

## PREFACE

It gives me great pleasure to submit the Report of the Commission within the short period of four months made available to it. Despite the time constraint, the Commission attempted to analyse the problems of Local Bodies in Orissa basing on secondary data furnished by P.R. and H & U.D. Deptts. of Government of Orissa and after interaction with some officials and non-officials connected with functioning of Local Bodies. While presenting this Report, I feel it worth mentioning that in the absence of any precedent, the responsibility assigned to the Commission was highly complex and cumbersome. The problem became more complex owing to complacency shown by Rural Local Bodies in responding to the questionnaire of the Commission. During brief sojourn with some Local Bodies, the Commission noticed apathy and reluctance on their part to exploit the resource base given to them. The Local Bodies mostly look forward to Government for grants for carrying out the functions and tasks assigned to them.

I will also fail in my duty if I do not point out that the present devolution of functions to Local Bodies is quite inadequate compared to what has been envisaged for them in the 73<sup>rd</sup> and 74<sup>th</sup> Amendments to the Constitution and as illustrated in the 11<sup>th</sup> and 12<sup>th</sup> Schedules. In order that Local Bodies function as units of local self-Government as envisaged by the Constitution, the power and authority to implement schemes listed in the 11<sup>th</sup> and 12<sup>th</sup> Schedules be given to them alongwith funds and functionaries.

Owing to resource constraint faced by Government mostly on account of unbridgeable gap between revenue expenditure and receipt, the Commission did not favour the concept of global sharing of revenue receipts with Local Bodies on certain percentage basis. As an alternative, the Commission has gone for assignment and sharing of taxes and non-taxes as they exist now. Besides some new areas of taxation have been suggested in view of their local character.

I know that what we have done is not adequate and a lot more has to be done to improve the operational mechanism and financial viability of Local Bodies. All the same, I hope this Report will provide some guidelines for evolving a working mechanism needed for improvement.

I would like to place on record my sincere appreciation for the untiring and sustained effort made by the Member Secretary, Sri Durga Prasad Das in collecting necessary information and preparing



preliminary draft for the approval of the Commission. His field experience in the working of Local Bodies and knowledge in the financial matters of the State Government have enabled the Commission to prescribe the recommendations as given in the Report and submit the same within the prescribed time limit. Sri Bharat Charan Mallick with his wide experience and knowledge has given us a lot of input in preparing the Report.

I also express my deep sense of gratitude to my colleagues Sri B.C.Mallick, Sri A.P.Ray and Sri S.C.Dash whose knowledge, experience and expertise have enabled the Commission to resolve certain knotty problems.

Though it is not possible to mention the names all those who have assisted the Commission in its deliberations, prepared technical reports and rendered secretarial assistance with sincerity and dedication, I express my sincere thanks and gratitude to all of them including the previous Chairman, Member Secretaries and Consultants who had left their indelible mark in the Commission. Finally I dare express the hope that the Government will take a generous view of the recommendations given in the Report.

**Prof. Baidyanath Mishra**  
**Chairman**



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## CHAPTER - I

### INTRODUCTION

1.1 The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts (1992) heralded a new era in the history of the Local Bodies by Providing, among other things, the constitution of a State Finance Commission in all the States within one year from the commencement of the Constitutional Amendment Act initially and thereafter during every fifth year.

1.2 Accordingly, the Government of Orissa by their order dated 21<sup>st</sup> November' 96 (Annexure 1.1) constituted the First Orissa State Finance Commission in pursuance of the provisions under Article 243-I of the Constitution of India read with Section-3 of Orissa Panchayati Raj Finance Commission (Miscellaneous Provisions) Amendment Act, 1996. The Commission was headed by Justice Shri S.K. Mohanty as Chairman with four other Members namely : 1) Shri Bharat Chandra Mallick, Member (2) Shri A.P. Ray, Member (3) Shri S.C. Dash, Member and (4) Shri K.C. Badu, IAS, Member Secretary. Except Chairman and the Member Secretary, the other three Members were to render part time service, as and when required.

1.3 Again, the Government reconstituted the said Commission by their order dated 24<sup>th</sup> August, 98 (Annexure 1.2) with Dr. Baidyanth Mishra as Chairman and four other Members namely; (1) Shri Bharat Chandra Mallick, Member (2) Shri A.P. Ray, Member (3) Shri S.C. Dash, Member and (4) Shri D.P. Das, Member Secretary. Except the Chairman and the Member Secretary, the other three Members were to render part time service, as and when required.

1.4 The Commission shall make recommendations relating to the following matters :-

- (i) the principles which should govern
- (a) the distribution between State and Panchayati Raj Institutions and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided amongst them under part IX and Part IXA of the Constitution and the allocation between the Panchayats at all levels and the Municipalities of their respective shares of such proceeds;



- (b) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by Grama Panchayats, Panchayat Samitis and Zilla Parishads or, as the case may be, Municipalities and
- (c) the grants-in-aid to the Gram Panchayats, Panchayat Samitis, Zilla parishads or, as the case may be, Municipalities from the Consolidated Fund of the State;
- (ii) the measures needed to improve the financial position of the Gram Panchayats, Panchayat Samitis, Zilla Parishads and Municipalities, and
- (iii) On any other matter, which the Governor may refer to the Commission in the interest of sound finance of Gram Panchayats, Panchayat Samitis, Zilla Parishads and Municipalities.

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

- (a) the revenue resources of the State Government and the demands thereon, on account of expenditure on civil administration, police and judicial administration, education, maintenance of capital assets, social welfare, debt servicing and other committed expenditures or liabilities;
- (b) the functions and liabilities of Panchayati Raj Institutions and Municipalities in respect of discharging and implementing of the schemes entrusted to them under articles 243 G and 243 W of the Constitution;
- (c) the revenue resources of Panchayati Raj Institutions and Municipalities at all levels for five years commencing on the 1<sup>st</sup> day of April, 1998 on the basis of levels of taxation reached in 1997-98 targets set for additional resources mobilisation and potential for mobilising additional revenues;
- (d) the scope for better fiscal management consistent with the need for speed, efficiency and cost effectiveness of delivery of services; and



(e) the need for providing adequate incentive for better resources mobilisation as well as closely linking expenditure and revenue raising decisions.

1.6 On the matters aforesaid, the Commission shall make a report covering a period of five years with effect from the 1<sup>st</sup> day of April, by the 31<sup>st</sup> December, 1998.

1.7 The Commission shall indicate the basis on which it has arrived at its findings.

#### **METHODOLOGY :**

1.8 After reconstitution of the Commission, Chairman assumed office on 1<sup>st</sup> Sept.'98, Member Secretary on 24.8.98, and other Members, Shri B.C.Mallick on 24.8.98, Sri A.P.Ray, on 25.8.98 and Sri S.C.Dash on 25.8.98. Virtually, the Commission started functioning from 1<sup>st</sup> Sept.' 98.

1.9 The Orissa State Finance Commission thereafter launched its programme by adopting the following methodology.

#### **QUESTIONNAIRE :-**

1.10 The Commission adopted the Questionnaire of Eleventh Finance Commission circulated among the States in their letter No.F-4(9)EFC/98-Tech. Dated 4<sup>th</sup> August'98 and additional Questionnaire of Eleventh Finance Commission dated 7<sup>th</sup> August'98 (Annexure - 1.3-A, 1.3-B, 1.3-C, 1.3-D). Besides, the Commission prepared its own Questionnaire with the help of experts and circulated to all U.L.Bs, Panchayat Samitis, D.P.Os, II & U. D. Department and P.R. Department (Annexure - 1.4-A, 1.4 B). Apart from this, a general appeal was made to the selected V.I.Ps, M.Ps, M.L.As, experts, eminent persons and persons who are interested in Local Body administration, to interested public and to all the District Collectors for obtaining the views and suggestions through public media (Annexure - 1.5).



#### **CORRESPONDENCE WITH OTHER DEPARTMENTS :**

1.11 The Commission made correspondence with Revenue & Excise, Forest and Environment and Finance Department regarding assignment of taxes and duties by these Departments to Local Bodies.

#### **DATA ENTRY :**

1.12 Entered the data generated by the filled-in questionnaires into Computers at the Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar and retrieved.

#### **DATA INTERPRETATION :**

1.13 The data entered from the various questionnaires were interpreted through the help of Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar.

#### **VISITS TO OTHER STATES :**

1.14 Chairman visited Maharashtra and held discussion with Finance, Panchayati Raj and Urban Development Secretaries regarding present functioning of U.L.Bs/R.L.Bs in that State alongwith present devolution of functions and finance after Constitutional Amendment. Shri B.C.Mallick, Shri A.P.Ray, Members and Shri K.C.Badu, erstwhile Member Secretary visited Andhra Pradesh and again Shri B.C.Mallick, Member and Shri D.P.Das, the present Member, Secretary visited Andhra Pradesh for the second time and held discussion with Secretary, P.R. Department to study their system as well as to obtain their views on present functioning of Local Government in their State.

#### **VISIT TO OTHER INSTITUTIONS :**

1.15 Shri K.C.Badu, the erstwhile Member Secretary, visited the Planning Commission Cell, New Delhi, National Institute of Rural Development, Hyderabad and held discussions to know their views to augment the resources and improve the service levels in Local Bodies

#### **NATIONAL LEVEL FORUM :**

1.16 Shri B.C. Mallick, Member and Shri D.P.Das, Member Secretary attended the National Level Work Shop in N.I.K.D. at Hyderabad on implications of S.F.C.recommendations for Panchayati Raj Institutions



and 11<sup>th</sup> N.F.C., collected relevant study materials and also held discussion with the officials of N.I.R.D.

#### **STATE LEVEL CONFERENCES:**

1.17 Shri K.C.Badu, erstwhile Member Secretary attended the State Level conference for all District Panchayat Officers in S.I.R.D. organised by the P.R. Department to elicit certain information on Panchayatiraj Institutions.

#### **INTERACTION WITH THE SECRETARIES OF GOVERNMENT OF ORISSA:**

1.18 The Commission held detailed discussions with Shri P.K.Mishra, Addl.Chief Secretary, Shri K.B.Verma, Principal Secretary to Govt., Finance Department, Shri J.K.Mohapatra, Ex-Special Secretary to Government Finance Department and Ex.- Secretary to Government, R.D. Department, Shri H.S.Chahar, Commissioner-cum-Secretary to Government, H & U.D. Department, Sri C.Basu, Commissioner-cum-Secretary to Government, P.R.Deptt. Sri Suresh Chandra Mantry, Director, Municipal Administration, Sri S.Baya, Director P.R.Department and gathered detailed information on devolution of funds, functions and functionaries to Local Bodies in accordance with 11<sup>th</sup>/12<sup>th</sup> Schedules of 73<sup>rd</sup> & 74<sup>th</sup> Constitutional Amendments.

#### **INTERACTION WITH NODAL DEPARTMENTS :**

1.19 On several occasions the Commission had detailed discussions with other officials of Finance, P.R. and Housing and Urban Development Department of Govt. of Orissa to obtain their views on allocation of resources and on various other problems faced by the Local Bodies.

#### **INTERACTION WITH EMPLOYEES OF LOCAL BODIES :**

1.20 The Office bearers of the Local Bodies Employees Association had discussion with the Commission on formation of a new cadre for G.P. Secretaries and prescription of regular scale of pay.



## **DISCUSSION WITH COLLECTORS AND OTHER SENIOR OFFICIALS :**

1.21 The Commission held discussions with District Collectors of Nawarangpur, Khurda and the representatives of Cuttack, Ganjam and Puri on the aspect of functioning of U.L.Bs/R.L.Bs.

## **INTERACTION WITH OFFICIALS OF FINANCE COMMISSION OF OTHER STATES :**

1.22 Shri Ramesh Ram Mishra, I.A.S., Ex-Member Secretary, Tamilnadu State Finance Commission paid a visit to this Commission and narrated his experience outlining the procedure and methodology adopted by the Tamilnadu State Finance Commission.

## **DISCUSSION WITH PRESIDENT OF ZILLA PARISHADS :**

1.23 The Presidents of Nayagarh, Ganjam, Jagatsinghpur, Sambalpur had discussion with the Commission on call regarding the present devolution of powers and functions to Z.Ps.

## **DISCUSSION WITH CHAIRMAN/ EXECUTIVE OFFICERS OF U.L.Bs:**

1.24 Similarly, the Chairman, Jajpur, Bhawanipatna, Municipalities, Executive Officers of Bhubaneswar Municipal Corporation and Sambalpur Municipality had detailed discussion with the commission on the functional position and other aspects of Urban Local Bodies.

## **DISCUSSION WITH OTHER ACADEMICIANS IN PUBLIC FINANCE :**

1.25 Shri G.Kar, Director, Nabakrushna Choudhury Centre for Development Studies, on invitation, attended the discussion with the Commission and outlined his views on devolution of funds and functions to Local Bodies.

## **DISCUSSION WITH OTHER PUBLIC FIGURES :**

1.26 Shri Banka Bihari Das, Ex-Minister, Finance and Revenue and Sri Trilochan Kanungo, Ex-Chairman, Cuttack Municipality had detailed discussion on the quantum of devolution of funds, functions and functionaries to Local Bodies after Constitutional Amendments.



#### **FIELD VISITS MADE BY THE COMMISSION :**

1.27 The Commission either individually or in groups visited Cuttack, Berhampur, Bolangir, Sambalpur, Sundargarh & Puri Municipalities, Kabisuryanagar N.A.C. in Ganjam District, Jatani N.A.C. in Khurda District and Gram Panchayats such as Bhismagiri, Ambapua and Gudiali in Ganjam District, Gopinathpur in Puri district, Kundukela and Bhasma in Sundargarh district, Thenura in Sambalpur district, Jhankarpalli and Roth in Bolabgir district and Taradapada in Jagatsinghpur district and Urali in Cuttack district.

#### **SITTING OF THE COMMISSION :**

1.28 The Commission had nine sittings to prepare and finalise the Report.



## CHAPTER - II

### SOCIO ECONOMIC PROFILE OF ORISSA

2.1 Orissa, comprising 4.7% of India's landmass and with 31.66 million people (1991 census) accounts for 3.7% of population of the country. Nearly 87% of its population live in rural areas depending mostly on agriculture for their livelihood. Planned exploitation and optimum utilisation of rich minerals, land, water and other resources including human resource hold the key to rapid economic development of the State.

2.2 Demographic profile has an important bearing on the development process. The population of Orisa, which was 263.70 lakh in 1981 rose to 316.60 lakh in 1991 Census. The decennial growth rate of population of Orissa during 1981-91 was 20.06% as against 20.17% in the previous decade. The marginal decline in growth rate could have resulted on account of the rise in the literacy rate, effective dissemination of the message highlighting the benefits of small family norms and the drive launched by the State Government to contain growth of population. The sex ratio in the State i.e. number of females per 1000 males, declined from 981 to 971 in 1991 compared to all India decline from 933 to 927 during the corresponding period. The density of population which was 169 persons per sq. km in 1981 has increased to 203 in 1991. The urban population of 11.8% in 1981 has increased to 13.38% in 1991. In the literacy front, the achievement has been noticeable as the literacy has increased from 34.2% in 1981 to 49.1% in 1991. The male and female literacy rates which were 47.1% and 21.1% in 1981 have increased to 63.1% and 34.7% respectively in 1991.

2.3 SC & ST constitute 16.20% and 22.21% respectively of the State population. The scheduled areas cover nearly 45% of the total geographical area. The literacy rate of SC & ST was 36.78% and 22.31% respectively according to 1991 census.

#### STATE'S INCOME (Net State Domestic Product)

2.4 In the economy of the State, agriculture continues to occupy an important place as the share of this sector in the State's income during 1996-97 accounted for 31% of GDP at constant (1980-81) prices. But the predominance of this sector is also responsible for a good deal of instability of the rate of growth of income due to fluctuations in



agricultural production. Natural calamities and fluctuations in the rain-fall often cause substantial loss in crop production which eventually results in fluctuations and instability in the growth rate of State income.

2.5 The State income at constant prices (1980-81) increased from Rs. 3442.69 crore in 1980-81 to Rs. 5586.48 crore in 1996-97 registering an annual growth rate of 3.07%. The per capita income increased from Rs. 1314/- to Rs. 1595/- during the same period.

2.6 Agriculture continues to be the main-stay of the State's economy with its contribution of about 31% to GDP. The State's per capita availability of cultivated land which was 0.39 hectare in 1950-51 had declined to 0.21 hectare in 1995-96 and per capita food grains production declined from 230.44 Kg. to 197.05 Kg. per annum during the same period.

#### **IRRIGATION :**

2.7 Water for assured irrigation has been an important limiting factor for agricultural development. In absence of adequate irrigation facilities, agriculture has to depend on monsoons as a result of which, agriculture production fluctuates widely due to its erratic behaviour. The net irrigation potential created by 1996-97 from all sources was 23.36 lakh hectares which is 39.14% of the net cultivated area of the State. Out of 23.36 lakh hectares of irrigated area, 10.68 lakh hectares of land are irrigated through Major and Minor Irrigation Projects, 4.23 lakh through Minor (lift), 5.31 lakh through Minor (Flow), 3.14 lakh through other sources which include private tanks, ponds, dug-wells, water harvesting structure and alike.

#### **FISHERY**

2.8 With a coast line of 480 Kms. and a continental shelf of 32.279 Sq. Kms., Orissa has access to excellent source of marine fish production. The State has thus vast fishery resources. The total fish production in the State was 2.77 lakh M.Ts in 1996-97 of which the marine fish accounted for 48.19%, brackish water fish 5.85% and fresh water fish 45.96%.

#### **FOREST :**

2.9 The forest area in the State during 1996-97 was 58135 Kms. which constitutes 37.3% of the total geographical area of the State. Due to



deforestation and loss of forest cover, forest area has come down from 43.45% in 1960-61 to 37.3% in 1996-97.

#### **ANIMAL RESOURCES :**

2.10 The total live-stock population in the State was 242.68 lakh as per 1995 live-stock census. The main live-stock products in the State are milk, eggs, meat, bone and manure. The total milk production in the State in 1996-97 was estimated at 650.00 lakh MTs with per capita availability of 51 grms. per day.

#### **EDUCATION :**

2.11.1 Education serves as the base for development of human resources. While overall literacy was 15.8% in 1951 which was 2.3% among the females, the total literacy rate has increased to 49.1% and the same for females has gone upto 34.7% as per 1991 census. However, the rate of literacy among SC and ST females is still lower i.e. 20.74% and 10.11% respectively.

2.11.2 By end of 1996-97, there were 65,552 Primary Schools in the formal and non-formal streams with enrolment of 45.31 lakh students and 1.34 lakh teachers. But at Primary level, there were 23,448 educational institutions in non-formal stream with enrolment of 5.86 lakh students and 23,448 instructors. Similarly, by the end of 1996-97, the number of middle schools in formal stream was 11,510 with enrolment of 12.96 lakh students and 0.39 lakh teachers. In non-formal stream, there were 896 Institutions at the M.E. level with enrolment of 0.22 lakh students and 1792 Instructors. During the same period, 5,967 number of High Schools were functioning in the State with about 0.50 lakh teachers and enrolment of 8.66 lakh students. The teacher pupil ratio at Primary, Middle and Secondary stages was 1:32, 1:32 and 1:17 respectively.

2.11.3 In the field of Higher Education, the State has 5 Universities and 967 colleges with 4.74 lakh students and 16,610 teachers. In the field of Technical Education, there were 10 Engineering Colleges by the end of 1996-97 with intake capacity of 1689 students and 20 Engineering Schools/Polytechnics with intake capacity of 2675 students. Similarly, 63 I.T.Is both under Government and Private Management were functioning with intake capacity of 8400 students.



## **POWER**

2.12 Orissa has turned into a power surplus State during 1996-97. By the end of 1996-97, the total installed capacity was 2152 MW (Hydro-1291.5MW and Thermal-960 MW). Thus, from all sources, 1195 MW was available against the estimated demand of 1136 MW.

## **HEALTH SERVICES :**

2.13 By end of 1996-97, there were 180 Hospitals, 150 Community Health Centres, 185 PHCs, 1094 PHCs (new) and 13 Mobile Health Units in the State providing curative health services. In addition to these Institutions, there were 5 Ayurvedic Hospitals, 519 Ayurvedic Dispensaries, 9 Unani Dispensaries, 4 Homeopathic Hospitals and 460 Homeopathic Dispensaries.

## **MINERALS :**

2.14 The State is endowed with vast mineral deposit like coal, iron-ore, manganese-ore, bauxite, chromite, dolomite etc. According to All India Mineral Resources estimates, the mineral deposits of Orissa in respect of chromite, bauxite, iron-ore and graphite were about 98.4%, 69.7%, 26.0% and 38.0% respectively of the total deposits of India. Other important mineral resources of the State are limestone, china-clay, nickel-ore, tin, beach sand, mica etc. However, the rate of exploitation of different minerals is much below the potential. During 1996-97, the State has produced 568.9 lakh M.Ts of ores and minerals valued at Rs. 1791.15 crore.

## **INDUSTRY :**

2.15.1 With vast mineral resources and availability of abundant raw-materials, the State has immense potentiality for industrialisation. The contribution of this sector to N.S.D.P. has marginally increased from 10.4% in 1980-81 to 11.9% in 1995-96 at 1980-81 prices. The registered and unregistered manufacturing sectors together contributed 11.9% to the N.S.D.P. at 1980-81 prices while agriculture contributed 31.2% in 1995-96. At the beginning of the 7<sup>th</sup> Plan, there were 1922 registered factories with total employment potential of 1.45 lakh. During 7<sup>th</sup> Plan, 103 new registered factories were commissioned increasing the total number of units to 2025 with employment potential of 1.56 lakh. At the end of 1995-96, the total number of registered factories increased to 2290 with employment potential of 1.85 lakh persons.



2.15.2 Similarly, by the end of 1996-97, 52,709 small scale industries were operating in the State with employment potential of 3.65 lakh persons.

### **PUBLIC SECTOR ENTERPRISES**

2.16. At present, 36 public Sector Enterprises registered under the Company Acts or Special Acts of the State as well as Central Govt. are functioning in the State. The total investment in these P.S.Es in the form of share capital and term loan was of the order of Rs. 993.07 crore and Rs. 2338.23 crore of which the State Government share was Rs. 933.07 crore and Rs. 518.32 crore respectively by the end of financial year 1995-96.

### **RESOURCE :**

2.17. The per capita availability of State's own resources(revenue) was only Rs. 63.59 in 1973-74 which increased to Rs. 233.95 in 1989-90 and Rs. 584.56 in 1996-97. Although, the availability of per capita own resources has been improved but the relative position of Orissa among many other states is low.



## CHAPTER - III

### LOCAL BODIES IN ORISSA

3.1. Panchayati Raj Institutions have an all India character. They were formed in Orissa long before independence and since Orissa was a part of Bengal upto 1911 and with Bihar upto 1926, these institutions did not have much of impact on decentralisation of economic and political power. Even when Orissa became a separate State, the influence of Local Government in rural areas was minimal. After independence, several provinces organised village Panchayats following the concept of "Gram Swaraj" as enunciated by Mahatma Gandhi. In 1948, Orissa Gram Panchayat Act was passed to develop local self Government in village communities. It had provided for the establishment of Gram Panchayats with a view to meeting the basic requirements of local people.

3.2. After the new Constitution was introduced on 26<sup>th</sup> January, 1950, Directive principles of State Policy explicitly stated that the State shall take steps to organise village Panchayats by empowering them with authority to function as units of self-Government. The concept of Panchayat was viewed to establish democratic decentralisation in rural areas and involve the people in development and administrative work. In the year 1952, the Community Development work was launched to improve the economic and social conditions of rural people with the direct participation. A number of Community Development Blocks were created all over the country as units of Planning and Development. Both the 1st Plan and 2<sup>nd</sup> Plan emphasised the need to develop local institutions by restructuring the pattern of local self-Government at the intermediate and district levels with village Panchayats as organic units.

3.3 The Central Government appointed two important Committees, Balwantrai Mehta Committee (1957) and Ashok Mehta Committee (1977) to recommend for the restructuring of local self-Government in India. Balwantrai Committee pointed out that the Community Development work cannot succeed unless there are local decentralised units, at each level, i.e. Panchayat at the village level, the Panchayat Samiti at the Block level and Zilla Parishad at the district level with devolution of powers. The Government of India accepted the recommendation of the Committee with three tier system and agreed to transfer power and responsibility in respect of development work. But what was accepted in theory did not percolate to local institutions.



3.4 Following the acceptance of Mehta Committee's recommendations, Panchayati Raj was introduced in various States with devolution of elaborate powers alongwith involvement in social and economic activities. Gram Panchayats were functioning in the State since 1950 under the Orissa Gram Panchayat Act, 1948. Under the Zilla Parishad and Panchayat Samiti Act of 1959 in Orissa, Panchayat Samitis were introduced at the Block level with an elected non-official as Chairman and the Block Development Officer as the Chief Executive of the Samiti. The Act also introduced a Zilla Parishad in each district with an elected Chairman. The Zilla Parishads were given a lot of powers in the field of economic and social activity. But these insitutions could not transfer power to the people in the villages.

3.5 The Central Government again appointed Ashok Mehta Committee to enquire into the causes of failure of Local Self Government. Ashok Mehta in his report pointed out that these units are dominated by socially and economically privileged sections which are influenced by political rivalry. As such , they have not provided any benefit to the rural poor. He suggested for extensive decentralisation of power to different tiers.

3.6 The Panchayati Raj Institutions in Orissa however, could not make any mark as Local Self Government due to lack of political will in the state. With the change in Governments alongwith the emergence of different political parties in power which did not want to surrender, their power and authority, there was a great deal of onslaught on Panchyati System. The Gram Panchayats and Panchayat Samitis were dissolved very often and fresh elections were held in 1967,1970,1975,1984, 1992. After dissolution, elections were not also held many a time and the State went without Panchayat Bodies for years. The Zilla Parishads which were constituted by middle of March , 1961, were abolished in the year 1968.

3.7 Till the 73<sup>rd</sup> Constitutional Ammendment Act, 1992, Panchayati system in Orissa was in a State of flux. The 73<sup>rd</sup> Ammendment Act, 1992 came into force from 24<sup>th</sup> April 1993 and it has changed the entire contour of democratic decentralisation in rural areas of the country. It has enlarged the powers of Local Bodies and facilitated people-oriented developmental activities. The salient features of the Act are : Gram Sabha in each village, a Three-tier system of Panchayats at village, intermediate and district levels, direct elections of Members at all levels, reservation of seats for SCs/ STs candidates, reservation of one-third of total seats for women, five year tenure for every Panchayat and in case of



dissolution, elections to be held within six months, appointment of Finance Commission by every State to review the financial position of Panchayats and appointment of a State Election Commission to conduct elections for Local Bodies.

3.8 Many developmental programmes have been assigned to the Panchayati Raj system which include provision of drinking water improvement of family welfare and womens' welfare, development of primary education and health care and so on. The eleventh schedule contains an impressive list of developmental activities which could be entrusted to the Panchayats. Their number comes to 29 items. The Gram Panchayats are given some power to impose taxes and raise some non-tax revenues. They are also to receive some tied and un-tied grants from the Government. The Panchayat Samitis and Zilla Parishads have not been given any powers to raise resources. Their functions are limited to implementing and executing various schemes of development on behalf of the State Government. In our Report we have examined how far the Panchayati system in Orissa has been able to discharge some of these functions and what are their constraints.

3.9 The present level of Rural Local Bodies in Orissa is given below :

#### STATE OF ORISSA AND ITS RURAL LOCAL BODIES

3.10 1. No. of Gram Panchayats	-----	5,255
2. No. of Elected Representatives for G.Ps.	--	81,077
3. No. of Panchayat Samitis	-----	314
4. No. of Elected Representatives for P.Ss.	-----	5,260
5. No. of Zilla Parishads	-----	30
6. No. of Elected Representatives for Z.Ps.	-----	854

#### ORIGIN AND DEVELOPMENT OF URBAN LOCAL BODIES IN ORISSA :

3.11 Municipal Government in Orissa also witnessed many ups and downs before independence. Even after independence, the Municipal institutions have not made much impact on the social and economic



condition of urban areas. The growth and development of Urban Local Bodies depend upon urban population. According to 1991 Census urban population in Orissa comes to 13.43 % . Therefore, the influence of urban population in local administration is negligible.

3.12.1 However, the Municipal Act 1950 has been a guiding factor in Municipal administration. But this Act has been amended several times and Municipal elections have been held at different periods, 1952,1954, 1958, 1960, 1973, 1992 and 1997. And again , Municipal institutions have been dissolved from time to time. There has been frequent changes in the election procedure of the Chairpersons, sometimes indirectly from among elected Councillors to direct election from Municipal voters.

3.12.2 Prior to incorporation of 74<sup>th</sup> Constitutional Amendment (1992 ), Orissa had some important Municipal amendments. The 1990 amendment introduced political party in 1992, Municipal election alongwith reservations for women , Scheduled Tribes and Scheduled Castes. The Constitutional Seventy-Fourth Amendment Act, 1992 on Municipalities has enlarged the powers and functions of Municipalities. As per the Amendment of the Act, all the members of the Municipalities are directly elected while the Chairman is indirectly elected. Seats shall be reserved for the Scheduled Castes and Scheduled Tribes in every Municipality. The duration of each Municipality shall be five years.

3.13 Subject to the provisions of the Constitution the Legislature of a State may be law, endow the Municipalities, with such powers and authority as may be necessary to enable them to function as institutions of self-Government. The 12<sup>th</sup> Schedule, lists 18 matters , the power and authority of which are to be given to Municipalities . This list includes urban Planning , regulation of land use and construction of buildings , planning for economic and social development and so on.

3.14 The Municipalities have power to raise some taxes and non-taxes and receive some assigned revenues. They also receive grants for various purposes from the State Government. We have now in Orissa 2 Corporations, 30 Municipalities and 70 N.A.Cs. In our Report we have also made an attempt to examine the working of such Municipalities.