

CHAPTER – IX

GENERAL OBSERVATIONS

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9.1 The Commission, while applying their mind to the terms of reference and discussing them with a view to formulate their recommendations, have found some items of importance which they feel imperative to cover in their report. This Chapter deals with those issues. After discussing the issues in detail, the Commission have found it necessary to give their appropriate recommendations on the same, since they have found these matters important and pertinent enough to receive their as well as the government's attention. These matters are:

- (i) Constitutional & Statutory Amendment Required.
- (ii) Posting of Executive Officers to Grama Panchayats.
- (iii) Cadre of Executive Officers for the ULBs
- (iv) Administrative reforms for Urban Affairs Management
- (v) Public Distribution System.
- (vi) Primary and Secondary Education.

CONSTITUTIONAL AND STATUTORY AMENDMENTS.

9.2 Here, some matters are being discussed which do not come under our terms of reference, but the 11th Finance Commission had discussed them and recommended some measures. Therefore, the 2nd State Finance Commission feel it imperative to discuss them and make appropriate recommendations; more so since they deserve to be.

(a) The 11th Finance Commission had discussed about the synchronization of the periods covered by the Reports of the State Finance Commission and National Finance Commission. There is no such arrangement in the Constitution of India nor have the States followed the spirit of Article 243-I of the Constitution so far as the synchronization of the recommendation periods of reports are concerned. In Article 280 (1) of the Constitution of India, meant for the constitution of the National Finance Commission, it is clearly mentioned that the "President shall at the expiration of every 5th year or at such earlier time as the President considers necessary by order constitute a Finance Commission..." But in Article 243-I the provision reads, "The Governor of a State shall at the expiration of every 5th year constitute a Finance Commission." There is no corresponding provision of "or at such earlier time" as the Governor considers necessary". As a result, there is no provision for synchronization of the periods covered by the Reports of both the Central & the State Commission. To be precise, Article 243-I stands as a barrier to constitute the State Finance Commission at an earlier date i.e earlier than the expiration of the fifth year. Article 280(3)(bb) and (c) have made it mandatory that the National Finance Commission shall recommend measures needed to augment the Consolidated Fund of a State to supplement resources of the Panchayats or Municipalities as the case may be, on the basis of the "recommendations made by the State Finance Commission of the State". Unless the State Finance Commissions are constituted much before the constitution of the National Finance Commission at the Centre, it would be difficult for S.F.Cs to submit their recommendations in time, which would form the basis of N.F.C's recommendations.

9.3 The Finance Commission after careful deliberation recommend that the State Government shall bring this matter before Government of India, for effecting necessary amendments to Article 243-I, to include "at such earlier times as the Governor considers necessary" so that the report of the State Finance Commission shall be made available within first six months of the constitution of the National Finance Commission, in order to remove the anomaly present in the current provision of the Constitution in Article 243-I.

9.4 E.F.C. (Eleventh Finance Commission) has recommended that Article 243-I should be amended to enable the States to set up the State Finance Commissions at the expiration of every fifth year or earlier, akin to the provision that already exists under Article 280 for constituting the Finance Commission. The synchronization of availability of the SFC reports may also be ensured through either a central legislation or appropriate provision in the Constitution (Para 8.11 a). In this connection

the 11th Finance Commission had further observed that the recommendations of the State Finance Commissions of Goa and Orissa were only available to them for consideration during their tenure.

9.5 The 11th Finance Commission in their recommendation {Para 8.11 (c) } have stated " the words – on the basis of the recommendations made by the Finance Commission of the State – appearing in sub clause (bb) and (c) of Article 280 (3) of the Constitution may be deleted." This is contrary to their earlier recommendation mentioned at (a) above. The 11th Finance Commission has made the recommendation that the Report of the State Finance Commission should be made available much in advance to the National Finance Commission and therefore they had suggested an amendment to the Constitution as mentioned above. Thereafter, interestingly they have recommended that the provisions in Article 280 (3) (bb) and (c) be dispensed with. Such a contrary view is not tenable. The 11th Finance Commission had felt that because of the heterogeneity in formulating the principles for sharing or assignment of State taxes, duties, tolls, fees and the grants-in-aid and the diversity in perceptions of the State Finance Commissions on the powers, authorities and responsibilities actually entrusted to the Local Bodies, the words "on the basis of the recommendations made by the State Finance Commissions" in Article 280 (3) (bb) and (c) should be deleted. In democracy heterogeneity in perception is bound to occur. Instead of making the recommendations for sharing of taxes or providing grants-in-aid on an allocation 'oriented' basis, they should be made demand driven. The proximity of the recommending institutions to the people shall help make the recommendations more demand-driven than hypothetical or allocation 'oriented'. State Finance Commissions by interacting with the grass root institutions are in a privileged position to assess the needs of the PRIs and ULBs in more detail than the National Finance Commission. The 11th Finance Commission's observation in this regard may be viewed as an observation from the rooftop much away from the grass root reality. We recommend the State Government to take up the matter before the National Development Council and see that this provision of Article 280(3) (bb) and (c) may not be deleted as this would considerably reduce the significance and necessity of constituting State Finance Commissions.

9.6 The State Finance Commissions require two and half to three years for formulating recommendations and preparing the report after the Office becomes fully operational. Ideally the State Finance Commission should be constituted at least two years before the normal time of constitution of the National Finance Commission. For meticulous studies of various aspects of thousands of Gram Panchayats; and hundreds of Panchayat Samities, number of Zilla Parishads ; hundreds of Municipalities and other allied matters, adequate time is necessary. The report of the State Finance Commission must be made available to the National Finance Commission within six months of the constitution of the N.F.C.. However, the recommendation period of both the reports must be synchronized. The N.F.C. (National Finance Commission) may, if they require, call for the figures of latter years for further analysis.

9.7 In Para 8.11(c), the 11th Finance Commission has recommended that the Report of the State Finance Commission along with the Action Taken Report should be laid before the floor of the State Legislature within 6 months from the date of submission of the Report. Amendments in the laws if necessary be made at the earliest. The State Finance Commission fully endorse the views of the 11th Finance Commission and recommend that the State of Orissa must take a leading role in bringing about necessary amendments in the Orissa Panchayati Raj Finance Commission (Miscellaneous Provision) Act 1993 as amended in 1996 making the provision that " the State Finance Commission Report along with an explanatory Memorandum as to the Action Taken Report thereon shall be laid before to the State Legislature within six months from the date of submission of the Report to the Governor".

9.8 The Commission also recommend for the continuance of a skeleton S.F.C. Branch under an Additional Secretary to Government of Orissa in Finance Department in order to continually monitor the implementation of various recommendations and collect information at regular intervals from different tiers of PRIs and different stages of U. L. Bs for the use of the subsequent Commission. This is also in conformity with the practice followed in the Office of the National Finance Commission.

POSTING OF EXECUTIVE OFFICERS TO THE GRAMA PANCHAYATS

9.9 Prior to issue of Panchayati Raj (G.P.) Department letter No.11188 dt.12.06.2003 there was virtually no executive or ministerial staff in the G.P. except a Secretary, most of whom were not even matriculates. In some G.Ps, no Secretary was also available, as Government had banned recruitment of Secretaries, where the posts were vacant, in letter No.19428/G.P dt.01.10.2002 and Secretaries of adjoining Grama Panchayats were functioning as Secretaries in such G.Ps also. Subsequently, in letter No.8325/G.P. dt.06.05.2003 V.L.Ws available in the Blocks were kept in charge as G.P. Secretaries, where the posts were lying vacant. Thus, dual charge arrangement was withdrawn.

9.10 The above transitional arrangement was put to an end vide letter No.11188 dt.12.06.2003, as posting of an Official of Government (who shall be accountable to the G.Ps for proper utilization of funds, execution of different developmental projects and for effective day to day administration) became a necessity in the context of devolution of powers to Grama Panchayats and consequential flow of funds. In this letter, it has been spelt out that every G.P shall have an Executive Officer and for the purpose, services of Village Level Workers (VLWs) and Village Agriculture Workers (VAWs) made available at the disposal of the Block Development Officer shall be utilised for posting as E.Os of the G.Ps. While making the arrangement it has been made clear that the service conditions of the V.L.Ws and the V.A.Ws shall remain unaltered. Consequent upon posting of such E.Os, distribution of work between the E.O. and Secretary is made as follows.

9.11 (I) EXECUTIVE OFFICER

- (i) He shall maintain the records of the proceedings of the meetings of the Grama Panchayats and Cash Book of the Grama Panchayat.
- (ii) Remain in custody of all records and documents, cash and valuable securities belonging to or vested in or under the direction, management or control of the Grama Sasan as prescribed;
- (iii) Exercise such other powers, discharge such other duties and perform such other functions as may be conferred or assigned to him by or under the Act, and
- (iv) Any other works as may be assigned by Government.

9.12 (II) SECRETARY

- (a) He shall record proceedings of Palli Sabha and Standing Committees.
- (b) He shall make correspondence to different quarters with the approval of Executive Officer.
- (c) He will receive daks and put up the same in files for order of the Executive Officer. He shall receive stock under different schemes, PDS and enter the stock in the stock register.
- (d) He will sell PDS articles to consumers and maintain accounts and records of PDS System.
- (e) He will supervise works executed by the Grama Panchayats.
- (f) He shall collect tax imposed by the Grama Panchayats and hand over the amount so collected to the Executive Officer.
- (g) Any other duties as may be assigned by the Grama Panchayats.

9.13 Subsequent to the aforesaid Government instructions, the relevant provision of the O.G.P. Act have been amended to give the arrangement statutory force and the amendments are expected to come into force shortly. While the arrangements are likely to yield better results, the Commission during their field visits have found that the V.L.Ws and the V.A.Ws in charge of the G.Ps are attending to the work of the E.Os of the G.Ps in addition to their duties as VLW or VAW and many of them are also in charge of E.O. of more than one G.P. This is creating chaotic and discordant situations and it is apprehended that desired results may not be forth coming unless the situation is streamlined. Besides, the G.Ps under the arrangement have not been empowered to have any disciplinary control over their E.Os and therefore, the accountability spelt in the circular remains a misnomer.

9.14 The Commission, therefore, recommend that Government may 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.

CADRE OF EXECUTIVE OFFICERS FOR THE ULBS:

9.15 Three types of personnel systems are found among States in Urban Local Government i.e. separate, unified and integrated. In the separate system, the personnel are appointed by the local government and are not transferable to other organisations. The unified system is by career service, appointed by the State Government and transferable among ULBs. In the third & integrated pattern, the State and the Local Government form one unit and functionaries are transferable from one unit to the other. Orissa follows a mixed system in which the higher officials at the technical and administrative levels (Deputationists) are drawn from the State Government from different cadres, the middle level functionaries (L.F.S.) are appointed by the State Government and are transferable to other units and the lower level (non-L.F.S.) staff are borne on the U.L.B only.

9.16 It is a matter of regret that though Urban Local Bodies exist in the State for more than 135 years, there is no cadre of Executive Officers so far. Executive Officers are posted to different U.L.Bs from among a variety of officials starting from ministerial up to Indian Administrative Service. No fixed principle appears to be followed in the matter of posting of Executive Officers. The two Municipal Corporations are manned by two officers of Commissioner rank in the Corporation, who are from the Jr. Administrative Grade / Selection Grade of the IAS. They are supported on the administrative side by a couple of officers belonging to different grades of the Orissa Administrative Service, as Deputy Commissioner / Secretary of the Corporation, etc. In some important populous Municipalities like Berhampur, Sambalpur, etc. officers from O.A.S. (I) are posted as Executive officers. In other Municipalities / N.A.Cs, however, different officials from different services / wings of ministerial services (LFS and Deputationists) are posted as Executive Officers. Even officials belonging to the cadres of Fisheries Extension Officers, Small Savings Organisers, Revenue Inspectors and the like find their way to these posts, without having any expertise or specialization in urban affairs and without much experience in administrative work.

9.17 The importance of the post of Executive Officer for an Urban Local Body needs no emphasis. He is required to provide procedural guidance to the elected representatives in proper direction and instill a sense of service and cohesive functioning among them and other staff. In the absence of fixed rules and principles for selection or posting of officials as Executive Officers, a secret door always remains open for the dexterous to slip in, who consider such posting alluring and lucrative. For lack of proper oarsmen most of the Urban Local Bodies move directionless. The Panchayati Raj Institutions though much younger compared to the ULBs, have turned out to be more mature and comparatively better managed because of stable keymen from organised cadres. Most of the problems the ULBs face are manmade and arise out of lack of proper appreciation, management and control over the affairs.

9.18 In the circumstances, the Commission are of the view that it is high time for the Government to introduce / establish a separate service cadre of Executive Officers. In this context, it is appropriate to quote from the Report of the Pay Rationalisation Committee, 1980 that " 'Service' is a group of Civil servants having common recruitment conditions and common prospects, and 'career' is an acceptable lifetime employment with the Government. In our country, recruitment is not to or for a post and for a period of years. It is to a service or class to which for career purposes specified posts or groups are made available. The aim of recruitment, accordingly, is not to find a man equipped to do a particular job but to find a man of such caliber that (if necessary, aided by training and experience) he can fill the posts available in the career which his appointment opens to him". Such a service or cadre can help in increasing efficiency of the ULBs and accountability of the officers concerned. A career for them may provide them with incentive and future security. Specialisation and expertise of the officials will help the urban dwellers in getting better service. Meaningful and instructive training regarding urban management will be possible and outcome of such training will be long lasting, as the officers shall have to continue to look after urban management for a considerable part of their career. It may be mentioned here that management skill required for urban local bodies is more technical, sophisticated, and service oriented and such skill has to be up-dated on a continuous basis.

9.19 All these justify for a separate cadre of Executive Officers, which may consist of three rungs. This will be a unified system of career service, recruited & appointed by the State Government. Fresh recruitment may be made to the lowest rung through direct and selection methods, with promotion facility to the higher rungs. Smaller Municipalities and N.A.Cs. may be provided with Executive Officers from the lowest rung, who should be subjected to transfer from one such body to another, in accordance with the transfer policy of the Government. The officers promoted to the higher rung may be posted to the bigger Municipalities and N.A.Cs and those promoted to the highest rung to some of the most populous Municipalities. The posts of the Commissioners of the Corporations may however be kept outside the cadre to be drawn from I.A.S. or O.A.S. Supertime / Selection Grade while the other administrative posts in the Corporations may be filled in from the appropriate rungs of the proposed cadre.

9.20 Since a separate cadre of E.Os may take some time to materialise and even thereafter it may take time for getting matured and experienced officers in the higher rungs through promotion from the lower rungs, the Commission recommend that as an interim or transitional arrangement, the posts of Executive Officers may be filled only through officers from different appropriate rungs of the O.A.S. cadre rather than from various services / cadres as is practiced currently on 'pick and choose' basis, without any uniformity and broad based experience.

9.21 The Commission also feel that officers working in this field should be encouraged to qualify themselves in urban affairs management through inservice training and suitable incentives. There is an "All India Institute of Local Self Government" at Mumbai, which is a training institution in this field, offering Diploma Courses in local self-government since 1927. There is a proposal for establishment of a Central Training Institute for Local Government at national level with similar Training Institutes at State Level. The Commission have recommended in Para 4.87 of Chapter - IV the setting up of a State Institute of Urban Development in Orissa under the aegis of the Director General of Training, for imparting regular training to officers & staff of ULBs in the different fields of urban affairs management. The Commission recommend these steps for building up of a strong cadre of officers for the ULBs, with proper training facilities for them to have the required expertise in urban development & management.

ADMINISTRATIVE REFORM FOR URBAN AFFAIRS MANAGEMENT

9.22 Many of the Urban Local Bodies in the State have excess manpower compared to workload while some of them complain of deficit of manpower. The Commission find that there is no uniform pattern of staffing and no yardstick appear to have been followed while creating posts. In some places, manpower available does not match to the technical and educational qualifications required for the posts. No study on manpower planning of the U.L.Bs appears to have been done in the State. To cite an example of Bargarh Municipality, this Municipality had 126 numbers of octroi employees on its pay roll on the date of abolition of Octroi Tax. Out of them, by August, 2003 eight had retired, 3 had reverted to their permanent cadres, 26 had been diverted for collection of parking fees while the rest 89 were sitting idle with a pay package of Rs.2.6 lakhs per month. Thus, the meagre municipal funds were being spent on idle wages, while the town-dwellers virtually lived in very un-hygeinic and dirty surroundings.

9.23 The U.L.Bs have two sets of staff, drawn from L.S.G. and non-L.S.G. cadres. Recruitment to the L.S.G. cadre is done at Government level, while non-L.S.G. staff is recruited at the U.L.B. level. U.L.Bs are getting G.I.A. for staff salary in respect of the staff that was recruited upto a particular cut off date, while the cost of others is a hundred per cent responsibility of the concerned U.L.B. All these anomalies need rectification in the interest of smooth working of the municipal offices.

9.24 In view of these facts, the Commission, recommend that Government may appoint an Expert Committee to study the manpower requirements of all the U.L.Bs and to suggest a pattern of staffing to suit the different grades of municipal bodies. The Committee should also look into the qualification, experience etc. for recruitment and posting of different grades and categories of staff. Issues like method of recruitment, appointing authority; disciplinary authority, disciplinary punishment etc may also be referred to the Committee for their study and suitable recommendations.

PUBLIC DISTRIBUTION SYSTEM

9.25 Public Distribution System (PDS) can be defined as a government run system through which selected essential commodities, in fixed quantity, are made available at subsidized prices to the consumers. It is a process whereby certain basic commodities are made available at subsidized price to those who are unable to get them at the market prices to meet their needs of sustenance. It supports sustenance of human beings and is one of the packages of poverty-alleviation programmes that have been launched in the country. 'The Food Supplies and Consumer Welfare' Department which acts as a catalyst to strengthen the consumer protection movement in the State is entrusted with implementation of the scheme. The scheme is functioning through a wide network of retail outlets called 'fair price shops' with the primary objective of protection of the interests of the vulnerable sections of population against high market prices of certain essential commodities necessary for bare maintenance. It is to recall that supply of foodgrains at below market prices to the vulnerable classes is one of the objectives of the food policy of the country, which also aims at helping the growth in per capita consumption of foodgrains. Food grain is precious wealth of the poor and the hungry.

9.26 Public Distribution System is more or less in vogue since the beginning of planning with varying intensities and nomenclature. Food security to the people is a fundamental objective of economic planning and adequate supply of food aims at affordable prices is a much-cherished goal of any welfare government. Art 47, under the Directive Principles of State Policy, of the Constitution emphasizes that raising of the level of nutrition and the standard of living of the people shall be among the primary duties of the State. Food security can be provided not merely by promoting or controlling production or free movement, but by (a) augmenting supply, (b) arranging equitable distribution, (c) subsidising price and (d) preventing unscrupulous traders from exploiting the consumers. Government intervention and participation in supply of foodgrains becomes inevitable when traders taking advantage of scarcity and lack of purchasing power indulge in various dishonest practices to harass the poor and hungry. The Public Distribution System in the State by and large has stabilised as a powerful organ providing morsels of food to the mouths of millions of hungry and starving people. A noble service for a noble purpose. There is no doubt that the Panchayati Raj Institutions should work hand in hand with the government officials to make the system more efficient and almost flawless.

9.27 The Constitution of India as amended under the 73rd Amendment intends to endow the Panchayati Raj Institutions with powers and authority necessary to enable them to implement the Public Distribution System, which finds place at serial 28 of the Eleventh Schedule. But nothing substantial has been done in the state so far to associate the PRIs in shouldering such a social responsibility except for the fact that some of the Grama Panchayats have been appointed to function as retailers/retail outlets under the system. Again such appointments have been given only to overcome the difficulty of non-availability of willing private retailers in inaccessible and remote pockets. Besides, in respect of ITDP and DPAP blocks private participation in the network of Fair Price Shops has been eliminated and only Grama Panchayats, LAMPS, Service Co-operative Societies, Rural Consumers Co-operative Stores, Model Fair Price Shops run by Orissa Civil Supplies Corporation Ltd. and registered Mahila Mandals are presently allowed to continue or appointed as retailers under the scheme. As a matter of fact as on 31.12.2002 a total number of 2170 G.Ps out of 6234 were functioning as retailers and their number accounted for more than nine percent of the total number of the retailers and nearly 35 per cent of the total number of G.Ps. The circular No.6886 dt.04.07.2003 of the Chief Secretary on 'Devolution of Powers to Panchayati Raj Institutions' stipulates among other things that the Civil Supplies Officer is accountable to the Zilla Parishad for Public Distribution System and his casual leave is sanctionable by the president, Z.P. Report of the president regarding performance of duties by the C.S.O. is given due weightage by the head of the department. Inspector of Civil Supplies is accountable to the Panchayat Samiti for the PDS work and chairman P.S can report about performance of duties by him to the executive officer and president of the Z.P., on which appropriate action would be taken by them. But the circular does not entrust any specific responsibility to any of the P.R. Institutions to manage, implement or supervise the PDS work. Even the president Z.P has no direct supervision power. The circular rather indicates how the constitutional mandate is sidetracked through a casual approach.

9.28 It is, however, gratifying to note that the State Government have adopted a three-pronged strategy of (i) price stability, (ii) availability of food grains, sugar and kerosene oil to consumers and

(iii) special programmes for drought prone and tribal concentrated areas as part of a comprehensive policy under the Public Distribution System. The State is also implementing a Targeted Public Distribution System (TPDS) with special focus on the poor since 01.06.1997 in 143 ITDP and DPAP blocks. Essential commodities are distributed through a network of 23,579 retail outlets, 154 Maitri Shops and 105 Mobile Shops in inaccessible and difficult areas. As on 31.12.2002 a total number of 23856 retail outlets were operating in the State with the following break-up.

Category	In Urban Area	In Rural Area	Total No.
Private	3461	16991	20372
Co-operative	153	765	918
O.S.C.S.C (Maitry)	27	119	146
Municipality / NAC	250	--	250
Gram Panchayat	--	2,170	2170
Total	3891	19,965	23,856

9.29 Target Groups under TPDS: Targeted Groups under the 'Targeted Public Distribution System', and benefits extended to them are as follows:

- (i) 5,05,500 Antyodaya Anna Yojana families (out of over 48.55 lakh BPL families) at a specially subsidized price of Rs.3/- per kg. of rice with a monthly quota of 35 kgs. per family.
- (ii) 18,11,494 BPL families in 143 ITDP and DPAP blocks (as per 1997 BPL survey) at a specially subsidized price of Rs.4.75 paise per kg. for 16 kgs. of rice per month and additional 9 kgs. of rice per month at the rate of Rs.6.30 paise per kg.
- (iii) 22,13,230 BPL families in the rest 171 blocks at a subsidized price of Rs.6.30 a kg. with a ceiling of 25 kg. per month per family.
- (iv) 3,10,635 BPL families in all urban areas at the rate of Rs.6.30 a kg. with a ceiling of 25 kg. Per month per family.
- (v) 4,58,771 APL families in KBK district at the rate of Rs.6.30 a kg. with a ceiling of 25kg. per month per family.

The total subsidy involvement per annum comes to Rs.54.19 crores.

9.30 Distribution of Essential Commodities: Under the Public Distribution System and its sub-scheme TDPS, selected subsidized essential commodities have been / are supplied to the BPL families in the following manner.

- (i) In all the 143 ITDP and DPAP blocks, rural families having annual income not exceeding Rs.11, 000/- enlisted in the BPL list were supplied with 16 kg. of common rice per family per month at the specially subsidized price of Rs.5/- per kg from April 2000 to July 2000 and there after they are supplied with the same quantity of rice at the rate of Rs. 4.75 paise per kg. from August 2000. In addition 9 kgs. of rice are supplied to them at the rate of Rs.6.30 paise per family per month since September 2002.
- (ii) All rural families enlisted in the BPL list and having annual income not exceeding Rs.6000/- in the remaining 171 blocks were/are supplied with 16 kgs. of common rice per family per month at the rate of Rs.6.50paise per kg. from April 2000 to July 2000, at Rs.6.25 paise per kg. from August 2000 to 13th February 2001 and at Rs.6.30 paise per kg. from 14th February 2001 onwards.
- (iii) All families below the poverty line in urban areas identified and enlisted by the Housing and Urban Development Department and supplied with ration cards are supplied with 16kg. of common rice per family at the subsidized rate of Rs.6.30 paise per kg. from 01.04.2000.
- (iv) Annapurna Scheme – The State Government have introduced an Annapurna Scheme under which 10kgs. of rice per beneficiary per month free of cost is supplied to 64,800 senior citizens of 65 years of age or above who have remained uncovered under the National Old Age Pension or State Old Age Pension Schemes,

though eligible. This scheme is operating under State Plan on transfer from C.S.P. since 2002-03 and a total amount of Rs.522.16 lakhs was allocated for the year 2002-03 and Rs.580 lakh for 2003-04.

- (v) Antyodaya Anna Yojana -The poorest of the poor families in the State are covered under this scheme since September 2001. During 2002-03 a total number of 5,05,500 such families were being supplied with 25 kgs. of common rice per family per month at the rate of Rs.3/- per kg. The monthly quota under this scheme has been increased to 35kg. from 25kg. since October 2002. The State Government bear the transportation cost under this scheme which approximately comes to 1061.55 lakh per annum.
- (vi) APL families in KBK Districts: 4,58,771 APL families in KBK districts are also supplied with 25kg. of rice per month at the subsidized rate of Rs.6.30 per kg.
- (vii) Distribution of Levy Sugar – As per the policy decision of Government of India levy sugar is only to be supplied to BPL cardholders. State Government lift the monthly allotted levy sugar quota from sugar industries situated in the State as well as out side the state through Orissa State Civil Supplies Corporation Ltd. and supply the same to the retail outlets through the storage agents. Since October 2002 no levy sugar has been lifted by the State Government nor supplied to the retail outlets. It is understood that because of narrow gap between market price of sugar and PDS sugar, demand for PDS sugar declined and a stock worth nearly Rs.11 crore got damaged, compelling the government to stop its supply through PDS outlets.
- (viii) Distribution of Kerosene Oil : Kerosene oil is supplied at the rate of Rs.9.30p. to the card holders in the scale of 4 liters per month per card both in urban and rural areas for all category of card-holders. Besides, in weekly markets and selected market places it is being made available to non-card holders also at the same rate but not exceeding half-a-liter at a time. The retail outlets lift kerosene oil from sub-wholesalers.
- (ix) Distribution of Wheat: Wheat is supplied through PDS outlets only to the APL families at the rate of Rs.7/- per kg. This rate is prevailing since 01.07.2002. Supply of wheat depends upon availability of stock/allotment by Government of India and therefore there is no regularity in supply. When available the same is supplied at the scale of K.9.455 gram per family per month since May 2003.

9.31 Quantity of essential commodities received from Government of India : The following quantities of essential commodities were received from the Government of India during the period 2000-01 to 2003-04 for distribution through PDS.

Sl.	Commodity	Unit	Received During			
			2000-01	2001-02	2002-03	2003-04
1.	Rice (APL, BPL, AAY)	Lakh M.T.	9.95	9.97	27.12	24.90
2.	Rice (AP)	Lakh M.T.	-	-	0.08	0.08
3.	Sugar	Lakh M.T.	1.75	1.08	0.99	0.27
4.	Wheat	Lakh M.T.	0.90*	-	3.00	3.60
5.	Kerosine Oil	Lakh KL	4.91	4.24	4.08	3.99

*0.90 – Only for BPL

9.32 Measures to Prevent Recycling of Subsidized Rice: During the year 2001-02 and first part of 2002-03 the retail price of common rice under APL varied from Rs.9.25 paise to Rs.8.20 paise a kg. During the same period common rice was being provided to BPL families at the rate of Rs.4.75 paise a kg. in ITDP and DPAP blocks and at the rate of Rs.6.30 p.a kg. in non-ITDP blocks. Again Antyodaya rice was being supplied at Rs.3/-a kg. The retail average price of common rice in the State during 2001 was Rs.7.97 a kg. And the rate had fluctuated during different months in between Rs.8.20 p. to

Rs.7.75 p. The average price of such rice for seven selected centres was Rs.7.95 a kg. during 2002. Thus, a wide gap existed between the market price, APL price and BPL price which could have opened / could open a floodgate for recycling and malpractices. The following measures are adopted for preventing and lessening such apprehension.

- (a) As far as practicable, the purchase of paddy is confined to RMC yards / subyards / Krushak Bazars through farmers identity cards and the markets are kept under strict vigilance of a designated officer.
- (b) Millers purchasing paddy from other districts are asked to obtain a certificate from the concerned collector / designated officer about the quantity of paddy purchased and genuineness of price paid.
- (c) Complete and correct accounts are insisted upon from the rice millers with stipulations of crosschecking with infrastructure facilities available, electricity / energy consumed, receipts granted to farmers for the purchases, etc.
- (d) Retail level committees have been constituted for each outlet to oversee the smooth functioning of PDS work. Such committees function as vigilance committees and consist of three members nominated by the sub-collector including two ladies and one SC/ST, three members nominated by the concerned G.P. and a nominee of the M.L.A. The ward member / councilor is the convener.
- (e) Block Level Advisory Committee (B.L.A.C.), Town Level Advisory Committee (T.L.A.C.) and District Consumer Protection Council (D.C.P.C.) have been constituted to monitor and suggest measures for improving the effectiveness of the system.

9.33 In Block Level Committee the sub-collector is the chairman with nominees of M.P. and MLA, Chairman P.S., B.D.O., one nominated member of P.S, one Sarpanch nominated by the collector and 3 consumers nominated by collector including one lady and one SC/ST person are members, apart from few officials. In the Town Level Committee either the collector or sub-collector is the chairman, with nominees of M.P. and MLA, chairman of the ULB, E.O of the ULB, 2 members from among the elected councilors and 3 consumers nominated by the collector and few official members. The collector is the chairman of the DCPC where all M.Ps and MLAS of the district or their nominees, President Z.P, all chairpersons of the samities all chairpersons of the U.L.BS and 15 nominated persons apart from some officials are members.

9.34 Problems, Shortcomings and Recommendations: Public Distribution System in the state has played a vital role in providing food to the mouths of the starving population and counter-attacking hunger. It is one of the several ventures in the field of poverty eradication. The system has also acted as a strong stratagem for keeping prices of foodgrains under control and preventing hoarding. In addition to the distribution of subsidized rice, levy sugar, wheat and k.oil, the PDS also handles supply and distribution of other essential commodities like edible oil, dal, potato, onion and salt at the time of scarcity which indirectly also prevents price escalation and hoarding. But all is not well with the system. There are some inadequacies and drawbacks, which have to be tackled for improving credibility of the system and to make it distress and destitute-friendly.

- (i) Public Distribution System, which provides 'food security', still has no statutory force. No law has been enacted to enforce the scheme and failure of any retailer or other agency in providing the ration/quota is not yet punishable. The Commission are of the view that statutory rationing instead of informal rationing should be a considered for ensuring 'food security'.
- (ii) The system is run only through bureaucrats with no/or insignificant involvement of peoples' representatives and therefore lacks transparency and spontaneity. Close involvement of traders in the disguise of 'storage agents' and privately run 'fair price shops' makes the system oblique for the people. The Commission suggest that the system may be further activated and made transparent by involving the three tiers of the Panchayati Raj Institutions as indicated in the 'Activity Mapping' under Chapter – IV. Briefly, it may be mentioned here that the Panchayati Raj Institutions may be associated with (i) ensuring availability and movement of essential commodities, (ii)

demand assessment, (iii) assessment of storage requirements, selection of locations for storage and retail outlets (iv) issue of ration cards including elimination of spurious cards (v) vigilance, enforcement and redressal of public grievances and (vi) Linking of PDS with other poverty alleviation programmes.

- (iii) Since Public Distribution System is now a constitutional responsibility of the PRIs, their absence or little presence in the retail level committees, block level committees and in District Consumer Protection Councils is indefensible. In West Bengal, there is a standing committee both at Z.P. and P.S. level for 'Food and Supplies'. The Z.P. is assigned with (i) Distribution of Ration Cards and (ii) Supervision over the distribution of monthly ration commodities through M.R.Shops. In Andhra Pradesh Z.P. is entrusted with conduct of public distribution system including licencing and control over fair price shops. The Block level Samiti and the G.P. assist in the work through selection of beneficiaries, overseeing fair price shops and in reporting shortages and malpractices. In Karnatak, the Z.P. looks after Public Distribution System and the samiti supervises distribution of essential commodities. The G.P. is entrusted with the task of (i) Promotion of public awareness with regard to the distribution of essential commodities and (ii) monitoring the public distribution system. In our state somehow none of the PRIs or the ULBs have any specific responsibility. It is better to involve them more actively and to empower them to inspect accounts, stocks & stores, commodity sale registers, etc. Such functions and powers can be exercised through suitable standing committees at all the three levels, by abolishing the Retail Level Committee, Block / Town Level Advisory Committee and District Consumer Protection Council.
- iv) Instead of entrusting supervision and monitoring works to the Gram Panchayats, they are forced to take up the P.D.S. outlets particularly in ITDP/DPAP Blocks and inaccessible and difficult areas. They are virtually pushed to undertake entrepreneurship notwithstanding their lack of ability to manage such a public enterprise. The policy of such entrustment can be defended with a horde of reasons as public ownership of fair price shops has certain advantages over private ownership. They are asked to carry on the retail business under PDS, as its objective is to protect social interest but not profit making. We agree that G.Ps being an integral part of the local self-government should not also aim at any profit in managing such an enterprise. But should they be compelled to incur losses and to meet the loss either from the scanty Grama Fund or from the pockets of the employees? The very fact that the G.Ps are asked to open fair price shops where private persons do not come forward shows that 'lack of profit' or 'apprehension of loss' is certain in such places. G.Ps face loss from such fair price shops due to various factors including, (i) Less permissible margin compared to transport charges involved, (ii) variation of the margin from commodity to commodity (iii) less weight in bags (iv) weigh loss in the process of retail sale, and (v) deprivation of loading and unloading charges. The G.Ps having such retail outlets do not get any managerial subsidy or business subsidy nor there is any provision to write off such loss. It is complained that the G.P. Secretary or salesman is made liable by Local Fund Audit for such inherent loss and for the pilferage in weight by the storage agents. The loss gets neutralized or minimized only through manipulation. The private retailers do not face such loss only because they are better manipulators. The Commission therefore, recommend that the practice of appointing G.Ps as retailers under P.D.S may either be discontinued or if cannot be discontinued in public interest, they may be provided with the actual transportation charges, loading and unloading charges, compensation for loss of weight and managerial subsidy etc, so that the benefit of the system is not spoiled through manipulation or through misutilisation of Grama Fund.

- (v) As already mentioned under the system, the retailers do not get any transportation charge or loading and un-loading charges for lifting the stock from the godowns of the storage agents and to transport the same to the retail points, irrespective of distance and mode of conveyance. The retailers are required to deposit cost of stock to be lifted in advance through bank drafts only and the bank drafts are to be handed over to the Inspector of Supplies in advance who issues release orders. Neither the bank draft commission nor the travelling expenses involved in getting the bank draft or delivering it is reimbursable. The retailers manage such expenditures only through the mechanism of manipulation as the margin allowed and the value of the gunny bags are not even adequate to meet the establishment cost of hire charges of godown and cost of Salesman/weighman/ watchman etc. The dishonest practices adopted by the retailers ultimately dwindle credibility of the system and contribute to the recycling of subsidized rice. The cost aspects of the scheme should, therefore be recast by taking care of all the recurring expenses comprehensively, so that its credence is not allowed to be eroded further. The actual transportation cost, weight loss etc. should be reimbursed by the State Government to the retailers through P.S. and the burden should not be shifted to the shoulders of either the retailer or the consumer.
- (vi) No enterprise can thrive without meaningful profit. Private entrepreneurs never shirk from indulging in malpractices for maximizing their profit. In P.D.S. the retailers are allowed a margin of (i) Rs.10/- per quintal of rice under Antyodaya and Annapurna sub-schemes (ii) Rs.14/- per quintal of BPL / APL rice and APL wheat, and (iii) the empty gunny bags that contained rice / wheat. The retailers are to meet the transportation cost, loading and un-loading charges, shortage towards weight loss, hire charges of godowns and all sorts of establishment cost out of such margin only. Thus, there is hardly any scope for profit for him as all the expenditures involved weigh much heavier than the margin allowed. The fair price shops are not philanthropic institutions doing voluntary work spontaneously for uplifting the standard of living of the poor. Even voluntary organisations rarely serve people without aiming at some sort of reciprocity and often they get government patronage in several ways. But PDS retail outlets are left to themselves to make both ends meet. All concerned conveniently forget that they are not centres of social services. The result is disastrous. They are unable to meet the growing needs of the people. They remain busy in paper adjustments and adopt various manoeuvring tactics to make up the loss and to get some profit. They grease the wheels in dirty hands. Providing food to the starving people being a very humble objective of a welfare government, there should be no hesitation to subsidise P.D.S. by providing for all incidental expenses including at least a small margin of profit to the retailer. He who seeks equity must do equity.
- (vii) As already mentioned there are 23856 fair price shops in the state. There were 79,02, 226 number of ration cards as on 30.09.2003 (provisional). Thus, on an average one retail shop exists for 331 ration cards. This appears adequate, but it is noticed that there are less number of outlets compared to cardholders in some of the districts. For example, in Kalahandi district for 290559 card holders there are 257 fair price shops, i.e., one for every 1131 number of cardholders. It is one shop for every 1146 cardholders in Rayagada district. In Kenonjhar district it is one shop for every 771 number of cardholders and in Nuapada district one shop for every 716-card holders. Since the fair price shops provide an essential service to the poor, the Commission recommends that one fair price shop may be provided for every 350-card holder on an average in every Panchayat Samiti. If more number of shops are opened physical accessibility of the poor to such shops can improve.

- (viii) Virtually only common rice is being provided to the poor through the fair price shops at subsidized rates. Other essential food items like dal, edible oil, potato, onion, etc. remain outside the purview of PDS and out of reach of the poor. Like subsidized food subsidised clothing is also a bare necessity for improving standard of living of the vulnerable people. Hence, few more food items and coarse cloth, both for male and female, may be provided through PDS outlets or at least in weekly market places in ITDP/ DPAP Blocks at subsidized rates to the BPL card holders.
- (ix) Presently, the BPL families get monthly ration of 25 kg. of rice (except Antyodaya Anna Yojana families who get 35 kg) at subsidized rates. If average size of a family is five, the per head quantity of rice comes to 5 kg. only per month or 167 grams a day. 167 grams cannot provide even a single square meal per day. Government should increase the monthly quota per family to at least 35 kg for all BPL beneficiaries.
- (x) There is neither any profit in the retail business under neither PDS nor any incentive for good work or for raising level of efficiency. Sometimes, incentive does wonders. The small entrepreneurs might be lacking in enterprising skill but they definitely handle a hazardous and risky responsibility. If encouraged they may jump up to render better service by shedding their self-interest. An incentive subsidy may therefore be introduced of to push up efficiency level of the fair price shops under the system.
- (xi) The fair price shops are meant for people with very low purchasing power, who are unable to purchase the permissible quantity of subsidized rice at a time. Besides, the shops do not also remain open on all the days nor follow any "fixed opening hours". The shops can definitely render better service if the subsidized foodgrain is available for sale at least in 4 instalments in a month i.e. once a week, on fixed dates, for different villages. Arrangements should also be made to keep the shops open throughout the month (except on weekly holidays) and during fixed shopping hours. For ensuring regular supply of foodgrains, stocks should be lifted up by the retailers sufficiently in advance of the commencement of a month.
- (xii) The entire Public Distribution System appears to be running amid a lot of confusion and complicacies. The income cut off line for different areas is different. The people within a particular income group, even within the BPL, do not get the same quantity at the same price. Such type of differentiation appears to be discriminatory and cumbersome. The Commission recommend that the entire system may be simplified by fixing a single income cut off line, a single quantum of food grain per family per month and a single price for all consumers below the cut off line.
- (xiii) Last but not the least is the problem of fake, spurious or ghost cards floating in the system for grabbing the subsidized commodities and channelising them through black market. Existence of such cards has to be eliminated and black marketing practices curbed down for improving effectiveness of the system.

9.35 Poverty abounds both in rural and urban areas. There is also regional variation in the intensity and incidence of poverty. Procurement of foodgrains by providing support price and sale of a portion of it at subsidized price help in mitigating poverty everywhere. The curse of poverty has to be removed at the earliest possible time both on ethical and economic considerations. But bureaucratic machinery alone may not be able to make the system serve every needy person. All is not pink and roses in the government organisation. The government officials have to seek helping hands of the

peoples' representatives to make the benefits of the scheme reach the needy masses. Let not lack of spontaneity and co-operation crumble the high hopes of the scheme. There is no enemy as vicious as hunger and such an enemy has to be opposed whole-heartedly, unitedly and openly. Food is the first need of a living creature and no financial constraints should stand on the way of providing foodgrains to the starving people.

9.36 Primary and Secondary Education: The 11th Schedule (item No.17) assigns the subject of "Education, including primary and secondary schools" to the PRIs under the 73rd Amendment Act and the 12th Schedule (item No.13) entrusts "Promotion of cultural, educational & aesthetic aspects" as a matter of responsibility to the ULBs.

9.37 The Commission in Chapter – VII on Devolution of Resources have observed that the Panchayats should look after Primary (including Upper Primary) Schools through an Education Committee of 7 members of the village, where there is a primary school, in regard to attendance of teachers and students, quality of education and such other matters as they think necessary and report to the Sarpanch every week. The Sarpanch will report the same to the P.S./Z.P. and the latter will send the suggestions to the D.I. of Schools for necessary action, in consultation with the Collector of the District. The Committee has also recommended that the funds flowing to the Panchayats from different sources for primary education should be untied grants, leaving the Panchayats free to spend them as per their need assessment.

9.38 The Commission have also recommended that the Z.Ps. should play an effective role in the field of secondary education in meeting deficiencies in maintenance, in providing infrastructure and in improving the quality of education. Accordingly, the Commission have recommended a scheme of grant-in-aid in favour of Grama Panchayats and Zilla Parishads in Chapter - VIII

9.39 The Commission, in the Activity Mapping suggested in Chapter - IV under item.17, have recommended specific functions in the fields of Secondary and Primary education at the levels of the Zilla Parishads, Panchayat Samities and the Grama Panchayats. The State Government should take action to fruitfully implement these assignments, so that the goal envisaged in assigning the subject to the 11th Schedule (item No.17) is achieved.

9.40 Similarly, in case of ULBs, as a part of the function to promote educational aspects, both primary and secondary education should be brought within their functional responsibility. This has been discussed in detail under the head "Functions of the Urban Local Bodies" in Chapter -IV, which applies both to PRIs and ULBs. The Commission feel that both ULBs and PRIs should be provided with authority and funds to enable them to make sincere efforts for improvement of the system. While the teachers may remain under the Education Department, with technical control in the hands of the D.Is. and S.Is, administrative and financial power may be given to the PRIs and ULBs for effective supervision and monitoring and provisioning of funds to meet maintenance deficiencies and infrastructure requirements. Though said before, these words are being reiterated here again to emphasise the point made by the Commission.

9.41. The Commission recommend that the Oriya rendering of the whole report of the Second State Finance Commission should be made available to all the local bodies within one year of submission of the report.
