CHAPTER-4

FINANCES OF PANCHAYATS

4.1 Paragraph 4 (i) and (iii) of the TOR requires TASFC to have regard, among other considerations, to the objective of balancing the receipts and expenditure on revenue account of both the local bodies as a whole and the State Government and each local body; and the resources of the local bodies for the five years commencing on 1st April, 2006 on the basis of the level of collection made during 2004-05 from taxes, duties, tolls and fees etc levied by them.

SOURCES OF REVENUE OF PRIs

4.2 The main sources of revenue of PRIs broadly comprise (i) the internal revenue mobilization (IRM) from tax and non-tax sources allocated to them, (ii) resource transfer from the state in the form of assigned taxes and duties and (iii) grants-in-aid from the State and the Central governments. Apart from this, PRIs also perform (iv) agency functions to implement various rural development programmes under centrally sponsored schemes funded mainly through DRDAs.

TAXATION POWERS OF GPs

4.3 The taxation powers of each tier of PRIs are laid down in the relevant Act. In this regard, the Assam Panchayat Act, 1994 stipulates that, subject to such rules as may be made in this behalf, a GP may impose:

(1) (a) tax on house and structure within the local limits;

(b) on trades and callings carried on or held within the local limits of its jurisdiction, a tax on the basis of the total annual income accrued from such trade and calling;

(2) (a) a duty in the shape of additional stamp duty on all payments for admission to any entertainment;

(b) a fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the government;

(c) a water rate, where arrangement for supply of water for drinking, irrigation or any other purpose is made by the GP within its jurisdiction;

(d) a lighting rate, where arrangement for lighting of public street and places is made by the GP within its jurisdiction;

(e) A conservancy rate, where arrangement for cleaning private latrines, urinals is made by the GP within its jurisdiction;

(3) (a) tax on sale of firewood and thatch, conservancy and slaughter

house;

(b) private 'hats' (markets) and private fisheries;

(c) shops, pharmacies, tailoring, laundry, hair cutting saloon, carpentry works, automobile workshop, TV, VCR, radio and tape recorder repairing shop;

(d) cultivable land lying fallow for two consecutive years, at a rate not exceeding 25 paise per bigha for every year, being payable jointly or severally by the owner of such land;

(e) a cess or fee on

(ii) registration of cattle sold within the local area;

(iii) license for starting tea stall, hotel, sweet meat stall, restaurants;

(iv) Carts, carriages, bicycles, boats and rickshaws of any kind.

TAXATION POWERS OF APs

4.4 Subject to such maximum rate as the Government may prescribe, Section 57 (1) of the Assam Panchayat Act, 1994 empowers the APs to levy:

(a) **tolls on persons, vehicles or animals or any class of them at any toll bar established by it on any road other than a kutcha road or any bridge vested in it or under its management;**

(b) **tolls in respect of any ferry established by it, or under its management;**

(c) **a surcharge on land revenue at the rate of two paise per rupee;**

(d) **a cess or water rate for recovery of cost of minor irrigation works taken up within the jurisdiction of an A.P and such cess as may be necessary for the purpose of maintenance and repair of such works;**

(e) **a tax on supply of water and lighting;**

(f) **a tax on profession, trade, calling, manufacture and production;**

(g) **A fee for cinema halls, bricks or tile kilns, saw mills, timber depots, rice mills and hullers, fairs, confectionery and bakery, private fisheries or vegetable gardens used for commercial purposes.**

TAXATION POWERS OF ZPs

4.5 Subject to such maximum rate, as the Government may prescribe, Section 95 (1) of the Assam Panchayat Act, 1994 empowers the ZPs to levy:

(a)tolls in respect of any ferry established by it under its management;

(b)the following fees and rates;

(i) Fees on the registration of boat and vehicle;

(ii) a fee for providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas within its jurisdiction as may be specified by the Government by notification;

(iii) A fee for license for fair or mela;

(iv) A lighting rate, where arrangement for lighting public streets and places is made by the ZP within its jurisdiction and

(v) Water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the ZP within its jurisdiction.

4.6 It is evident from the above allocation that all tiers of PRIs are simultaneously vested with taxation powers. This is likely to give rise to overlapping of taxation powers as well as encroachment of mutual jurisdiction. In contrast, the Panchayat Acts of Karnataka and Orissa have vested all powers of taxation solely to the GPs and none to the intermediate and apex level PRIs. In Madhya Pradesh also, all powers of taxation are vested to the GPs except a single item of tax for the intermediate level. However, Rajasthan like Assam have empowered all tiers of PRIs to levy taxes simultaneously. Anyway, when all tiers of PRIs are simultaneously vested with taxation powers; utmost circumspection is needed in the matter of mutual jurisdiction of each tier.

4.7 The Panchayat Act provides the broad framework of revenue raising powers of PRIs. The rules framed there under enumerate the guidelines. In this regard, the Assam Panchayat (Financial) Rules, 2002 lays down the rates of various taxes, duties, tolls and fees that can be levied by each tier of PRI. The Rules simply specify the maximum limit of taxation for each tier and leave it to

the individual PRI to frame Bye Laws indicating the rates of taxation on each item. The time frame given for finalization of Bye Laws are three months from the date of constitution in case of GPs, one year for APs and three months for ZPs. After enactment of the Assam Panchayat Act in 1994, it took precisely eight years to frame Rules there under. In spite of another five years being over by now after finalization of the Rules, the relevant Bye Laws are yet to be framed by the respective PRIs. It is reported that whatever measly sum is now being collected by PRIs are on the basis of the old outdated Bye Laws. This is not only highly irregular but counter productive as well. This explains the poor internal revenue mobilization by PRIs in Assam.

4.8 Although the Act and Rules currently in force empowered PRIs to levy and collect various taxes, duties, tolls and fees, these provisions do not seem to have been exploited at all for augmenting their own resources. Apart from administrative reasons, the apathy of the elected representatives to levy taxes appears to be the retarding factors in tax mobilization. Due to their proximity to voters elected representatives very often tend to become apathetic to taxation apprehending erosion in vote bank.

4.9 As of now, PRIs derive most of their revenues from non-tax sources like hats, ferries and fisheries located within their jurisdiction which are leased out annually by inviting sealed tenders. As per usual procedure, hats, ferries and fisheries the annual sale value of which is up to rupees one lakh are settled by the APs, while those exceeding rupees one lakh and less than rupees three lakhs are settled by the ZPs. The proceed from such settlement or lease are apportioned between them in the ratio of 20:40:40 among the ZP, AP and GP respectively. As PRIs have not been able to generate substantial revenues from the sources

allocated to them under the Act, a few items of non-tax revenue remain the main source of their income.

4.10 Apart from their own revenue, other sources of income of PRIs are the assigned taxes and duties from the State Government. As per Section 26 of the Assam Panchayat Act, 1994 the GPs are entitled to get a share of land revenue and local rate collected by GOA as per rates recommended by the SFCs. The earlier SFCs did not recommend assignment of the share of land revenue in view of the global transfer of aggregate tax revenue. In view of this sharing of land revenue is presently done on an adhoc basis and the amount transferred is nominal varying between rupees ten to fifteen lakhs annually. Moreover, it also lacks certainty as the payment is not regular throughout the years.

4.11 The most important source of revenue of PRIs is grant-in-aid from the Central Government on the recommendation of the CFC and also those given by the State Government suo motto or on the recommendations of SFC. Besides, funds transferred from the Central Government to PRIs through DRDA for implementation of various centrally sponsored poverty alleviation programmers including State's share thereof are quite sizeable.

4.12 However, for determination of revenue gap of PRIs such transferred funds are of no direct relevance as these are tied to particular projects/schemes and not available for any other purpose. The SFC, on other hand, is concerned with non-plan revenue devolution and grants only. As of now, PRIs in Assam are not provided with any non-plan grant except that the emoluments of provincialised panchayat staff are met from the Consolidated Fund of the State. TASFC has taken cognizance of this phenomenon while making assessment of expenditure requirements of PRIs although continuance of "provincialisation" is not favoured.

4.13 **Given the sources of revenue allocated to PRIs, the most important constraint faced by TASFC has been total lack of reliable data for making an evaluation of their performance in the light of empowerment envisaged in the 73rd Constitutional amendment. Till submission of Ad Interim Report in March 2007, whatever little data was made available to TASFC was a consolidated statement of receipt and expenditure of PRIs at all level aggregated together. It even lacked component-wise break up of collection from tax and non-tax sources making it untenable for any meaningful review or analysis of the performance of PRIs. The total collection of revenue by PRIs at all level was reported to be Rs. 8.84 lakhs from tax and Rs. 777.75 lakhs from non-tax sources during the fiscal 2005-06. The collection so reported was adopted as the base for projection of next two years while finalizing the Ad Interim Report, with the observation that this will need further scrutiny.**

4.14 **Soon after presenting the Ad Interim Report, TASFC vigorously started pursuing the questionnaire circulated by it earlier with a view to obtaining accurate data from the grass root level. This method, though highly time consuming, was expected to yield good result. The method, no doubt, is dilatory as it involves interaction with quite a large number of GPs spread over the state. So far, the response received to the questionnaire has been not only very poor but the quality of data supplied also suffered from serious inconsistencies and misclassifications. The apparent anomalies in data furnished in reply to the questionnaire was sought to be corrected wherever necessary by conducting workshops at district H.Qs. These workshops were largely attended by functionaries of PRIs at all levels. The nitty gritty of filling up the formats in its right perspective was explained to them across the table. This has further been followed up by**

regular interaction with them. Undoubtedly, effort in this direction has started yielding good result. Till October, 2007, sixteen out of twenty ZPs have compiled item-wise income and expenditure of PRIs at all levels within their jurisdiction and submitted the revised replies to questionnaire to TASFC. The other four also submitted similar data, however imperfect, by November, 2007, after considerable persuasion and meetings at the level of Chairman and Deputy Commissioners, CEOs and PDs. On the basis of the data received from the ZPs a statement of Internal Revenue Mobilisation (IRM) of PRIs from 2000-01 to 2005-06 has been prepared as at Annexure- 4.1.

4.15 Although a complete picture of the financial position of PRIs has not emerged as yet from the questionnaire, nevertheless a beginning has been made in this direction and it is expected to be of immense help to future SFCs and CFCs. However, an analysis of the income of PRIs during the period under consideration reveals that income generation from own sources is extremely poor leading to growing dependence on external sources of finance which is not conducive to fiscal autonomy. During this period IRM of PRIs hovered round 0.013 percent of the GSDP while their establishment expenditure was around 0.103 percent of GSDP. That the establishment cost of PRIs at all level is disproportionately high compared to own income is apparent, it being nearly seven to eight times of their own income. This untenable situation could persist so long because salaries of provincialised panchayat employees are being met from the Consolidated Fund of the State. Surely this is not a healthy trend to sustain fiscal decentralization envisaged in the Constitution. It points to the imperative need for tremendous effort by PRIs to augment their own revenues through Additional Resource Mobilisation (ARM).

ADDITIONAL RESOURCE MOBILISATION

4.16 It is evident from the preceding paragraph that internal revenue mobilization (IRM) constitutes a very negligible proportion of GSDP and the establishment expenditure of PRIs. The PRIs have not been able to generate enough revenue from tax and non-tax sources allocated to them under the Act. However, PRIs do not stand solely responsible for this unsatisfactory state of affairs. The Constitutional amendment has empowered PRIs. But at the same time it subjected them to the exercise of such powers and authority and access to such resources as the State Legislature may, by law confer on them. Thus the State still enjoys discretionary powers so far as devolution to PRIs is concerned as enumerated under Article 243 G and 243 H.

4.17 In regard to taxation powers of PRIs, the Assam Panchayat Act, 1994 provides only a broad framework of enabling revenue raising powers. But vests the power to frame detailed rules and guidelines for the exercise of such powers to the State Government. Moreover, the tax base, rate structure, exemption limit, mode of collection etc are also laid down by the rules framed by the State Government. By and large, performance of PRIs depend on the promptness of follow up measures taken by the State Government in framing relevant rules and guidelines. Unless the conformity legislation, supported by adequate administrative set up, is put in place, PRIs cannot be expected to function effectively. It has to be appreciated that denial of necessary logistic support can only prevent PRIs from performing their assigned tasks. There is a great need to sensitize both elected representatives and functionaries of PRIs to the need to augment their own revenue through ARM.

4.18 Keeping in view the desirability of exploiting the full potential from the existing sources, it has to be ensured that PRIs are left reasonably free in the administration of taxes and duties assigned to them. While framing guidelines, there should be, as far as practicable, minimum interference from above in the matters of assessment, rate fixation, exemption, rate revision and manner of collection. On the contrary, the Assam Panchayat (Financial) Rules, 2002 have prescribed the maximum limit in respect of individual items of taxation applicable to each tier of PRI. This has, in fact, curbed the initiative of PRIs in the matter of rate fixation. Instead of a ceiling limit, a floor rate with provision for suitable periodic revision could have been a better option. This would have induced PRIs to play a more proactive role in mobilization of internal revenue.

4.19 It is beyond doubt that the tax base of PRIs is comparatively poor, that taxes assigned to them are less elastic and that they do not have the required administrative structure to raise resources. One important item of tax allocated to GPs is the tax on houses and structures. The Assam Panchayat (Financial) Rules, 2002 however, has prescribed the following maximum limit of tax that GPs can levy.

Type of building		Maximum rate per annum
i)	Brick or RCC building for purposes other than business.	Rs. 150
ii)	Brick or RCC building used for business.	Rs. 250
iii)	Assam type house with CI sheet roofing used for purposes other than business.	Rs. 50
iv)	Assam type house with CI sheet roofing used for business.	Rs. 200

v) Bamboo house with mud wall and thatched roof. Rs. 10

4.20 The accompanying Annexure- 4.1 shows that the yield from house tax is not at all impressive during the years 2000-01 to 2005-06. That the GPs have failed to exploit the full potential from this source is evident from the meagre level of collection all these years. Moreover, it is felt, the upper limit prescribed by the rules has also restricted the scope of yield to a large extent. As per the Act, house tax is allocated to GPs only but a few APs and ZPs also reported collection against this item.

4.21 The next item in the category of tax revenue is the tax on trade, callings, manufacture and employment. Here also the rules prescribe a maximum limit of Rs. 350 per annum. The upper limit should be left to PRIs. A floor late should be fixed. It appears from replies to the questionnaire that this item of taxation has not been exploited at all by PRIs uptil now.

4.22 These apart, other sources allocated to PRIs at all levels are mostly in the nature of non-tax revenue derived from the levy of user charges, fees and prices. These are mostly collected from market, fisheries, ferries, fee on places of pilgrimage, fares and melas, registration fee on boats, vehicles, cart, carriages, bicycles, rickshaws and cattle sold. Obviously, yield from these measures depend on the level of civic services provided by PRIs. Bulk of the revenue in this category is derived from sale and settlement of market, ferries, fisheries and ponds. These are settled annually by inviting sealed tenders by the APs where the annual sale value is less than rupees one lakh and by the ZPs where the yearly sale value is more than rupees one lakh and less than rupees three lakhs. The sale proceeds are apportioned at the ratio of 20:40:40 between ZP, AP and GP respectively.

4.23 Usually markets are settled by AP and ZP fixing a minimum value. This value depends upon activities and size of business that takes place in each market. Now that activities in rural hats have been increasing generally, day by day, a realistic assessment of the minimum value will give a tremendous boost in income generation of PRIs. With a view to augmenting ARM of PRIs, realistic assessment of minimum value of each market is needed through a market specific study taking into account the volume of business generated in each market.

4.24 The present physical conditions of markets run by PRIs are deplorably poor, having no permanent structure, storage facilities, drainage, sewerage and other amenities and public conveniences. It is essential to create the required infrastructure where it does not exist at all and to upgrade the existing sub-standard markets so as to provide the required support services for marketing various rural products. With a view to reviving moribund and defunct rural markets PRIs may come forward to construct new market complex, market sheds with up-to-date amenities including storage facilities. Moreover, the need for establishing new market has been keenly felt with the gradual emergence of new rural business hubs. For this purpose PRIs may identify vantage locations where new markets can be set up to fulfill the aspiration of local people. Given the will, paucity of fund may not be a constraint as PRIs can create the basic infrastructure pulling resources from various plan programmes as well as loans from Banks and financial institutions.

4.25 The above observation in regard to enhancement of internal revenue from panchayat markets hold good in respect of mobilization of revenues from sale and settlement of existing ferries, fisheries and ponds run by PRIs.

4.26 PRIs are running a number of minor irrigation works but are not levying any water rate or user charges. TASFC recommends that water users association be formed. The association will collect water charges from the beneficiaries and use the revenue so collected for operation and maintenance of irrigation works. In any case, wherever services are provided by PRIs appropriate user charges should be realised from the beneficiaries to meet at least a part of the operation and maintenance costs. In this respect TFC also made an observation that PRIs should recover at least 50 percent of the recurring costs of water supply schemes in the form of user charges.

4.27 For augmenting internal revenue of PRIs, the earlier two SFCs of Assam recommended transfer of the issuance of birth and death certificate presently administered by Health & Family Welfare Department to the PRIs. This recommendation has not been implemented so far. TASFC reiterates the above recommendations. It will be pertinent to mention that registration of births and deaths is one of the subjects listed in the 12th Schedule of the Constitution.

4.28 There should be a realistic assessment of the potential for collection of internal revenue by PRIs from different sources allocated to them. On the basis of such assessment annual target of collection may be fixed beforehand. At the close of year, annual collection may be pitted against the target fixed for that year. This will immensely help in monitoring the performance of PRIs in ARM. It will also enable to identify the areas of lapses and better performance. It has to be noted that the existing machinery for tax administration available to PRIs is undoubtedly very weak and needs to be fortified first.

EXPENDITURE OF PRIs

4.29 The non-plan revenue expenditure (NPRE) of PRIs can be conveniently grouped under the following broad categories viz, (i) pay and allowances of official functionaries, (ii) remuneration and sitting allowance of elected representatives, (iii) establishment expenses, (iv) expenditure on capacity building and (v) expenditure on maintenance of services provided by PRIs.

4.30 A part of the expenditure on operation and maintenance of services provided by PRIs is expected to be met from revenue internally generated by them from their own sources. Since their internal revenue generation has been inconsequential, the level of expenditure on provision and maintenance of services has also been negligible or nil uptil now. The eleventh schedule and the amended Assam Panchayat Act, 1994 envisage transfer of 29 subjects to PRIs. But all activities relating to the entrusted subjects along with funds and functionaries have not yet been vested in PRIs. TASFC have been making vigorous attempt to get a clear picture of fund and functionaries that will devolve on PRIs along with the entrusted subjects so as to determine their overall requirements of funds. At the first instance, the Nodal Department (in this case Panchayat & Rural Development Department) was asked to furnish the data as per Performa designed by TASFC (Copy at Annexure- 4.2). A similar Performa was designed for 18 subjects to be transferred to ULBs which is at Annexure- 4.3.

4.31 Having failed to get any response, the intervention of State Finance Department was sought to expedite the issue. They got a D.O. letter written by the Chief Secretary to the Nodal Departments (Copy at Annexure- 4.4). In spite of that nothing tangible happened. Eventually TASFC had to take up the matter with the concerned line departments. A meeting was arranged with the Commissioners and Secretaries of the line departments

along with the respective Heads of Departments. The urgency of the matter was explained by the Chairman, TASFC in the meeting with a request to expedite submission of materials as per profoma circulated earlier. This meeting was also addressed by the Additional Chief Secretary (Planning and Development) and the Principal Finance Secretary (Minutes are at Annexure- 4.5). Only 14 departments responded. The other 9 departments are yet to reply. From the departments which have responded the figures have been calculated at Annexure- 4.6. These figures are defective because sixth schedule areas figures do not appear to have been taken out. Secondly, it is not known whether only those posts which will need to be transferred to PRIs and ULBs have been included in working out the figures or all posts have been included. Moreover, no transfers of posts have taken place in accordance with the Activity Mapping as notified by Government (Assam Gazette Notification No. PDA 336/2001/Pt-III/32 dated 25-06-2007. Therefore these figures cannot be relied upon.

4.32 Meanwhile, P&RD Department has completed the task of activity mapping in respect of 29 subjects and a notification in this regard has been issued on the 25th June, 2007. It has listed the activities to be devolved with functionaries required for each activity. But the main task of earmarking the fund required for each activity has been left to be done by the concerned line departments.

4.33 Other than the activities entrusted as per the eleventh schedule, the main component of NPRE of PRIs is the expenditure on pay and allowances of official functionaries. As per the pattern laid down in the Assam Panchayat (Administrative) Rules, 2002, grade III and grade IV staff approved for each ZP, AP and GP is 18, 8 and 3 respectively. This is excluding the post of CEO for ZPs and EO for APs. In the wake of creation of several new town committees, the existing number of APs and GPs has, of late,

undergone changes. The number now stands reduced to ZP-20, AP-185 and GP-2202. This number is for general areas. Sixth Schedule areas are not included as explained earlier. Based on this number the total requirement of staff for PRIs at all level works out to 8446 as per approved norm. The questionnaire circulated by TASFC was appropriately designed to get the relevant information about number of employees and financial burden for payment of pay and allowances in each tier of PRIs. It included specific questions like number of sanctioned posts with scales of pay in each tier, number of vacant posts, actual amount paid on account of pay and allowances of staff in position and the notional requirement in the event of entertaining full strength as per approved pattern.

4.34 Reply to the questionnaire has been received from 16 out of 20 ZPs till October, 2007. After considerable persuasion, the other four have also submitted similar data, imperfect though, by November, 2007. An analysis of materials received reveals that there are some inconsistencies as regards number of sanctioned posts, staff in position, vacant posts and the total amount reported to be spent on pay and allowances. Particularly the aggregate amount reported to be spent on pay and allowances in each year does not tally with the amount budgeted by GOA. Since pay and allowances of provincialised panchayat employees are met from the state budget there is no reason for any major deviation from the state budget. Nevertheless, the efforts made by ZPs in collecting and compiling the data concerning all APs and GPs within their jurisdiction is laudable. With a little bit of improvement this will be of immense help for future SFCs.

4.35 While finalising the Ad Interim Report covering two fiscals 2006-07 and 2007-08, TASFC had worked out salary requirement of PRIs at all levels, on the assumption that full staff strength will be

put in place as per norm laid down in the Assam Panchayat (Administrative) Rules, 2002. But it now appears that the staffing pattern envisaged at that point of time could hardly capture the functional canvas of PRIs in its entirety. Apart from entrusted subjects and activities, the single largest component of expenditure of PRIs relate to various centrally sponsored schemes and programmes like SGSY, SGRY, IAY, IWDP/Hariali, NREGS etc. The current level of financial allocation against these schemes including state share runs to the neighborhood Rs.3000 Crores per year. Again this is supplemented by plan and non-plan budgetary allocation for rural development including grants-in-aid recommended by successive CFCs. As per assessment made by Director, SIRD, annual allocation of fund under different programmes is likely to vary between Rs.10 Crores to Rs.15 Crores for each AP and Rs.1 crore to Rs.2 crore for each GP.

4.36 In the above background, the staff in position or even the staff admissible as per laid down norms for different tiers of PRIs seems to be utterly inadequate to cope with multiplicity of functions. As of now, each GP is managed single handedly by a Secretary. There is no supporting accounts or clerical staff. It is equally true in respect of all tiers of PRIs. Keeping in view the workload of PRIs at all levels, the need for additional manpower is indispensable.

4.37 In fact, functions, functionaries and funds are interrelated and in unison constitute the key factors in boosting operational efficiency both in regard to provision of quality civic services and in mobilization of internal resources. At present major deficiency of PRIs at all levels is lack of adequate staff. Inadequacy of staff not only stands in the way of efficient performance of functions but also retards collection of revenue from taxes and duties allocated to PRIs. The most important component of fiscal

decentralization is manpower at the disposal of and solely accountable to the representatives of decentralized units. Allocation of staff to each tier of PRI should, as far as practicable, conform to the principle of subsidiarity i.e., what is appropriate at a given tier of PRI should be done at that tier only. In keeping with the enlarged functional canvas of PRIs, up gradation of manpower at all levels deserves immediate consideration. TASFC feel that the staffing pattern now in vogue needs suitable modification in conformity with expanding activities.

4.38 Even though the Ad Interim Report of TASFC had been finalized on the assumption that full staff strength as per existing norm should be achieved, nonetheless TASFC was keenly aware of the acute shortage of manpower at all levels and the inevitable necessity for modification of the prescribed staffing pattern. Accordingly, it entrusted Director, SIRD with the task of making an evaluation of staff requirement separately for ZP, AP and GP based on their current level of earning and spending. The estimate submitted by SIRD has placed the requirement of staff under different categories at 30 for ZP, 20 for AP and 8 for GP. In contrast, the present staffing pattern is 18, 8 and 3 respectively for ZP, AP and GP. TASFC fully agree with the pattern suggested by SIRD and recommend its adoption from fiscal 2008-09.

4.39 The staffing pattern suggested for ZP included CEO, Deputy CEO, Accounts Officer, Planning Officer, Executive Engineer, Assistant Engineer, Junior Engineer, Section Officer, Accounts and Office Staff, Tax Collector, Driver and Grade IV. The annual financial involvement has been estimated at Rs. 41.88 lakhs for each ZP. And total requirement for ZPs numbering 20 has been estimated at Rs.837.60 lakhs for 2008-09 fiscal. The requirement for remaining two years has been projected at 8 percent growth per

year. Category-wise details of staff and financial involvement are at Annexure- 4.7.

4.40 Staffing pattern for AP includes Executive Officer, Assistant Engineer, Extension Officer, Junior Engineer, Senior Accountant, Office Staff, Computer Operator and Grade IV. The annual financial impact for 2008-09 has been estimated at Rs.24.36 lakhs for each AP and Rs.4506.60 lakhs for all APs numbering 185 as per details at Annexure- 4.8. The requirement for next two years has been projected at 8 percent over 2008-09.

4.41 Staffing pattern for GP includes Secretary, Junior Engineer, Accountant, Office Assistant, Tax Collector and Grade IV. The annual financial implication for each GP has been worked out at Rs.7.80 lakhs. Total financial implication for the GPs numbering 2202 has been estimated at Rs.17175.60 lakhs for the year 2008-9. Requirement of fund for remaining two years has been projected at 8 percent over 2008-09. A category-wise detail of posts and financial implication is at Annexure- 4.9.

4.42 In order to implement the staffing pattern as suggested by SIRD the total financial implication for payment of salaries to PRIs at all levels has been estimated at Rs.22519.80 lakhs for the ensuing fiscal 2008-09. The requirement of salaries for remaining two years has been projected at Rs.24321.39 lakhs and Rs.26267.10 lakhs assuming an annual growth of 8 percent over 2008-09. However the current level of expenditure on pay and allowances of provincialised Panchayat staff has been estimated at Rs.4696.37 lakhs for 2007-08 and at Rs.5072.08 lakhs for 2008-9 assuming a growth of 8 percent. It has further been estimated that an additional amount of Rs.3105.53 lakhs will be required to achieve full staff strength as per existing norm. Thus overall requirement of salaries for existing provincialised staff including those likely to be appointed as per present staffing pattern totaled

of Rs.8177.61 lakhs during 2008-09. Compared to this the total annual financial implication for switching over to the pattern suggested by SIRD is Rs.22519.80 lakhs as worked out in the forgoing paragraphs. TASFC has recommended in the Ad Interim Report that full strength of additional manpower required to catch up with the prevalent norm should be put in place by 2007-8. The amount required was estimated at 50 percent because during 2007-08 first half it would not be possible to put the staff in position. Some time will be required in recruiting the staff. The recruitment process to complete the proposed revised staffing pattern is expected to take much longer time. However, every endeavour should be made to complete all formalities in the remaining months of current fiscal. More importantly, PRIs at all levels need to be properly strengthened to cope with the ever increasing flow of funds from the Centre under various rural development and poverty alleviation programmes.

4.43 Next important component of NPRE is the remuneration and sitting allowances of the elected representatives of PRIs. The Assam Panchayat (Administrative) Rules, 2002 prescribed the rates of remunerative for the elected representatives of each tier. In case of ZP, the prescribed rate is Rs.2000, Rs.1500 and Rs.700 per month for the President, Vice-President and Members respectively. For AP Rs.1500, Rs.1000 and Rs.500 per month for the President, Vice-President and Members respectively. For GP it is Rs. 1000, Rs.600 and Rs.300 per month for President, Vice-President and Members respectively. The amount required for remuneration has been calculated on the basis of the above prescribed rates. The annual financial implication for payment of remuneration has been worked out at Rs.1343.65 lakhs for 2008-9 and pending revision of rates the same amount has been

retained for the next two years. Details of calculation are at Annexure- 4.10.

4.44 Sitting allowance is admissible to Members of each tier and the Presidents and Vice-Presidents are not entitled to it. The rate of sitting allowance is equivalent to the amount of daily allowance admissible to each as on tour. The prevailing maximum rate of daily allowance is Rs.120 per day. As per the Assam Panchayat Act, 1994 every ZP is expected to meet in every three months while APs and GPs are expected to meet every two months. Hence, the maximum amount of daily allowance that a ZP member is entitled to is Rs.480 per annum and it is Rs.720 for the members of AP and GP. The amount required for sitting allowance has been calculated on this basis. The financial involvement in 2008-09 has been worked out at Rs.157.80 lakhs and the same amount has been retained for next two years. Details at Annexure- 4.11.

4.45 As per the Assam Panchayat (Administrative) Rules, 2002, the expenditure on remuneration and sitting allowances is required to be met from the own resources of PRIs. Since mobilization of internal revenue by the PRIs has been poor, the actual level of expenditure on this account has been negligible so far. PRIs should be barred from payment of this amount from Government grants or from plan funds released in respect of development schemes, projects and programmes. They may spend money on this account only out of their own collection of revenues.

4.46 A startling revelation made by the Director of P&RD is that the salaries of newly regularized GP Secretaries numbering 1707 have not been paid since 01.01.2004 and up to 28.02.2007. The accumulated arrear on this account amounted to Rs. 4638.32 lakhs. The budget documents of GOA also lend support to the fact of non payment. The actual column of 2005-06 in the budget for the year 2007-08, does not reflect any outgo on account of

salaries of GP Secretaries. However, this point was not brought to the notice of TASFC at the time of finalization of its Ad Interim Report. Anyway, this being a committed liability of GOA, the entire accumulated amount of Rs. 4638.32 lakhs (as at Annexure-4.12) may be liquidated at one go during the next financial year 2008-09. But it must be through the Zilla Parishads. The relevant amounts are, therefore, included in the accounts of the Zilla Parishads in respect of arrears.

4.47 Office expenses which include stationary and postage, rent and rates, electricity, water supply, POL, telephone etc has been calculated on a lump sum basis of Rs. 50,000 per month for each ZP, Rs. 20,000 for AP and Rs. 10,000 for GP. The annual financial impact has been worked out at Rs. 3206.40 lakhs for the year 2008-09 and this has been projected at 5 percent for the next two years. Similarly, fund required for traveling allowance has been estimated on a lump sum basis of Rs. 25000 per month for each ZP, Rs. 10000 for each AP and Rs. 5000 for each GP. On this basis the annual financial implication for 2008-09 has been worked out at Rs. 1603.20 lakhs and this amount has been projected at 5 percent for the remaining two years. Details at Annexure- 4.13.

4.48 A substantial sum is spent annually by GOA on account of pay and allowances of Block staff and staff of DRDA. This amount is provided in the State Budget annually under two separate major heads of account viz, 2501- Special Programme for Rural Development and 2515- Other Rural Development Programme (Panchayats). This expenditure though incurred through State Budget rightly belongs to the domain of PRIs and better deserve outright devolution to them. As per estimates received from Director, P& RD, requirement of fund for payment of salaries to these staff is as follows:

BLOCK STAFF (PANCHAYAT SECTOR)

4.49 Staffing pattern of this sector consists of BDO at the top followed by E.O, Accountant, Senior Gram Sevak, Gram Sevak, Gram Sevika, LDA, Driver and Grade IV. Total number of sanctioned post in the State is 2164. However, the number of men in position is 1583 only. The remaining 581 posts are vacant. The total expenditure incurred by GOA for staff in position in General Areas, excluding Sixth Schedule and BTC areas, for payment of salaries was Rs.1976.50 lakhs in 2006-07. Further, annual financial implication for filling up all vacant posts has been estimated at Rs.450.60 lakhs. For arriving at the requirement of subsequent years up to 2010-11 an annual growth of 8 percent over 2006-07 has been assumed. Details of calculation are at Annexure- 4.14.

BLOCK STAFF RURAL DEVELOPMENT SECTOR

4.50 Category of posts in this sector includes Senior BDO, EO-Credit, Fishery, Industry and Agriculture-Junior Engineer, Accountant, UDA-cum-Accountant, LDA, Gram Sevak, Gram Sevika and Grade IV. Total number of posts in all categories is 2838. Total expenditure incurred by GOA for payment of salaries to these officials amounted to Rs.3460.52 lakhs in 2006-07, excluding Sixth Schedule and BTC areas. The estimates for subsequent years up to 2010-11 have been made assuming an annual growth of 8 per cent. The details of calculation are at Annexure- 4.15.

DRDA STAFF

4.51 Total number of personnel under DRDAs of 20 districts other than Sixth Schedule Areas districts is 679 out of which 163 are gazetted posts and 516 non-gazetted. Salary routed through State Budget for these posts amounted to Rs.997.05 lakhs in 2006-07 fiscal. For the purpose of estimating the requirements of

subsequent years up to 2010-11 an annual growth of 8 per cent over 2006-07 has been assumed. District wise details of calculation are at Annexure- 4.16.

4.52 As stated earlier, salaries of Block and DRDA staff routed through State Budget are in fact solely related to the purpose of PRIs. Hence, instead of routing through State Budget, it could be treated as outright devolution to PRIs. This would not entail any extra financial burden on GOA as it will be counter balanced by reduction in expenditure of an equal amount.

4.53 The present scenario of panchayat administration in Assam is marked by a deficiency syndrome in manpower deployment. PRIs at all level are starved of adequate number of functionaries. More so in respect of competent staff trained in the nitty gritty of functional and fiscal decentralization. In order to perform their constitutional and administrative roles effectively, PRIs need adequate staff responsive to people's needs and aspiration. Keeping this in view, TASFC in its Ad Interim Report recommended filling up of all vacant posts and simultaneous creation of additional posts as per approved staffing pattern. With gradual devolution of activities in conformity with the eleventh schedule additional functionaries from the line departments will also be placed at PRIs disposal. Persons who are already in government service and posted to PRIs may be considered to be on deputation only. They should be allowed to return back to Government as soon as PRIs fill up the posts. There is no provision in the Constitution or in the Act for "provincialisation". Those whose services were provincialised should be notified as "deprovincialised". It is another matter if government makes some specific grants to PRIs for the purpose of payment of salaries in respect of such wrongly "provincialised" posts.

TRAINING

4.54 In order to augment capacity building, the staff of PRIs will need frequent training particularly in the field of micro level planning and maintenance of accounts. The elected representatives will also need adequate training for taking right decisions in the right direction. The training programme may also be extended to the concerned functionaries of the line departments. Sporadic programme of training taken up occasionally may not help in augmenting capacity building. It is a long drawn process and sustained efforts will be necessary with regularity of courses. Exposure visit of the staff and elected representatives to other states or even within the state would help augmenting capacity building. The task of capacity building of staff and elected representatives of PRIs may be entrusted to SIRD and the latter in collaboration with NIRD may draw up suitable programmes. SIRD in consultation with NIRD may design training module suitable for elected representatives and staff. Hopefully, SIRD working in tandem with NIRD will be able to fulfill the lacuna in trained manpower.

4.55 In fact, Director, SIRD was asked by TASFC to submit a proposal underlining the areas where training is needed to be imparted along with an estimate of financial implications. The proposal submitted by him covers all the elected representatives, official functionaries of PRIs and the functionaries of line departments. The number of trainees corresponds to the number of elected representatives and official functionaries other than grade IV staff. The rates, duration, number of courses, costs of traveling etc have been assumed as per guidelines formulated by the Ministry of Rural Development. Apart from basic training it also includes training of accountants in computerization of accounts, computer application course for selected members of APs and GPs,

exposure visits, training outside the state and camps for Gaon Sabha members. It also includes up gradation of existing training infrastructure, creation of new infrastructure and augmentation of faculty support. The total financial implication has been estimated at Rs.4865.93 lakhs as per details shown at Annexure - 4.17. Since the expenditure on training of PRI personnel is shared between the Center and the State in the ratio of 75:25 one fourth of the total amount i.e., Rs. 1216.47 lakhs will be state's share. This amount is proposed for four years covering TASFC's recommendations, that is, barring the first year 2006-07. Accordingly, Rs. 295.54 lakhs has been recommended in the interim report for the year 2007-08. Now the balance amount is proposed for the remaining three years @ Rs. 306.97 lakhs each in 2008-09, 2009-10 and 2010-11.

SATELLITE BASED COMMUNICATION SYSTEM

4.56 SIRD, Assam, in consultant with SIRD, Mysore, has submitted a proposal for development of satellite based communication system with a view to facilitating interactive training to grassroot functionaries of PRIs. It envisages setting up of a studio in the HQ of SIRD, Assam and Direction Receiving System (DRS) in all the Extension Centres through Satellite. It also seeks to provide network coverage to every block of Assam. It would facilitate interactive training to PRI functionaries in remote areas of Assam.

4.57 Following the model already set up in Abdul Nazir Sab State Institute of Rural Development (ANSSIRD), Mysore and also keeping in view the compatibility issues with Indian Space Research Organization's (ISRO) satellite, the financial involvement has been worked out to Rs. 1000 lakhs. TASFC recommends a special grant of Rs. 1000 lakhs in 2008-09 for

development of Satellite based communication system as a part of capacity building of PRIs.

REVENUE AND EXPENDITURE PROJECTION

4.58 Based on the foregoing analysis and assumptions, the revenue receipt and non plan revenue expenditure (NPRE) of PRIs at all levels have been projected from 2008-09 up to 2010-11 as at Annexure- 4.18. Tier wise receipt and expenditure is at Annexure- 4.19. Recommendations of TASFC for the years 2006-07 and 2007-08 have been made in the Ad Interim Report submitted in March 2007. Due to non availability of data both for the Ad Interim and this Main Report, the assessment is based on current level of income and expenditure of PRIs and does not take into account the likely devolution of funds and functionaries in respect of the 29 entrusted subjects.

DEBT POSITION OF PRIs

4.59 As regards outstanding debt of PRIs against GOA, the First Assam State Finance Commission (FASFC) mentioned that the outstanding amount as on 31-03-2002 was Rs. 46.40 lakhs. They further mentioned that this amount was disbursed to PRIs by the earstwhile Local Self Government (LSG) Department of GOA during the period 1953-54 to 1970-71. In fact, there has been no fresh addition or discharge to the outstanding amount all these years after 1970-71. The same amount is being reflected in the accounts of GOA year after year. In the meantime LSG Department has been converted to the present Panchayat and Rural Development Department and the composition of PRIs has undergone many changes thereafter. In view of this, FASFC recommended write off of this outstanding amount and the same view was also endorsed by Second Assam State Finance Commission. That this amount has not been written off even now

is evident from the latest available accounts of GOA for 2006-07. Since no loan records are available nor the recipient PRIs can be identified it is useless to drag this amount in accounts year after year. TASFC therefore reiterates the recommendations of earlier two SFCs to write off the outstanding loans against PRIs.