESOURCE MOBILISATION OF URBAN LOCAL BODIES

Like the Panchayati Raj Institutions the Urban Local Bodies in the State are also starving for funds and have no expandable tax- base. The Commission for the same reasons recommend (in Chapter-VI) for the following taxation measures in respect of the U.L.Bs.

1. Possession Tax on encroached land (Para 6.68 to 6.69)
2. Turnover Tax on Commercial Agricultural Farms (Para 6.70)
3. Livestock Registration and Licence Fee / (Para 6.71)
4. Capital / Property Transaction Fee. (Para 6.73)
5. Population Welfare Cess (16.74)
6. Pisciculture Cess (Para 6.75 to 6.77)
7. Education, Environment and Health Care Cess on Industries. (Para 6.78)
8. Education, Environment and Health Care Cess on Mines. (Para 6.79)
9. Education, Environment and Health Care Cess on Ports & Jetties. (Para 6.80)
10. Education, Environment and Health Care Cess on Power Plants. (Para 6.81)
11. Parking Fee. (Para 6.82)
12. Licence Fees from shops on the basis of annual turnover. (Para 6.84)
13. Local Body Health Fee from Private Hospitals and Nursing Homes. (Para 6.88)
14. Pilgrim Fee (Para 6.89)

(xix) TRANSFER OF MARKETS UNDER THE REGULATED MARKETING COMMITTEES TO THE U.L.Bs.

For the same reasons as assigned for transfer of Markets under the R.M.Cs to the G.Ps, the Commission also recommend to transfer the markets now under the management of the R.M.Cs. to the concerned Urban Local Bodies. (Para –6.85)

(xx) TRANSFER OF SAIRAT SOURCES AND MINOR MINERALS TO THE U.L.Bs.:

The Commission also recommend transfer of all the Sairat Sources and Minor Minerals to the concerned U.L.Bs for the same reasons given in respect of such transfer to the PRIs. (Paras – 6.86 & 6.87)

(xxi) IMPLEMENTATION OF CIRCULAR ON DEVOLUTION OF POWERS TO PANCHAYATI RAJ INSTITUTIONS

The Commission were happy to notice that the Chief Secretary of the State in his circular No.6886 / Ps dt.4.7.2003 has issued a set of instructions assigning definite functions and functionaries to PRIs and desired that the Departments concerned should ensure implementation of the same. One year after issue of the circular when the Commission wanted feedback from the concerned Departments, they were dismayed to find that only two Departments implemented the instructions while two Departments replied back negatively and no reply was received from the rest. The Commission, therefore urge upon the Government to look into this seriously and take steps to make the Chief Secretary's circular operational. (Chapter-Vii, Para 7.6)

(xxii) INCREMENT IN TRANSFER OF ENTRY TAX TO U.L.BS:

Octroi Tax was the main source of internal income of all the U.L.Bs. After its abolition w.e.f.1.12.1999, the U.L.Bs have languished more and their dependence on the State Government has increased. The 10 percent annual increase in the transfer of Entry Tax to them is neither commensurate with the rate of inflation nor with the total amount collected by the Government towards Entry Tax. The Commission, therefore, recommend an annual increase of 20 per cent for the Award period, in place of the prevailing annual increase of 10 per cent in favour of all the U.L.Bs. (Chapter-7, Para 7.10)

(xxiii) CHANGE OF BUDGET HEADS IN RESPECT OF EMPLOYEES OF C.D. BLOCKS:

Since the employees of the C.D. Blocks are performing all the functions of Panchayat Samites, the Commission recommend to change the nomenclature of the budget heads 2515 and 2501, in consultation with the Accountant General, to bring them under the Panchayati Raj Department for the purpose of clarity. (Chapter- 7, Para 7.21)

(xxiv) EXTENT OF STATE REVENUE TO BE DEVOLVED TO THE PRIS AND ULBs:

For lack of authentic figures of 'net proceeds' of own tax revenue of the State, either with the Accountant General or with the State Government, the Commission have resorted to the gross proceeds of such revenue for determining a base for devolution of funds to the Local Bodies as well as for recommending Grants-in-Aid. The Commission recommend 10 per cent of

the average of State's Gross Own Tax Revenue from 1999-2000 to 2001-2002 which comes to Rs.211.83 crore for devolution to Panchayati Raj Institutions and Urban Local Bodies, each year, during the Award period from 2005-06 to 2009-10. (Chapter-7 Para 7.27)

(xxv) PROPORTION OF DISTRIBUTION OF DEVOLVABLE FUNDS BETWEEN PRIS AND ULBS AND PUNCTUALITY IN RELEASE:

The Commission recommend that the Devolvable Funds every year should be allocated to Panchayati Raj Institutions and Urban Local Bodies in the ratio of 80:20. Further, it is necessary that the Local Bodies get the devolved funds punctually on fixed dates for smooth running of their business and day-to-day work. Accordingly, it is recommended that the amount devolved should be released in three instalments during the 2nd week of April 1st week of August and 1st week of December, every year. (Chapter-7, Para 7.28) Thus, Panchayati Raj Institutions are to get a total amount of Rs.169.464 crores and Urban Local Bodies Rs.42.366 crores, every year. Besides, transfers on account of Salaries, Allowances, T.A., Telephone, HRA, Vehicles, etc. shall also flow to the respective tier of PRIs independent of the funds recommended for devolution. The Commission further recommend that the 12th Finance Commission should reimburse the amount of Rs.211.8 crore (i.e.Rs.1059.15 crore for the 5 years of Award period) in order to augment the Consolidated Fund of the State to supplement the depletion of resources on account of transfer of a percentage of the tax revenue to the Local Bodies. The Commission also recommend that the funds i.e. share of Gross Own Tax revenue of the Local Bodies, meant for devolution may not form a part of the Consolidated Fund of the State. (Chapter- VII, Para-7.28)

(xxvi) DEVOLUTION OF FUNDS TO PANCHAYATI RAJ INSTITUTIONS FOR VARIOUS PURPOSES:

Efforts made without means is like subjecting sand to high pressure for extracting juice. Nothing can be achieved without resources. If one is desirous of getting flowers he should go on watering the flowering trees. If work is expected from the local bodies they have to be provided with resources and nothing should be expected as long as they languish for funds. No State Government has got vast resources and wealth to satisfy the entire human wants, which are unlimited. Hence, the Commission have carefully selected the most essential functions, like Primary and Secondary Education, Health Care, Drinking Water, Watershed Development Management, etc as the key areas for funding, out of the Devolved Resources. These are:

1. KNOWLEDGE AND SKILL EMPOWERMENT OF THE PEOPLE:

The PRIs have been created to function as dependable vehicles for development and establishment of equity. There will be genuine realization of the objectives when both the Government (i.e. officials) and the governed are fully aware of their respective areas of duties and responsibilities and work in union with mutual trust to achieve the end. The end is disastrous if they act with mistrust and in conflict with each other. The Commission, therefore, recommend that in each of the villages of each Grama Panchayat there must be a regular monthly interaction meeting, the broad objectives of which are to impart information based knowledge, develop participatory habits, transfer knowledge from lab to land, flow of skill and expertise from subject experts to the people, cross-checking of quality and quantity of work done, etc. Such regular meetings, interactions and participation will deepen the roots of democracy and will provide equal opportunity to the poor and make them aware of their inalienable rights to education, health, employment, etc. and help develop participatory functioning at the grass root democracy. The Commission recommend an amount of Rs.0.75 lakh per G.P. per year i.e. Rs.46.755 crore per annum for the 5 years of Award Period) for the purpose of such knowledge and skill empowerment through monthly interaction meetings in every village. (Chapter-7, Paras 7.31 to 7.50)

2. DATA BANK:

Data Bank is an essential component for any type of planning including planning for social justice. The Commission have felt lack of data i.e. village or G.P. level data as a major constraint in the field of planning. To overcome this difficulty, an amount of Rs.0.25 lakh per G.P.

per year i.e. Rs.15.590 crore per year for the 6234 G.Ps. is recommended for appointment of a person as 'Data Bank' and publication of an annual G.P. profile regularly (Chapter-7, Para 7.51)

3. **DISASTER RELIEF AND MANAGEMENT:**

It is a primary responsibility of the Grama Sasan to ensure that no body in the G.P. dies of starvation. The G.Ps have the responsibility of providing emergent relief at the time of natural calamity, etc. In view of these, an amount of Rs.0.25 lakh per G.P. per annum is recommended i.e. Rs.15.590 crore for all the 6234 G.Ps. (Chapter-7, Para 7.53)

4. **STRENGTHENING FUNCTIONAL LITERACY THROUGH THE PRIMARY AND SECONDARY SCHOOL STRUCTURE:**

The rate of functional literacy is not yet assessed in the State. It is natural that it is much lower compared to literacy. Time has come to think about improving functional literacy. The Panchayats have also to concern themselves with the quality of education in Primary Schools, keeping in mind not literacy but functional literacy. Deficiencies in maintenance of buildings and classrooms, supply of teaching-aids and equipments, library books etc. should be the responsibility of G.Ps. Similar requirement of Secondary Schools should be taken care of by the Zilla Parishads. The Commission recommend an amount of Rs.5.4 crores for all the G.Ps. in a year and Rs.4 crores for all the Z.Ps. per annum for such purposes. (Chapter-7, Paras 7.58 to 7.66).

5. **HEALTH CARE:**

Health is an important dimension of human development. Improvement in health care facilities and health status of the people, particularly of the poor living in rural areas is a major responsibility of the State. The State has the highest infant Mortality Rate and Maternal Mortality Rate. Population per bed in hospitals is also the highest. Public spending on health is the minimum. The poor have very poor access to health services. The Commission, therefore, recommend a sum of Rs.30.40 crores for the 5 years of the Award period for providing **Mobile Health Units** to the Panchayat Samites to make health services reach the poor in every nook and corner. The Commission recommend to cover all the Panchayat Samities in a phased manner by providing funds spreading over the entire period of 5 years. (Chapter-7, Paras 7.67 to 7.79)

6. **DRINKING WATER:**

The Commission are of opinion that the villages having no source of drinking water should be provided with atleast one source on priority basis so that this basic amenity is available to the people. A total amount of Rs.2 crore per annum i.e. Rs.10 crore for the Award period is recommended in favour of the Zilla Parishads, for this purpose. (Chapter-7, Para 7.80)

7. **WATERSHED DEVELOPMENT & MANAGEMENT:**

Low irrigation coverage is a major constraint in the growth of agricultural production. For augmenting irrigation facilities the Commission recommend to provide Rs.30 crore each year to the Panchayat Samities (i.e. Rs.150 crore for the Award period) for developing watersheds to boost agricultural production. (Chapter-7, Paras 7.81 to 7.82)

8. **WOMEN LITERACY IN TRIBAL AREAS:**

It is noticed that 39 Panchayat Samites in the State having substantial tribal population have atrociously low literacy rate among S.T. women. The Commission, therefore, recommend devolution of Rs.9.75 crores at the rate of Rs.1.95 crore per annum to promote literacy among the school going children, particularly female children in these blocks, for utilization on schemes that shall ensure attendance of school going children from every home. (Chapter-7, Paras 7.83 to 7.88)

9. **INFRASTRUCTURE FOR NEWLY OPENED G.PS:**

980 newly opened G.Ps have no office building, furniture, etc. It is recommended to provide these G.Ps with Rs.11.76 crores in the 1st year of the Award period for such purpose. (Chapter-7, Para 7.89)

10. **BOATS FOR RIVERINE G.P.S:**

The large number of rivers and streams in the State cause frequent floods every year and prevent all weather communication facilities. Flood rescue operations in such areas also become difficult for want of boats. It is recommended to provide funds to such riverine G.Ps. for country boats at the rate of Rs.10000/- per boat. An amount of Rs.3 crore may be made available for this purpose during 2005-06 only. (Chapter-VII, Para-7.90)

11. **LIBRARY-CUM-READING ROOM AT P.S. HEADQUARTERS:**

Necessity of library and reading rooms needs no emphasis. The Commission recommend an amount of Rs.21.58 crores spreading over the period of 5 years for construction of buildings for such purposes and for providing books and journals and personnel for running the libraries. (Chapter-7, Paras 7.91)

12. **INCENTIVES FOR THE PERFORMING G.P.S:**

Rs.1.20 crore per annum from the 3rd year of the Award period i.e. a total of Rs.3.6 crores is recommended in favour of the Z.Ps, for awarding incentives to the first, second and third G.Ps in each district (Chapter-7, Para 7.92)

13. **UNTIED FUNDS TO THE PRIS:**

For the purposes of maintenance of drinking water schemes, sanitation, livestock improvement, electricity charges, maintenance of productive assets, maintaining vital statistics, etc untied funds at the ratio of 50:30:20 is recommended to the Z.Ps, P.Ss. and G.Ps. respectively, as follows, for the total period of 5 years.

Z.Ps: -	Rs. 85.330 cr.
P.Ss:-	Rs. 51. 197 cr.
G.Ps:-	Rs. 34. 133 cr.
Total:	Rs.170.660 cr.

(Chapter-VII, Para-7.93 And Table No.7-S)

(xxvii). **DEVOLUTION OF FUNDS IN FAVOUR OF URBAN LOCAL BODIES**

Out of the total amount of Rs.211.83 crores for devolution in each year, 20% i.e. Rs.42.366 crores (or say Rs.42.37 crores) is to be allocated in favour of the U.L.Bs. The Commission recommend to allocate such funds for the following purposes. (Chapter-VII, Para-7.99)

1. **PROVISION OF PUBLIC TOILET COMPLEX:**

It is unfortunate that open-air defecation is still a habit of the people, even in urban areas. This is mostly due to non-existence of sanitary and septic latrines in the dwelling houses of the poor. There is a need for modern community toilets with self-flushing arrangements in every sector of urban areas. Accordingly, it is recommended to provide Rs.7.20 crores to the 103 Municipalities and N.A.Cs excluding the two corporations, in the first year for construction of 180 numbers of public toilets at a cost of Rs.4 lakhs each in the first year of the Award period and Rs.0.90 crore during each of the following four years for their day-to-day management and maintenance. The total expenditure on this account for the 5 years comes to Rs.10.80 crores. (Chapter-VII, Para- 7.100 to 7.102)

2. **PROVISION OF TOWN HALL AND LIBRARY:**

A Town Hall is the gift of the ULB to its residents where all thinking people get together, voice their opinion and exchange ideas. For this purpose, a total amount of Rs.14.42 crores is recommended as follows for the total period of five years for the 103 Municipalities and N.A.Cs, excluding the two corporations. (Chapter-7, Para 7.103 to 7.108)

(a) Construction of buildings @ Rs.10 lakhs	Rs. 10.30 crore only in the 1 st year
(b) For books and periodicals @ Rs. 1 lakhs	Rs. 4.12 crore from 2 nd to 5 th year

Where there is provision of proper Town Hall and Library, the amount provided should be spent for the purpose of heritage protection and / or preservation and development of culture.

3. **UN-TIED FUNDS FOR THE ULBS: -**

For the purpose of providing basic civic amenities on the priorities specified, the ULBs need some un-tied funds. Accordingly, the Commission have recommended Rs.1 crore to each of the two Municipal Corporations per year (i.e. Rs.10 crore for the Award period) and to distribute the balance among the Municipalities and N.A.Cs on the weight age of 40 per cent on density of population, 30 per cent on number of holdings and 30 per cent on revenue collection efficiency. Accordingly, the balance share of Municipalities and N.A.Cs comes to Rs.22.866 crores in 2005-06 and Rs. 38.436 crores in each of the 4 subsequent years i.e. Rs.176.610 crores for the 5 years. (Chapter-VII, Para-7.110)

(xxviii) **GRANTS-IN-AID FOR THE PRIS AND ULBS:**

Apart from Devolution of Funds, the Commission recommend grants-in-aid to the Local Bodies out of the Consolidated Fund of the State as assistance for discharging various functions and responsibilities entrusted to them under the Constitution and the respective Laws of the Local Bodies. 10 percent of the Gross Own Tax Revenue of the State for the year 2002-03 minus the Devolvable amount i.e. Rs.171.47 crores (Rs.383.30 – Rs.211.83) is recommended towards Grants-in-aid for different specific problems as follows.

Table No. – 11 A

(Rs. in crores)

Sl.	For Panchayati Raj Institutions	For One Year	For the 5 years of Award period
1.	For maintenance of Accounts in G.Ps through outsourcing @ of Rs.5000/- per G.P. per year. (Chapter-VIII, Paras 8.5 to 8.24)	3.117	15.585
2.	Aforestation and Plantation		
	(a) To 6234 G.Ps. of Rs.50,000/- per G.P per year (Chapter-VIII, Paras 8.25 to 8.33)	31.170	155.85
	(b) To 314 P.Ss @ of Rs.1 lakh per year	3.140	15.700
3.	Herbal / Medicinal Plants / Agro-forestry Project by Z.Ps. (Chapter-VIII, Paras 8.34 to 8.41)	0.900	4.500
4.	Welfare of the Physically & Mentally Retarded (Chapter-VIII, Paras 8.42 to 8.54) through-		
	(i) Z.Ps, @ Rs.10 lakhs		
	(ii) Municipal Corporations @ Rs.5 lakhs.		
	(iii) Municipalities having more than 1 lakhs population @ Rs.2 lakhs	4.170	20.850
	(iv) Municipalities / N.A.Cs having less than 1 lakh population @ Rs.1 lakh		
5.	Employment Guarantee Scheme (Chapter-8, Paras 8.55 to 8.68)	79.700	398.500
		122.197	610.985
6.	Primary and Secondary Education – For meeting deficiencies in maintenance of School Buildings, Library, Laboratory, teaching aids, etc. (Chapter-VIII, Paras 8.70)	4.160	20.800
	(i) To 6 Municipalities with population of mere than 1 lakh @ of Rs.6 lakh.		

Sl.	For Panchayati Raj Institutions	For One Year	For the 5 years of Award period
	(ii) To 95 ULBs with population of less than 1 lakh @ of Rs.4 lakhs		
7.	Health and Sanitation – Supply of reagents, preventive drugs and medicines and for establishment of Out-door / Maternity and Child Care centres etc. @ Rs.4.73 lakh for 6 Municipalities with population of more than 1 lakh and @ Rs.2.56 lakh for 95 ULBs with population of less than 1 lakh. (Chapter-VIII, Paras 8.71)	2.72	13.58
8.	Solid Waste Management (Chapter-VIII, Paras 8.72 to 8.74) @ Rs.1 crore to 6 ULBs per year for covering 30 ULBs during the Award Period.	6.00	30.00
9.	Specific Projects deserving special consideration (Chapter-VIII, Paras 8.75 to 8.87)	12.012	60.06
	Sub-Total	24.888	124.440
10.	Specific Projects recommended for funding from Twelfth Finance Commission (Chapter-X)	24.386	121.930
	Sub-Total	49.274	246.370
		Or say 49.273	
	GRAND TOTAL: -	171.471	857.355

(xix) CONSTITUTIONAL AND STATUTORY AMENDMENT REGARDING CONSTITUTION OF STATE FINANCE COMMISSION

There is no provision in the Constitution regarding synchronization of the recommendation periods of the National Finance Commission and the State Finance Commission. Besides, Article - 243-I stands as a barrier to constitute the State Finance Commission earlier than the expiration of the fifth year from the date of constitution of the former Commission. The Commission recommend to initiate necessary action for removing these deficiencies. (Chapter-IX, Paras-9.2 to 9.4)

(xx) DISAGREEMENT WITH THE OBSERVATIONS OF THE 11TH FINANCE COMMISSION TO AMEND THE PROVISIONS OF ARTICLE 280 (3) (BB) AND (C) OF THE CONSTITUTION:

The Commission recommend that the observation of the 11th Finance Commission to delete the words, "On the basis of the recommendations made by the State Finance Commissions" from the existing provision under Article-280 be resisted. (Chapter-IX, Para-9.5)

(xxi) PLACEMENT OF THE REPORT OF THE STATE FINANCE COMMISSION ALONG WITH ACTION TAKEN REPORT BEFORE THE STATE LEGISLATURE WITHIN SIX MONTHS:

It is recommended that statutory provisions be made for placing the reports of the State Finance Commission along with Action Taken Report before the State Legislature within six months from the date of submission of the Report to the Governor. (Chapter-IX, Para-9.7)

(xxii) It is also recommended that after expiry of the term of different Finance Commissions, a skeleton S.F.C. Branch be allowed to continue for monitoring implementation of various recommendations and collecting information, etc from the U.L.Bs. (Chapter-IX, Para-9.8)

(xxiii) The Commission recommend to provide one V.L.W. or V.A.W. to each of the G.Ps on whole time basis exclusively as E.O and the G.Ps may be given powers to exercise adequate control over them, for ensuring accountability. (Chapter-IX, Para-9.9 to 9.14)

(xxiv) It is recommended for constituting a strong cadre of officers for the U.L.Bs with proper training facilities for them to have the required expertise in urban development and management. (Chapter-IX, Paras- 9.15 to 9.21)

(xxv) It is also urged upon the Government to appoint an Expert Committee to study the man power requirements of all the U.L.Bs and to suggest a staffing pattern, recruitment procedure, etc. (Chapter-IX, Paras- 9.22 to 9.24)

(xxvi) The Commission have elaborately discussed the status and constraints prevailing in Public Distribution System in the State and have recommended to revamp the system by involving Panchayati Raj Institutions. (Chapter-IX, Paras-9.25 to 9.35)

(xxvii) The Commission, apart from the total amount of Rs.1059.15 crores meant for devolution during the Award period, has recommended the Twelfth Finance Commission for funding certain special problem areas at a total cost of Rs.121.93 crores only. Details of these are given under Chapter-XI. The Commission, thus, has recommended the Twelfth Finance Commission for replenishing a total amount of Rs.1181.08 crores.

(xxviii) Last but not the least is that the Commission sincerely recommend the Government to arrange Oriya rendering of the whole report of this Commission and to make it available to all the Panchayati Raj Institutions and Urban Local Bodies within one year of submission of the report.

The State Finance Commission in its meeting on the 29th September, 2004 resolve to adopt this Final Report for presentation to His Excellency, the Governor of Orissa.

**Sd/-
TRILOCHAN KANUNGO
CHAIRMAN**

**Sd/-
NIHAR RANJAN HOTA
MEMBER**

**Sd/-
PRASANTA KUMAR TRIPATHY
MEMBER**

**Sd/-
DR. SUDHAKAR PANDA
MEMBER**

**Sd/-
PRADEEP KUMAR PANDA
MEMBER**

Annexure-II

- 7.28.1 As per 2001 census, the State population is estimated at 36,706,920 out of which 31,210,602 i.e. 85% of State's total population live in rural areas and 5,496,318 i.e. 15% of State's population in urban areas respectively. Based on this, a devolution in the ratio of 80:20 in respect of RLBs and ULBs respectively appears to be logical. The Commission recommend that the aforementioned amount of Rs.211.83 crore be released to the Rural & Urban local bodies in the above ratio in three instalments during each financial year from 2005-06 to 2009-10, namely during the 2nd week of April, 1st week of August & 1st week of December every year. This recommendation is independent of the entry tax and other grants, which the Urban Local Bodies are presently enjoying. Similarly, transfers on account of Salaries, Allowances, T.A., Telephone, HRA, and Vehicles etc. for PRIs shall also flow to respective tier of PRIs independent of the devolution recommendations.
