

CHAPTER – V
SURVEY OF LOCAL BODIES

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(1) PANCHAYATI RAJ INSTITUTIONS (PRIs)

5.1 In view of the growing importance of Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs) 'as institutions of self-government' facilitating local area development and social justice, the State Finance Commission (SFC) felt it necessary to prepare questionnaires for each level of local bodies with a view to collecting certain key and basic information relating to their sources of income and the respective importance of such sources, economic activities they are engaged, net work of roads, provision of drinking water and sanitation facilities, waste disposal, treatment of sewerage, social sector development and social justice, etc. The SFC felt it necessary to get information regarding their projections of future income and expenditure for the next five years. Information was also required about their size of population, concentration of Scheduled Caste (S.C) and Scheduled Tribes (S.T) population, rates of literacy, both male and female in each of the Gram Panchayats and urban local bodies and the institutional facilities provided for primary and secondary education.

5.2 The SFC is of the opinion that local bodies, particularly at the village level are institutions needed for more than growth. They have to deal with problems relating to agriculture, industry, infrastructure, and environment and to an extent with sustainable development. They have to create employment opportunities, help designing programmes and implement them for different class groups, and help in evolving a new social fabric based on trust and equity. PRIs and ULBs as democratic institutions have to look at the interests of all the stakeholders and solve social conflicts through their credible commitments and performance.

5.3 The Commission believe that local bodies in Orissa, particularly the PRIs starting with the GPs have to initiate appropriate measures based on surveys and feasibility studies for diversified growth of the rural economy and at the same time ensure sharing of benefits, always keeping the poor, downtrodden and vulnerable sections of population at the centre –stage of local development programmes. Long-term redistribution of growth strategy apart, the PRIs and ULBs have to bring short-term redistribution benefits to these sections of the society, create basic confidence in the society for sustainable development and social justice. This naturally calls for creation of opportunities for the households in low-income category. Thus the local bodies have a constitutional responsibility to do everything possible to reduce poverty, to expand education, reduce IMR, improve sanitation, improve life expectancy, provide relief and assistance to artisans, social groups like the weavers in developing their skill, activities and trade. In fact, both the PRIs and ULBs aim at improving living standards of the people.

5.4 The Commission felt it necessary to acquire information regarding the development of agriculture in rural areas in general and at the level of each of the Gram Panchayats in particular. Any long-term approach to growth in rural India- Orissa being pre-dominantly rural with approximately 85 percent of people living in rural areas - has to look at agriculture development, cropping pattern, use of capital, irrigation facilities and availability of infrastructure etc. Access to such basic information and knowledge would help the Commission in taking a better perspective while devolving funds and awarding grants-in-aid for development and economic well-being of the people.

5.5 Information relating to agriculture has to be added with supplementary information regarding development of allied sector activities like animal husbandry, goatery, poultry and pisciculture, etc. Pisciculture has always been an integral part of village life. Its development not only provides the households with access to higher income but also with increased nutrition. Fish constitutes almost a part of daily menu for people in both rural and urban Orissa.

5.6 In recent years the Government of Orissa has been providing financial and other assistance to rural households for fish cultivation – the popular slogan being 'We Grow Fish and Grow with Fish'. How then the water resources (where fish is cultivated) and fisheries in Orissa's / villages have been developed and contributing to the income of the concerned households? Another important area, which shows signs of vigorous growth in Orissa, is the development of horticulture, both at the individual level and the community level. This provides a good example of how greater participation in

this area can create avenues for more income and prosperity. This can also create value-added activities and employment in the community.

5.7 Actualisation of development goals in agriculture, industry, poverty alleviation, income enhancement and creation of new and additional job opportunities and efficient utilization of resource endowments like land, water, minerals and precious stones would be possible only when among other things financial institutions like the commercial banks provide finance and fulfill their social commitment. A long-standing allegation against the commercial banks in Orissa is their failure to provide adequate credit to the priority sector and for the implementation of target oriented development programmes. This point has been raised both in official and non-official quarters. The Commission felt it imperative to collect relevant information about the lending operations of commercial banks and co-operatives at the G.P. level.

5.8 Trapped in abysmal poverty, rural people migrate to large cities and towns in and outside Orissa in search of jobs and income. However unattractive and unhygienic their working and living conditions may be in cities and industrial towns, they find migration offering them an opportunity to break free from the poverty traps. That is the way – living in slums and squalor, and working in unhealthy conditions – they make an attempt to find their own way out of poverty and hunger. Since there are reports of rural people fleeing their homes in groups after groups from Orissa, the Commission sought information from the GPs regarding the nature and incidence of migration of both male and female labour from Orissa.

5.9 A region's economic development, resources like land, water, forests, population and manpower, physical geography and land scape and even the social institutions like families, social relationships and social structures may get dangerously destroyed or damaged by natural calamities. Assets will be lost. So also incomes, life and property. Homes, animal power, roads, schools, medical centres, community property like trees and orchards may get lost completely or damaged wholly or partially. Diseases like cholera, malaria, diarrhoea and mental sickness may spread. Natural calamities cause complete havoc and life comes to a standstill position. No words and no estimates can ever explain their loss and suffering. The socio-economic human consequences of the 1999 Super-Cyclone in Orissa are still very fresh in peoples' minds. The Commission felt that it would be a correct step and in the right direction if information could be made available by the GPs relating to Cyclones, Flood, Drought, Earth Quake, Pest Attacks, and Sunstrokes etc. Such information would be very useful for the SFC to formulate its grants-in-aid and other policies. The SFC may also examine and even suggest new areas of activities for the GPs to deal with such emergencies.

5.10 An important idea that has always been with the Commission from the very beginning of its work is to build up Data Bank, based on collection and processing of data from the Gram Panchayats, Panchayat Samities, Zilla Parishads, Municipal Corporations, Municipalities and Notified Area Councils. Development of Data Bank would prove immensely useful not only for this Commission but also for subsequent State Finance Commissions for formulation of sound policies both for the rural bodies and urban institutions. Accordingly prepared questionnaires both in Oriya and English were sent to all the 6234 Gram Panchayats, 314 Panchayat Samities, 30 Zilla Parishads and 2 Municipal Corporations, 32 Municipalities and 69 NACs. Because of a number of constraints including shortage of time the Commission took the decision to process and analyse the questionnaires received from 4771 G.Ps. Questionnaires received from Panchayat Samities and Zilla Parishads and other government functionaries at the district and state level could not be processed.

5.11 The Commission has always been of the opinion that development policies apart from being related to finance must be rooted to the soil – to the people, to the institutions and to resource endowments. Basic information thus collected would provide the SFC with many starting points to address the problems of population, agricultural productivity, industrial growth, infrastructure, gender development, poverty and hunger, unemployment, education and health which vary from one Gram Panchayat to another Gram Panchayat in Orissa.

5.12 It may in this context be mentioned that right from the preparation of questionnaires to the procedure of collection of data from the grass root institutions is a new approach. Since the grass – root institutions are neither trained nor accustomed to collation of data sought for, the quality of data supplied may not be of appropriate standard. Never the less this is a good beginning and data collected deserve discussion in proper perspective. For further collection and collation of reliable data and their preservation at the grass root G.P. level sincere, continuous and consistent efforts should be made.

5.13 Based on data as furnished to the SFC by 4771 GPs out of 6234 G.Ps. the following important problems / issues are highlighted below.

(A) POPULATION

5.14 Scheduled Caste and Scheduled Tribes population in the State constitute 38.4 percent of its total population. Economic development so far has not produced any strong and significant impact on ST and SC population. Between these two groups of population ST population continue to be more deprived and exploited and constitute the most disadvantaged segment of our population. It may in this context be noted that 407 GPs out of 3884 GPs reported to have a concentration of more than 75 percent ST population, and 1259 GPs out of 3884 GPs have ST population exceeding 50 percent.

5.15 In contrast 67 GPs out of 4618 GPs reported SC population exceeding 50 percent and only 458 GPs out of 4618 GPs reported about the size of SC population exceeding 30 percent.

5.16 This indicates the need for protection and development of ST and SC population on a priority basis in these blocks and further this also calls for improvement in the quality of governance, and organizational focus for their development and well being.

(B) POVERTY

5.17 Empirical analysis carried out by the SFC indicates that 3107486 number of families in 4295 Gram Panchayats reported to be living below the poverty line. The results indicate that institutional interventions and growth achieved at the national and state levels have not been successful or effective enough to create any lasting impact on the poverty of the households at the grass root level. The results also suggest the need for redesigning of policies and schemes and better implementation and monitoring. Such policies are to be worked out keeping in view the geographical, ethical and institutional differences across the different regions in the state.

(C) SOCIAL SECTOR

(i) LITERACY

5.18 Orissa, in terms of literacy, is lagging behind many states like Kerala, Meghalaya, Tamilnadu etc. It is painful to note that at the disaggregate level, there are 62 GPs out of 3698 GPs with less than 10 percent literacy, 189 GPs with less than 20 percent literacy and 415 GPs with less than 30 percent literacy and 1340 GPs with less than 50 percent literacy. Such low level of literacy particularly in tribal areas is a reflection both on educational institutions and policies that have failed to achieve success.

(ii) EDUCATION:

5.19 Development of education is an important area of human capital formation. All children in the age group of 6 to 14 years should have access to education. Schooling facilities are therefore to be provided to all children in all the villages of Orissa. The Commission note that as many as 4084 GPs out of 4771 GPs responding to the questionnaire do not have primary schools and still a large number of villages / hamlets numbering 6485 in 4771 GPs are located at a distance of 1 K.m from the existing primary schools. It has also earlier been reported in many quarters that there is no universal enrolment of children in schools and a large number of children drop out of schools altogether. School attendance is not only affected by the non-existence of schools in the villages or in nearby villages, but also by low parental income. Prevalence of child labour both in the home and in the market has also an adverse impact on the schooling of children. As they work for long hours their attendance in the schools declines. Poor schooling and declining participation of children in the age group of 6 to 14 years are two major problems in Orissa.

(iii) HEALTH & SANITATION

5.20 Policy makers have always been emphasizing the role of health, and sanitation in economic and human development. All people irrespective of class, creed and religion should enjoy equal

access to health facilities. The Commission could find that as many as 3090 GPs out of 4771 GPs which responded to the queries have no PHC / Adl. P.H. / Dispensary. This is in addition to 846 GPs, which do not have health center facilities within a distance of 5 kilometers. Absence of minimum health facilities for the rural households in so large a number of GPs constitute not only a proximate cause of ill-health, infant mortality, maternal health problems and poverty but also beg the questions as to why these GPs do not have health centres. Societies, which try to build human capital, have always been encouraging investment in education, health and sanitation.

5.21 It may also be noted that, as many 28638 schools in 4771 GPs do not have sanitary toilet facilities. There is also empirical evidence that 1589543 families in 4771 GPs and 313 villages in 4771 GPs do not have sanitary toilet facilities and public / community sanitary facilities respectively. It is thus clear that health facilities are still not available to a large number of people and particularly the poorer households which cannot possibly afford sanitary / toilet facilities still suffer from degraded and unhealthy environments. As this study has revealed a large number of deficits or gaps in the health sector, Government of Orissa and other concerned departments of the government may re-examine their approach to health and sanitation and bring about suitable changes in their policies and programmes.

IV) DRINKING WATER

5.22 Access to primary education, health and sanitation and safe drinking water constitutes a necessary condition for overall human development. Life becomes unsafe and vulnerable to water-borne diseases if the households in rural areas are deprived of drinking water. It is alarming to note that as many as 3326 primary schools do not have tube wells to provide drinking water to their students. At the same time there are 400308 families who have to cover a distance of 250 metres to fetch drinking water.

5.23 These findings on literacy, education, health, sanitation and drinking water - important aspects of social development policy - provide the Commission with a perspective to issue guidelines to the PRIs to reformulate their policies and reprioritise their development spending.

(D) (i) AGRICULTURE

5.24 Agriculture still forms the backbone of Orissa's economy. What has been the impact of agriculture development policies pursued in Orissa so far? 2334 GPs reported that they have 813723 hectares of irrigated land, the irrigation sources being canal irrigating 553636 hectares in 1649 GPs, groundwater irrigating 101063 hectares in 1301 GPs and the total percentage of irrigated land to total agricultural land stands as low as 14.38 percent in as many as 1688 GPs.

5.25 As regards the cropping pattern, 2594889 hectares of land in 3548 GPs are reported to be under single crop production vis-à-vis 637405 hectares in 2646 GPs where double crops are produced. As against this more than two crops are raised in 100 hectares in 838 GPs. These findings about the use of land for single crop, double crop and more than double crops should raise serious questions about the failure of agriculture development programmes to diversify crop production and make optimal use of land and water resources.

(ii) PISCICULTURE AND OTHER ALLIED ACTIVITIES

5.26 Economists have long advocated the development of agriculture and allied activities to usher in real development in rural areas. Put in terms of policy options, it implies the development of activities like dairy, poultry and pisciculture. Of late there has been a shift in peoples' demand for consumption of more and varied types of fruits. While development of pisciculture continues both on traditional and modern lines by the rural households, more and more of areas are now used for horticulture production.

5.27 In view of the large number of pisciculture tanks numbering 91516 in 4086 GPs along with 32687 number of private pisciculture tanks and 17484 community tanks under pisciculture, appropriate policies may be formulated to create an enabling environment free of legal hurdles and with clear legal ownership titles for tanks under the possession of the GPs in Orissa. Pisciculture has proved to be a veritable source of income for the GPs.

5.28 Similarly a number of factors like increase in income, change in taste and availability of marketing facilities account for the popular acceptance of horticulture in many of the districts in Orissa. It also provides the opportunity to the growers to export quality fruits to many of the developed countries. It may be noted that there are 897 hectares of land in 167 GPs, which are used for horticulture by private individuals as against 962 hectares in 179 GPs for community horticulture. Spectacular results in the area can be expected if government assistance in terms of technical assistance and marketing and storage are made available. And as regards the development of floriculture, climate and natural resource endowments favourable for floriculture in the state have not been taken advantage of. Similarly use of improved agricultural implements, which promotes productivity in agriculture, is limited. Farm households in as many as 4771 number of GPs have very limited facilities for using improved agricultural implements. Lack of irrigation, absence of diversification of crop development and non-existence of facilities for modernization of agriculture create real impediments for the development of the farm sector in Orissa.

(iii) MARKETING

5.29 Market is an important institution for agricultural development and economic prosperity. Development of marketing channels may significantly increase the share of income accruing to the producers of crops & vegetables. Out of 4771 numbers of GPs, which responded to the questionnaire, 2910 number of GPs do not have marketing facilities. Lack of marketing is thus a widespread phenomenon in Orissa. Such institutional problems may be addressed and where necessary GPs with the active support of the administration may be encouraged to explore the idea of setting up of new markets in their areas. Public Distribution System (PDS) performs the important function of making essential commodities available to the poorer households at a lower price than the market price so that the targeted families gain access to these necessities. This way protection is made available to the poorer households. It may however be noted that as many as 1133 GPs out of 4771 reporting GPs did not have any public distribution system outlet.

(E) BANKING AND CO-OPERATIVES

5.30 Several reasons may be cited for the underdevelopment of agriculture. While the government can be expected to provide necessary infrastructural services to agriculture like irrigation, energy and roads etc, provision of resource allocation to agriculture by the commercial banks and cooperatives on a priority basis is also essential for the success of agriculture. Therefore channelising of credit to the farm sector which is to receive credit from the concerned branch of the commercial bank / cooperatives to meet its planned output targets is essential for farm sector development. As yet there are many areas in the state, which don't have banking facilities. As many as 3187 GPs out of 4771 GPs reported the absence of commercial banking facilities. Unregistered money lending in the absence of banking facilities still thrives in 285 GPs vis-à-vis registered money lending in 23 out of 4771 GPs. By exercising direct controls on lending and interest rates (very exorbitant rates of interest), the moneylenders who finance the households prior to farming leave only a marginal part of the total produce for the farmers.

5.31 The commercial bank may be requested to review their lending activities and raise the quantum of credit available to the rural households.

(F) OCCUPATIONAL PATTERN.

5.32 People in rural areas suffer from a number of constraints including limited participation in economic processes and decisions. Lack of growth opportunities limits avenues of employment. Unemployment / limited employment causes low income and rising incidence of poverty. In 99 GPs out of 3051 GPs employment is available for less than 100 days, in 74 GPs out of 2378 GPs it is for more than 100 days and in 46 GPs out of 1569 GPs, it is for more than 180 days and in 20 GPs out of 753 GPs it is for more than 300 days. Attempts to solve the unemployment crisis with officially supported employment oriented programmes have no doubt made some success, but the problem remains yet to be solved. It is very important that employment guarantee programmes are restructured, if necessary and implemented sincerely at the Gram Panchayat level.

(G) INDUSTRIES.

5.33 Development of agro-industries and small industries create additional employment opportunities for the people. Perhaps because of weak infrastructure and poorly developed marketing facilities small producers and entrepreneurs are not keen to set up these units in rural areas. Such units where established are reported to be sick and closed. As many as 647 GPs in Orissa out of 4771 GPs did not have any agro-industries or small units. Based on survey and viability studies GPs and other local bodies may encourage the setting up of such units in their areas.

(H) CHILD LABOUR

5.34 An important step in the socio-economic-cultural development of an economy is the elimination of child labour. Government intervention in the matter becomes necessary to transform this source of exploitation and transfer it into a new source of social change and human development. It becomes necessary that these children are sent to schools, given training in different trades and suitably rehabilitated. This exercise may have to start from the GP. Level where these children after identification should be sent to schools and given assistance for education. As per the report furnished by 758 GPs, there are 107105 number of child labour. The figure for the entire state will be exceedingly large.

(I) ARTISANS

5.35 Artisans constitute an important segment of the population. Total number of artisan families, which stood at 538436 in 1996-97, declined to 52479 families in 2002-03. The major point to be noted about the artisans, families is that as many as 328187 families in 1996-97 lived below the poverty line compared to 37086 families in 2002-03. It is the GPs who can identify the artisan families living in poverty and initiate and coordinate policies for their development with the provision of support for the government.

(J) WEAVERS

5.36 Weavers' community, once the pride of Orissa for their exquisite craftsmanship is languishing today. Out of 98017 weavers as reported from 1593 GPs, only 61085 weavers are engaged in weaving with a minimum income of Rs.10.00 and a maximum income of Rs.200.00 a day. While it is difficult to explain such huge differences in the minimum and maximum income per day, a fundamental problem that affects this community is a gradual shrinkage in the size of market for their products. The problem that needs to be addressed by the government is the provision of state-of-art training, provision of raw materials and provision of credit by the banks.

(K) LABOUR MIGRATION

5.37 It is well know that poverty causes migration of rural labour to cities, towns and industrial places in search of employment and income. Orissa experiences regular migration of its labour force not only to cities in Orissa but also to Andhra Pradesh, Gujarat and West Bengal. As many as 563355 male labour and 132614 female labour from 1662 GPs and 1042 GPs respectively migrated from their villages. Such exodus of rural labour is not only a reflection on rural poverty and underdevelopment; it also strains the civic amenities in cities and creates a number of other problems for the government. One way of preventing such migration is to plan for the sustained development of village economy.

(L) NATURAL CALAMITIES

5.38 Between 1992-93 and 2002-03, 2346 GPs out of 4771 GPs suffered from cyclone, 2159 GPs from flood, 3507 GPs from drought, 188 GPs from earthquakes, 938 GPs from pest attacks, 1463 GPs from sunstrokes and 328 GPs from other natural calamities. Such natural calamities, which frequent the state, result in loss of life and property and cause irreparable damage to state economy. In recent

years the highest number of casualties suffered by the state was 1427 in 1999-00 and the corresponding loss of property in that year stood at Rs.127905000.00. Loss of property was the maximum at Rs.189807000.00 in 2002-03 along with the loss of 512 lives. GPs, which suffer from such natural calamities, become, in fact, poorer in terms of loss of human lives, animal assets, infrastructure, homes and buildings.

(M) AVERAGE INCOME OF THE GPS

5.39 A valid criticism of the Gram Panchayats in Orissa is their failure to mobilize tax and non-tax revenues vested in them. While the Commission have been asked to determine the principles for devolution of funds to the Panchayati Raj Institutions, the Gram Panchayats at the grass-root level should be encouraged to make efficient use of the sources of revenues assigned to them. Generation of additional funds would give them greater autonomy to plan their developmental programmes.

5.40 It may be observed that the average own income in 2002-03 for the 3730 GPs stood at Rs.46945.00. Such an estimate of average own income conceals the poor fiscal base of many of the GPs in Orissa.

(2) MUNICIPALITIES, NACS & CORPORATIONS IN ORISSA

MUNICIPALITIES:

5.41 Evolution of Urban Local Bodies (ULBs) in Orissa dates back to more than one hundred years. Berhampur is the oldest municipal body in the state with a population of about 3 lakhs. Cuttack, Kendrapada and Jajpur had Town Committees. To-day Orissa has 32 municipalities. Looked from a historical perspective, they have been playing an important role in providing an institutional framework with rules and laws necessary to promote and provide civic services to the people. In course of time, the ULBs have grown as 'institutions of self-government' looking after social development, infrastructure building, heritage protection, environment and social justice. They are also under constant pressure to provide basic social amenities to a rising population. They face a very challenging time when towns and cities experience floods, water scarcity, accumulation of garbage and storm and rainwater, mosquito menace and health hazards.

5.42 Urban Local Bodies, however, do not have a sound financial base. Many of them are relatively weaker reflecting their increased dependence on the state government and external sources like the grants received from the National Finance Commissions. At the same time they are found reluctant to take strong steps to improve their weak fiscal position. An important municipality like Berhampur which is the commercial and trade center of south Orissa mobilises above 5 crore only per annum in 2000-01 from its own internal sources. Baripada, Balasore, Bhawanipatna, Bolangir, Deogarh, Jeypore, Khurda, Rayagada and Sambalpur municipalities raise, on an average, about one crore from their own internal sources. Sambalpur like Berhampur is the commercial center of western Orissa and has great potentialities for development expansion. Kendrapara, one of the oldest municipalities earned 2000-01 a revenue of around ten lakhs only per annum from its internal sources.

5.43 Among the important sources of internal revenue, Holding Tax provides a major source of revenue. In 2000-01 as much as 25% to 50% of internal income was received from the holding tax by Brajaraj Nagar, Kendrapara and Raygada municipalities. On other hand Biramitrapur & Bhadrak realised more than 50 percent of their internal income from other Tax and Fees and Registration Fee / Licence Fee / Fines and Penalties / Other Fees. A number of municipalities like Balasore, Puri, Sambalpur, Baripada, Bhawanipatna, Jeypore, Khurda and Nowrangpur earned more than 25% to 50% from Public Property vested, Registration Fees / Licence Fees / Fines and Penalties / Other Fees and Remunerative Enterprises. Holding Tax with an ever-expanding base remains unexploited in most of the municipalities in the State.

5.44 It may further be observed that as a matter of fact both the sources of tax revenue and non-tax revenue remain unutilized to raise own revenue by the municipalities. In 2000-01 Berhampur, Bhawanipatna, Jatni, Puri and Sundargarh earned above Rs.20 lakhs from their tax revenue, whereas Balasore, Baripada, Bolangir, Brajaraj Nagar, Jeypore and Khurda earned between Rs.10 lakhs & Rs.20 lakhs. Other municipalities like Bhadrak, Biramitrapur, Jharsuguda, Nowrangapur, Paralakhemundi and Talcher could mobilise between Rs.5 lakhs to Rs.10 lakhs only. Kendrapada,

Dhenkanal and Keonjhar earned even less between Rs.2 lakhs to Rs.5 lakhs. Deogarh, a very old municipality in the State mobilized upto Rs.2 lakhs only.

5.45 Available data on tax revenue and non-tax revenue for the municipalities in Orissa show a discouraging situation against their ever-increasing money demand. This naturally increases their dependence on external Income. Among the municipalities Puri received the highest amount of external Income. It stood at Rs.336910000 followed by Balasore (Rs.32420842), Sambalpur (Rs.33866824), Bhadrak (Rs.24242000), Baripada (Rs.20440500) and Berhampur (Rs.18938296). It makes it abundantly clear that financial systems of municipalities in Orissa suffer from certain in-built weaknesses and remain dependent on external income than on their own internal income to perform their functions.

5.46 How do the municipalities in Orissa plan their expenditure? It may be mentioned that while Sundargarh spent in 2000-01 as low as 3.74 percent of its total expenditure on salary, it was the highest in Jatni at 54.72 percent, followed by Jeypore, Sambalpur, Khurda, Bolangir & Jharsuguda which spent 47.19 percent, 45.59 percent, 32.08 percent, 31.84 percent and 31.60 percent respectively. Berhampur, though the largest municipality in the state now has kept its spending on salary restricted to 9.14 percent of its total expenditure. It is a creditable achievement for Sundargarh and Berhampur municipal authorities to have been successful in controlling the growth of expenditure on salary.

5.47 Puri earns the distinction of spending the highest percentage of its expenditure on development. Its development expenditure in 2000-01 stood at 59.44 percent. While Bhawanipatna and Raygada spent 47.67% and 45.43% on development expenditure respectively it was the lowest in Paralakhemundi at 16.59 percent. Sambalpur, a large municipality could allot marginally higher expenditure for development. It stood at 19.03 percent compared to 17.48 percent spent on development by Jatni. Although all the municipalities are committed to the development of their respective areas, municipalities, which have failed to earmark a respectable percentage of their expenditure, say above 40 percent, may experience a collapse in the level of their economic activities. And this suggests that they have reasons to be cautious and careful while planning their next budget and expenditure policies.

5.48 In this context of rising trend in salary payments and declining trend in development expenditure, it is disappointing to note that municipalities like Bargarh, Biramitrapur, Bolangir, Brajaraj Nagar, Jatni and Jharsuguda have not provided public toilets in their towns. This also calls for a prioritization or re-structuring of their expenditure.

NOTIFIED AREA COUNCILS (NACS):

5.49 Next to the municipalities, the state has 69 Notified Area Councils (NACs). Size of their population varies from 10000 to 1 lakh. Anandpur and Sunabeda are the two NACs with a population of 50,000 to 1,00,000. Angul, Belpahar, Burla, Koraput, Phulbani and Titilagarh have population between 30,001 to 50,000. Other NACs like Aska, Ganjam, Nayagarh, Soro and Nilagiri in the state have a population within a range of 10,000 to 30,000. Like the Municipalities, NACs are also expected to look after development infrastructure and social sector development of their respective areas. Corresponding to the number of functions they are expected to perform their access to tax and non-tax revenues is rather limited. In 2000-01 Balimela NAC earned less than Rs.50000.00 from its internal sources, whereas Hiraikud, Karanjia, Koraput and Phulbani earned between Rs.1, 00,00,001 to Rs.5, 00,00,000. Belpahar, Bhuban, Khariar-Road and Nayagarh could earn between 50,00,001 to 1,00,00,000 from their internal sources.

5.50 Holding Tax constitutes an important source of tax revenue for the NACs. In 2000-01 Bhanjanagar, Buguda, Karanjia, Soroda and Udala earned more than 50 percent of their internal income from Holding Tax. It is these NACs, which have been making better use of Holding Tax compared to other NACs. Banpur, Khalikot, Kodala, Konark and Rambha had to depend on Other Tax and Fees to mobilize more than 50 percent of their internal income whereas Balimela and Barapali earn more than 50 percent of their revenue from Registration Fees / License Fee / Fines & Penalties / Other Fees. Jaleswar and Nilagiri used the public property vested in them to get more than 50% of revenue and Bhuban got the same from remunerative enterprises. Other NACs including Anandapur, Soro, Kabisuryanagar and Sunabeda could get more than 50% of their revenue from other internal incomes.

5.51 NACs like Kesinga, Malkanagiri, Polasara and Titilagarh could mobilize in 2000-01 25% to 50% of their internal income from Holding Tax. Athagarh, Hinjlikatu, Karanjia, Pattamundai, Polasara and Rairakhol could raise 25% to 50% of their internal revenue from Registration Fees / License Fee / Fines and Penalties and Other Sources. While the use of Public Property could yield 25% to 50% of internal revenue for Athagarh, Gunupur and Padmapur etc. Angul, Junagarh, Malkanagiri and Nimapara could earn that amount of revenue from their remunerative enterprises. NACs like Angul, Belpahar, Burla, Khandapara and Malkanagiri could raise between 25 percent to 50 percent of their internal revenue from other internal incomes.

5.42 In an effort to understand the relative position of tax revenue and non-tax revenue in the financial structure of the NACs, it may be observed on the basis of information furnished to the Commission that only Belpahar, Hirakud, Karanjia and Phulbani NACs could mobilize above Rs.20 lakhs of tax revenue per annum in 2000-01. Many of the important NACs in the State like Nimapara, Kamakshya Nagar and Padmapur could earn upto 2 lakhs in tax revenue compared to Anandapur, Bhanjanagar, Nayagarh and Titilagarh etc. whose tax revenue for the same year varied from Rs.2 lakhs to Rs.5 lakhs only. Angul which boasts of Nalco, Sunabeda known for HAL and Khalikote raised tax revenue between five lakhs to ten lakhs. Digapahandi, Konark, Koraput and Rairakhol, however, performed better and collected tax revenue ranging from Rs.10 lakhs to Rs.20 lakhs.

5.53 Belpahar, Hirakud and Phulbani show consistent and sound performance in the collection of both Tax Revenue and Non-Tax Revenue. Their collection of non-tax revenue in 2000-01 like that of tax revenue exceeded Rupees twenty lakhs. Other NACs like Anandapur, Angul, Bhuban, Koraput, Sunabeda, Nayagarh, Burla & Digapahandi could also raise their non-tax revenue above Rupees twenty lakhs. On the other hand non-tax revenue collection of Athagarh, Balimela, Banapur, Buguda, Kodala, Konark and Polasara was limited upto Rs.2 lakhs. NACs like Bhanjanagar, Jaleswar and Titilagarh could raise their non-tax revenue between Rupees Two lakhs to Five lakhs. Aska, Belaguntha, Hinjlikatu, Karanjia, Nilagiri, Padampur and Soro etc. could mobilize non-tax revenue between 5 lakhs to 10 lakhs whereas NACs like Boudhagarh, G.Udaygiri, Gunupur, Kabisuryanagar and Tarava had non-revenue collection between Rupees Ten lakhs to Twenty Lakhs.

5.54 NACs in Orissa in 2000-01 gave a better performance in the non-tax revenue sector compared to their collection efforts in the tax-revenue front. The diversity of performances experienced in revenue collection by the NACs in Orissa suggests the need to have NAC- specific policies to augment their tax and non-tax revenue collections.

5.55 Collection of own revenue, that is, tax and non-tax revenue by the NACs, as it is, is not enough to enable them to make increasing investments in physical infrastructure and social sector development including health and education. If one looks at the sources of revenue available to the Municipalities and NACs, their relatively poor growth performance in revenue mobilization is due to their failure to enforce the tax laws and overcome complacency in tax and non-tax revenue collection.

5.56 Given the manifold functions and activities assigned to the NACs, their own revenues are hardly adequate to finance them. They depend on external funding – funding from the state government & Central Finance Commissions to implement the functions assigned to them. All the NACs in Orissa as reported by them excepting Athagarh, Athamallik, Chhatrapur, Ganjam, Soroda and Udala received financial assistance from external sources. While Kantabanji received more than twenty-three crores, Belpahar received more than fifteen crores. Banki NAC received the lowest amount of external assistance. It was only 23700.00 (twenty three thousand seven hundred) only. Such external finance provide the NACs with an opportunity to undertake activities in priority areas or in those areas as identified by the NACs concerned.

5.57 It may be interesting to look at the existing pattern of expenditure of the NACs. The two important areas of expenditure are salary payments to the employees and development expenditure. It may be noted that some of the NACs incur more than 50 percent of their expenditure on salary payments. In 2000-01 Rambha NAC spent 88.23 percent – the highest in the state – followed by Buguda (58.89 percent), Belaguntha (57.54 percent), and Karanjia (56.87 percent). On the other hand Binika NAC spent the lowest percentage of 1.01 of its expenditure on salary. In case of Aska, Kashinagar, Phulbani and Koraput, their expenditure on salary stood at 3.97 percent, 5.94 percent, 8.58 percent and 9.10 percent respectively. Belpahar which gives an impressive performance in both tax and non-tax revenue collection has kept its expenditure on salary at 18.77 percent.

5.58 The Commission also examined the allocation of expenditure for development by the NACs. Percentage of development expenditure to total expenditure by the NACs remained distressingly low

at 5.04 percent, 7.17 percent and 8.74 percent for Tarava, Bhanjanagar and Rambha respectively. Banapur, Konark & Padampur allotted less than 14 percent of their expenditure to development. The situation is marginally different in Digapahandi, Kamakshayanagar, Anandapur and Kabisuryanagar where the corresponding percentage of development expenditure stood at 15.23, 15.96, 16.70 and 16.90 respectively. Binika NAC allotted the highest percentage of its total expenditure to development. It stood at 77.82 percent followed by Pattamundai, Malkanagiri and Kodala which allotted 74.73 percent, 77.13 percent and 72.01 percent of their expenditure to development respectively.

5.59 Many of these NACs like Tarava, Rambha, Barapali, Ganjam, Kabisuryanagar and Kamakshaya Nagar are yet to provide Public Toilets for their citizens. It is high time that these NACs built such public health facilities in their respective areas. NAC expenditure on health and public sanitation will not only fulfil local requirements and improve confidence of the people, it will also facilitate higher investments in infrastructure and social development.

5.60 Since the Weavers' Community in Orissa is known for its traditional knowledge and excellence in weaving and textile designs, the Commission asked the NACs and Municipalities to submit information about the people from this community actively engaged in the work.

5.61 As per the information available more than 480 weavers in NAC areas are actively engaged in weaving. Anandapur, Binika and Kabi Suryanagar have as many as 400 weavers. Athagarh, Banpur, Khandapara, Nimapara and Soro NACs have limited number of weavers. All these weavers are actively pursuing their traditional activities.

5.62 Knowledge about the working weavers was felt necessary to make well-informed decisions that will serve the interests of this community.

MUNICIPAL CORPORATIONS:

5.63 Two cities in the state namely Cuttack, the oldest city in Orissa and Bhubaneswar, the Capital city of Orissa since 1950s experienced a tremendous growth in population. Its population today would be close to 7 lakhs. Cuttack, once the capital of Orissa is known for trade and commerce, education, health, cultural activities and legal services continued to grow fast even after the state capital was shifted to Bhubaneswar. Bhubaneswar, because of its political and administrative significance experienced both physical expansion and population growth. During the decade 1991-2001, the city registered 65% increase in its population. To day it has a population approaching 8 lakhs.

5.64 Because of growth in the size of population and the consequential requirements of civic and sanitary facilities, infrastructure development and popular demand these two cities were declared corporations. The Orissa Municipal Corporation Act-2003 came into being with effect from 11.2.2003 and the two cities were given the status of Municipal Corporations. Such a change in their organizational and administrative set-up can be expected to have profound effects on their tasks and responsibilities. This has, however, not produced any significant change in their financial position. In 2000-01, Cuttack Municipal Corporation raised revenue from its internal sources amounting to about 5 crores and Bhubaneswar earned more than 5 crores. Tax revenues & non-tax revenues collected by these corporations in the same year were above 20 lakhs. While Cuttack spent 49.75 percent of its expenditure on salary, it was the lowest for Bhubaneswar at 1.71 percent. Similarly development expenditure incurred by Cuttack and Bhubaneswar stood at 32.71 percent and 58.92 percent respectively. It may be marked that Bhubaneswar has been performing better in terms of expenditure incurred on salary and development. However, expenditure on salary incurred by Bhubaneswar Municipality Corporation rose to 16.98 percent and that of Cuttack declined to 34.89 percent. Similarly development expenditure in Bhubaneswar declined from 58.92 percent to 53.34 percent. In case of Cuttack the decline was from 32.71 percent to 25.66 percent. Not surprisingly both the Corporations experience paucity of funds for their infrastructure & development activities and yet it has been proving difficult for them either to strengthen their revenue collection machinery and increase more tax and non-tax revenues or to introduce new and additional measures to increase taxes and non-tax revenue rates to make their fiscal position comfortable. Similarly many of the expenditures incurred by the Corporations could be reviewed and where necessary unjustified or unnecessary expenditures controlled or eliminated.

5.65 The corporations receive funding from external sources. In 2000-01, while Cuttack received a sum of Rs.234946613, Bhubaneswar could get Rs.208392900 to meet their expenditure requirements for various activities.

5.66 In 2002-03 while the availability of external funding increased to Rs.260774500 for Bhubaneswar, it declined for Cuttack to Rs.274578308.

5.67 The Municipal Corporations in the coming years will experience the need for raising more resources to perform their functions for an ever-increasing size of population. They have to determine wherefrom and how such a sustained increase in resource mobilization can be achieved. Admittedly they have to make some major changes in their revenue raising policies and patterns of expenditure. May the corporations have to change their existing operational methods and practices.
