



GOVERNMENT OF HARYANA

**REPORT  
OF  
FOURTH STATE FINANCE COMMISSION  
HARYANA**

**YOJANA BHAWAN PANCHKULA  
JUNE, 2014**

## PREFACE

This is the report of the Fourth State Finance Commission of Haryana. The report is a result of a systematic and diligent effort in understanding the concepts and the spirit behind the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, the prevailing ground situation, and translation of these into the body of findings and recommendations. The report seeks to embody and actualize the aspirations in the said constitutional provisions and the legislations that are the framework of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Behind this document is an untold story of constant and untiring efforts to collect and sift through a large volume of data laden documents, reports, strengthened by views and opinions of various stake holders.

2. We must acknowledge the work done by the previous State Finance Commissions and this Commission would not hesitate to acknowledge the inspiration we have derived from the earlier reports which have also been of help in building the body of opinion before attempting the report. While we have attempted to build upon and indeed improve the content and design, it must be borne in mind that every report builds on another in the gradual construction of an edifice that ensures a sound and vibrant body politic.

3. Since the first report of the State Finance Commission, the levels of awareness both within and outside government have been increasing to some extent facilitating the appreciation of the role of the State Finance Commission. This has been of help in obtaining information required for such a seminal work. However, as will be seen in various parts of the report, this awareness is still in parts and levels low. What was surprising was that even higher levels of bureaucracy in some departments were wanting in awareness and appreciation of the role and purpose of such a Commission. We attribute this to be an impediment in the eventual devolution of real powers to local bodies.

4. The Haryana State Finance Commission has, in the light of its constitutional mandate and given terms of reference, attempted to faithfully reflect the spirit of the constitutional provisions and fulfill its role in the empowerment of these local body institutions. The Commission has been fully seized of the various strengths and weaknesses of these institutions and our recommendations duly incorporate the same with a view for long term strengthening of social and economic structures.

5. This report, therefore, gives emphasis to steps to reinforce structures and enable local bodies not only to fulfill their obligations but also ensure future growth.

6. In its recommendations, the Commission has kept in view the financial position of the State, the capacity of the rural and urban bodies to use the funds based on delegations currently available to these institutions and likely to be made in the period to be covered in the report. These recommendations will cover the period upto the year 2015-16 and thereafter till the report of the next Finance Commission comes into operation.

7. The design of our report differs slightly from the template design recommended by the CFC but does not lack in content and coverage. In our report we have covered all TOR items listed for the Commission. The report is, thus, structured in 15 chapters with annexures. Chapter 1 is introductory, referring to the constitution of the Commission, its TOR, design of the report and methodology adopted. Chapter 2 highlights the approach and issues of the Commission, difficulties faced and suggestions. Chapters 3 and 4 cover analysis and review of status of implementation of recommendations of previous CFCs and SFCs. Chapter 5 explains the physical features of the State, its economic scenario and plan strategy. Chapter 6 explains the position of state finances and its fiscal scenario. Chapter 7 refers to the development profile of PRIs and ULBs and functional decentralisation. Chapter 8 relates to norms and standards of public health services like, water supply, sewerage and storm water drainage etc. Chapter 9 deals with assessment of financial position of the PRIs and ULBs. Chapter 10 includes principles for financial devolution and shares of PRIs and ULBs and assignment of taxes and duties to local bodies. Chapter 11 deals with grants in aid to the local bodies. Chapter 12 embodies taxation powers of PRIs and ULBs and measures needed for internal resource generation by local bodies and suggestions. Chapter 13 explains the status of accounting and auditing of local bodies and training. In Chapter 14, we have discussed various issues and practices like empowerment of citizens, community participation, creation of database, privatisation of municipal services, public private partnership, taxation of central and state government properties, policy on municipalisation and recording of best practices etc. Chapter 15 contains summary of our conclusions and recommendations. Various annexures showing relevant and important information and data have also been added.

8. The full report of the Commission has been put in Haryana Finance Department website: [www.finhry.gov.in](http://www.finhry.gov.in)

## **ACKNOWLEDGEMENT**

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2. The Commission is grateful to the functionaries of all the State Government Departments, Boards & Corporations and other establishments in general and the Departments of Panchayati Raj and Urban Local Bodies in particular, for rendering their timely help towards supply of the requisite data and information to the Commission. Support provided by the district and field level officers of the government departments as well as by the functionaries of the PRIs and ULBs, also helped the Commission very much in performing its task.

3. The Commission also pays its due thanks to the elected representatives of all the tiers of PRIs and ULBs, Ministers, MPs, MLAs of Haryana, prominent public persons and other stakeholders for rendering their valuable suggestions on the issues relevant to the Commission.

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## **CHAPTER – 15**

### **SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

#### **1. Background**

**15.1** In the previous chapters a whole gamut of issues has been expounded on by the 4<sup>th</sup> State Finance Commission within the framework of its terms of reference. We have, in the course of each chapter, made a series of recommendations that, we feel, are necessary to augment the powers of the local bodies (LBs) besides those suggestions that are crucial to actualize the spirit of the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments. In this Chapter we take the opportunity of making a summary of all the important recommendations and suggestions so as to facilitate and enable the state authorities and others concerned to follow up on actions that are recommended.

#### **2. Mandate, Role and Approach of the Commission**

**15.2** In pursuance of the provisions of Articles 243 I and 243 Y of the Constitution and Section 213 of PRIs Act, 1994 and Rule 3 of Haryana Finance Commission Rules, 1994, the Governor of Haryana constituted the 4<sup>th</sup> State Finance Commission Haryana vide notification no. 18/1/2010-POL-(2P), dated 16<sup>th</sup> April, 2010.

**15.3** The 4<sup>th</sup> SFC, as per its TOR, is to make recommendations on sharing of state revenues with the local bodies, both PRIs and ULBs, determination of state taxes and levies which may be assigned to these bodies, grants-in-aid to them and also to suggest measures to improve their financial position.

**15.4** In view the constitutional provisions, the reference period of the 4<sup>th</sup> SFC report would be five years from 2011 – 12 to 2015 – 16, commencing from 1<sup>st</sup> April, 2011.

**15.5** The Finance Commission has been reckoned as the sole arbiter ensuring a just and equitable distribution of state revenues between the State and the local bodies. The SFC has also been conceived as an instrument for devolving the necessary funds from the state level to the local bodies.

**15.6** The SFC also called upon to make a realistic assessment of finances of local bodies and to suggest a stable, predictable and dependable resource transfer package for local bodies. Besides, the SFC has also to ensure that resources transferred to local bodies are put to optimum use and judiciously utilised on providing better quality of public services.

**15.7** The basic approach of the Commission has been to foster inclusive growth and to promote fiscal federalism. The approach applied is based on the principles of equity, efficiency and justice.

**15.8** The Commission's overall intention has been to suggest an effective and transparent scheme of revenue sharing with adequate scope for incentives and disincentives based on performance of local bodies in achieving specific objectives.

**15.9** Fiscal transfers in terms of tax devolution and grants-in-aid have a tendency of correcting vertical and horizontal fiscal imbalances. The Commission adopted such a scheme of revenue sharing as to serve the objectives of equity and efficiency resulting in predictable and stable transfers.

**15.10** The Commission's strategy emphasised the need for devolution of specific powers, authorities and funds to local bodies through resource transfer and their own revenue generation efforts.

**15.11** The Commission believes total budgetary support to local bodies cannot be continued for long due to resource constraints. There is, thus, an imperative need for the local bodies to raise adequate internal resources through all possible means.

**15.12** The Commission adopted global sharing approach in its scheme of revenue sharing which has distinct advantages of being transparent, objective and certain.

### **3. Status of State Finance Commission (SFCs)**

**15.13** The Commission noticed that the period to be covered by its report has not been mentioned in the notification dated 16.04.2010 constituting the Commission. With a view to bringing clarity in the TOR of the Commission, state government should make a specific mention in the TOR of a five year period to be covered by the report of the SFC.

**15.14** The SFC should be constituted at least two years before the Commencement of the period to be covered by its report so that its report could be available before commencement of its reference period. The next SFC (5<sup>th</sup> SFC) should be constituted immediately after submission of report by this Commission.

**15.15** This Commission has already submitted its interim report covering the period 2011 – 12 to 2013 – 14. The recommendations made by this Commission for the year 2015 – 16 may be made applicable till such time the recommendations of the next SFC are available and implemented.

**15.16** Since there is diversity in the periods of CFC and SFC, there is a need for synchronicity in the period of CFC and SFC. It is, thus, required that SFC should be constituted in such a way that they could be in a position to make available their reports to the CFC at the time of latter's constitution.

**15.17** Full Commission should be constituted in one go and its composition should not be disturbed till completion of its task as frequent changes in its composition adversely affect the continuity of its thought and approach.

**15.18** The Chairperson and all the Members, including the Member Secretary should be appointed on full time basis so as to pay adequate attention to the issues related to the Commission. Members should be drawn from the specified fields and they should be persons of eminence and competence.

**15.19** The SFCs should be equipped with sufficient trained staff including those conversant with finance, accounts, policies, schemes and programmes of the government and related matters.

**15.20** The ATR on the recommendations of the SFC should be placed in the state legislature within six months of the submission of its report. It should be followed with an annual statement on the devolutions made to the local bodies and the implementation of other recommendations.

**15.21** All the major recommendations of this Commission, particularly on financial devolution should be fully implemented without any modifications complying with the central tradition of implementing all the major recommendations of the CFC.

**15.22** A Monitoring Group should be constituted on Karnataka pattern to monitor the implementation of recommendations of SFCs and CFCs.



#### **4. Functional Decentralisation**

**15.23** This Commission recognises that delegation of functions to local bodies is a gradual and time consuming process which requires adequate strengthening of local bodies so as to enable them to take on the transferred responsibilities. It is, thus, recommended that subsequent functional transfers to the local bodies should invariably be accompanied by proportional transfer of funds and functionaries alongwith proper administrative support.

**15.24** All those schemes falling within easy implementation capacity of LBs should be wholly transferred to them. Further, a much more comprehensive exercise needs to be carried out to identify and transfer all those schemes of local relevance to the local bodies which are being presently implemented by government departments.

**15.25** There is an imperative need for bifurcation of the functional domains between the state government and the local bodies similar to the division of subjects that exists between the Centre and the States in the form of the Union and the State lists. A third list for local bodies should be inserted in the Constitution.

**15.26** High level Committee set up under the Chairmanship of Chief Secretary to monitor the implementation of activity mapping matrix should hold its meetings frequently at least once in six months and the decisions taken should be strictly implemented in a time bound manner. As a follow up, each department covered under the activity mapping should issue relevant instructions and guidelines to the subordinate offices indicating the schemes/funds allocated to the local bodies.

#### **5. Water Supply, Sewerage and Storm Water Drainage**

**15.27** Since services of water supply, sewerage and storm water drainage are presently being handled by PHED, sufficient funds should be made available in state budget for O & M of these services.

**15.28** Concerted efforts need to be put in to recover the O & M cost of water supply and sewerage at least to the extent of 50% as suggested by the 12<sup>th</sup> Central Finance Commission. The element of subsidization should be eliminated in a phased way to achieve the recovery level upto 100% as per the policy guidelines of the central government.

**15.29** User charges for water supply and sewerage should be revised periodically at least 5 to 10% each year in tune with cost escalation so as to ensure

that full cost of O & M could be recovered by way of user charges. Besides, effective steps should also be taken to compress operation and maintenance costs by using automation of equipments, plugging of water wastage and pilferage/leakages, providing meter connections, privatisation and outsourcing of water supply and sewerage services so as to achieve dual objectives of cost reduction and quality improvement. PRIs should also be incentivized to promote conservation of water. Hence, the Commission recommends following rates of water and sewer charges:-

### User charges as proposed

#### RURAL

Monthly charges as per Metered Supply + Registration charges @ Rs 100/- per tap

#### URBAN

<b>WATER AND SEWER CONNECTION FEE</b>	
b) Water Connection Fee	
1.Domestic	Rs. 2,500/-
2.Commercial/Institutional	Rs. 25,000/-
3.Industrial	Rs. 25,000/-
b) Sewerage Connection Fee	
j) Domestic	iii) Rs. 2500/-
ii) Commercial/Institutional	iv) Rs 10,000/-
iii) Industrial	iii) Rs 10, 000/-
<b>WATER CHARGES</b>	
<b>Metered Supply</b>	
Domestic	Rs.5.00 per kilo litre
Industrial/Commercial/Institutional	Rs. 10.00 per kilo litre
<b>Un-metered supply</b>	
Domestic	Rs. 60.00 per month
<b>Sewerage Connection</b>	
<b>Waste Water Disposal Charges</b>	
Domestic	25% of water charges
Industrial/Commercial/Institutional	25% of water charges
Commercial/Industrial/Institutional sewer connections of waste water shall be charged @ Rs. 5.00 per kilolitre of waste water generated by use of water from their own source (the waste water discharged in sewerage system shall be taken @ 70% of the total water consumed by the consumer from their own sources).	

**15.30** Since projects of water supply and sewerage are highly capital intensive, it may not be desirable to recover any portion of the capital cost from the

beneficiaries. The entire cost on building and upgradation of infrastructure should be borne by the state government.

**15.31** The functions of water supply and sewerage should continue to be carried out by the PHED in those local bodies that have not as yet developed the capacity or resources to take over these responsibilities. A case to case review should be carried out by the PHED in conjunction with the district authorities and the elected representatives of the local bodies in a systematic and time bound manner as there would be many local bodies with proactive public representation.

**15.32** In view of increase in population in rural areas and attempts to set up infrastructure keeping in view the environment concerns, we have recommended that PHED explore modern small scale STPs developed in the private sector for treating sewage. This will promote health and address environmental concerns impacting productivity and economy.

## **6. Taxation Powers of Local Bodies**

**15.33** There is an imperative need for the local bodies to fully exercise all their enabling taxation powers enshrined in their respective legislations and exploit their taxable capacity and potential to the fullest extent.

**15.34** The local bodies should be imparted full freedom to levy taxes, duties, fees etc. within limits prescribed by law subject to floor or ceiling rates fixed by the state government. But at the same time local bodies should also be willing to exercise their given powers.

**15.35** There should be a clear demarcation of tax sources between the State and the local bodies either through consensus or a constitutional provision or suitable state legislation. Since this subject comes under the ambit of the state government, it should initiate such supportive measures in the desired directions.

## **7. Financial Position of Local Bodies**

**15.36** Financial resources of local bodies, both PRIs and ULBs, have been assessed on traditional basis for the period 2011 – 12 to 2015 – 16 as reliable information from the departments could not be available. Revenue gap of PRIs could not be worked out in the absence of any information on expenditure of PRIs. As such, the Commission could work out revenue gap only of municipal bodies

only for the period 2011 – 12 to 2015 – 16. The position has been shown in following tables.

**Projections of Own Revenue of PRIs (Rs. in crore)**

Sources	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>(d) Own Sources</b>	<b>208.16</b>	<b>253.91</b>	<b>286.58</b>	<b>312.43</b>	<b>340.78</b>	<b>371.83</b>
• House Tax	-	6.01	9.96	10.45	10.98	11.53
• Panchayat Land (Lease Money)	168.16	204.40	230.94	254.03	279.45	307.40
• Other Common Property Resources (CPRs)	40.00	43.50	45.68	47.95	50.35	52.90
<b>(e) Shared Taxes</b>	<b>99.34</b>	<b>169.44</b>	<b>217.21</b>	<b>234.43</b>	<b>269.60</b>	<b>310.03</b>
• Excise Revenue	37.34	48.04	80.53	78.40	90.16	103.68
• Surcharge on VAT	62.00	121.40	136.68	156.03	179.44	206.35
<b>G. Total (a+b)</b>	<b>307.50</b>	<b>423.35</b>	<b>503.79</b>	<b>546.86</b>	<b>610.38</b>	<b>681.86</b>

**Overall Position of Finances of ULBs (Rs. in crore)**

Items	2011-12	2012-13	2013-14	2014-15	2015-16
Total Revenue Income from all sources	2,059.77	2,170.88	2,409.81	2,709.91	3,039.97
Total Revenue Expenditure	1,161.86	1,368.73	1,592.34	1,846.98	2,134.34
Surplus (+)	+897.91	+802.15	+817.47	+862.93	+905.63
Deficit (-)					

**15.37** Own tax and non-tax revenues of local bodies, both PRIs and ULBs, are deficient to meet their financial obligations to the satisfaction of their citizens. Larger dependence on state budgetary support by way of shared taxes and grants & subventions cannot be continued for long. Ultimately these bodies would have to go in for higher level of resource generation through own efforts.

**15.38** Constitution of an Incentive Fund at the district level each for PRIs and ULBs has been recommended to reward the better performing local bodies in their resource raising efforts.

**15.39** The Commission has also recommended a balancing package of financial devolution for PRIs and ULBs besides tangible resource raising measures needed to improve their financial position.

## **8. State Finances**

**15.40** The state government should improve its OTR/GSDP ratio to 8.6% from 2013 – 14 onwards from existing level of 6 to 6.5%. Tax growth needs to be made compatible with GSDP trend rate or slightly higher than the GSDP growth rate.

**15.41** Tax potential needs to be fully exploited through comprehensive tax reforms aiming at widening the tax base, rationalising tax structures, enhancement of enforcement capabilities, developing better management information systems through use of IT, withdrawal of tax based exemptions/ concessions, toning of tax administration etc.

**15.42** Effective steps should be taken to increase growth in own non-tax revenue by improving cost recoveries in public services through appropriate revision of user charges in the sectors of irrigation, drinking water, sewerage, medical/technical/higher education, health services from time to time. Bus fares and electricity tariffs should also be updated from time to time to meet impact of increase in input costs. LBs need to be given autonomy in fixing fees and user charges.

**15.43** Explicit and implicit subsidies, grants-in-aid, incentives and subventions need to be better targeted for intended purposes/beneficiaries and further phased out to eliminate their continuance in perpetuity.

**15.44** There is a need for restructuring expenditure policy. The focus should be on adequate funding of infrastructure sectors including irrigation, power and public works. Similarly, the outlay for social sector including health, education, housing, water supply and sewerage etc. should be substantially enhanced to improve social indicators.

**15.45** Revenue expenditure, particularly the non-plan, needs to be kept at a bare minimum by way of privatisation or outsourcing of some services, encouraging contractual appointments, redeployment of works charged staff and by adopting all possible austerity measures.

## **9. Financial Devolution and Share of Local Bodies**

**15.46** The Commission has decided to adopt the global sharing approach in vertical sharing of state revenues in which all state taxes are to be pooled and a proportion thereof would be the share of local bodies.

**15.47** Own Tax Revenue (OTR) only, including all the taxes already being shared, has been taken as the acceptable component of the divisible pool in its scheme of revenue sharing. The state own tax revenue constituting the divisible pool has been discounted for tax collection charges and other incidental charges at the rate of two percent each year.

**15.48** Since reliable and usable data on finances of local bodies was not made available, fiscal gaps of local bodies, particularly the PRIs, could not be worked out and as such the financial devolution recommended in this report is based on value judgement.

**15.49** The Commission has observed that under global sharing approach all the state taxes constitute the divisible pool, there is no justification for continuation of non-SFC sharing of excise revenue and surcharge of VAT which have been made shareable with the local bodies by the state government at its own level. In view of this development, the Commission has recommended two steps of sharing of state revenues with the local bodies.

**15.50** Under Step – 1, the share of local bodies, both PRIs and ULBs, has been recommended to be at 2.5 percent of the divisible pool i.e. the net own tax revenue. However, the non-SFC sharing of excise revenue and surcharge on VAT would continue as before. Step – 1 would remain in operation for the first four years of Commission's award i.e. from 2011 – 12 to 2014 – 15.

**15.51** Under Step – 1, the share of local bodies should be apportioned between PRIs and ULBs exactly in accordance with the rural-urban population ratio of 65:35 as per 2011 census i.e. share of PRIs at 65 percent and ULBs at 35 percent.

**15.52** A composite index with parameters like population, area, literacy gap, AAY population and gender ratio has been adopted as an acceptable criteria of distribution of PRIs and ULBs shares at the district levels. The following criteria

has, thus, been recommended for district-wise distribution of local bodies shares into PRIs and ULBs:-

#### Criteria of Financial Devolution

Parameters	Weight (%)
Population (Rural/Urban)	40.0
Area (Rural/Urban)	25.0
Literacy Gap (Rural/Urban)	15.0
Antodya Anna Yojana (AAY) Population	10.0
Gender / Sex Ratio	10.0
<b>Total</b>	<b>100.0</b>

**15.53** The PRIs share at the district level should continue to be allocated among GPs : PSs : ZPs in the ratio of 75:15:10 respectively.

**15.54** The shares of GPs and PSs within the districts, should be allocated on the basis of the ratios of population and area as per 2011 census with 80% weight to population and 20% weight to area.

**15.55** Shares of urban local bodies within the district should be calculated by the concerned department of the state government on the basis of population ratio (2011 census) with 80 percent weight and area ratio with 20 percent weight.

**15.56** Under Step – 1 the financial devolution recommended for local bodies relating to the period 2011 – 12 to 2015 – 16 on global sharing basis at the rate of 2.5% of divisible pool with shares of PRIs and ULBs in ratio of 65:35 has been shown below:-

**Share of PRIs and ULBs (Rs. in crore)**

<b>Particulars</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Total 2011-16</b>
Total Share of LBs at 2.5% of divisible pool	499.79	595.10	705.22	819.64	953.37	3,573.12
Share of PRIs (65%)	324.86	386.82	458.39	532.76	619.69	2,322.52
Share of ULBs 35%)	174.93	208.28	246.83	286.88	333.68	1,250.60

**15.57** Under Step – 2, the share of local bodies, both PRIs and ULBs, has been recommended at 7% of the divisible pool i.e. net own tax revenue. Under Step – 2, the non-SFC sharing of excise revenue and surcharge on VAT would be discontinued. Step – 2 would remain in operation for the year 2015 – 16 only, the concluding year of the award of the Commission.

**15.58** Under Step – 2, the share of local bodies in the financial devolution for 2015 – 16 should be divided between PRIs and ULBs in the ratio of 50:50 i.e. 50% for PRIs and 50% for ULBs as against rural/urban population ratio of 65:35 as per 2011 census.

**15.59** Under Step – 2, the share of local bodies calculated at 7% of the divisible pool with shares of PRIs and ULBs in the ratio of 50:50 has been given below:-

**Financial Devolution for the year 2015 – 16 (Rs. in crore)**

<b>Component</b>	<b>Year 2015-16</b>
Divisible Pool (Net OTR)	37,399.71
Share of Local Bodies (at 7%)	2,617.98
Share of PRIs (50%)	1,308.99
Share of ULBs (50%)	1,308.99

The resort to Step – 2 will restore the devolution as per the constitutionally approved methodology according to which SFC becomes the arbiter of devolution of state revenues to Local Bodies.

**15.60** The district-wise distribution of shares of PRIs and ULBs has been given on next page:-



**District Wise Distribution of Share of PRIs and ULBs**

Sr. No.	District	PRIs						ULBs					
		Composite Index	Year-Wise Allocation (Rs. in crore)					Composite Index	Year-Wise Allocation (Rs. in crore)				
			2011-12	2012-13	2013-14	2014-15	2015-16		2011-12	2012-13	2013-14	2014-15	2015-16
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Ambala	3.765	12.232	14.565	17.260	20.060	23.333	5.148	9.005	10.722	12.707	14.769	17.178
2	Panchkula	1.855	6.027	7.177	8.504	9.884	11.497	3.397	5.942	7.075	8.384	9.745	11.335
3	Yamunanagar	4.268	13.864	16.509	19.563	22.737	26.447	5.646	9.877	11.760	13.936	16.197	18.840
4	Kurukshetra	4.148	13.476	16.046	19.015	22.100	25.706	3.718	6.504	7.745	9.178	10.667	12.407
5	Kaithal	5.415	17.591	20.946	24.821	28.848	33.555	4.287	7.500	8.930	10.583	12.300	14.307
6	Karnal	5.852	19.011	22.637	26.825	31.177	36.264	5.224	9.138	10.880	12.894	14.986	17.431
7	Panipat	3.589	11.660	13.884	16.453	19.123	22.243	5.950	10.409	12.394	14.687	17.071	19.855
8	Sonipat	5.321	17.286	20.583	24.392	28.349	32.975	5.158	9.023	10.744	12.732	14.798	17.212
9	Rohtak	3.578	11.623	13.840	16.401	19.061	22.172	4.717	8.251	9.824	11.642	13.531	15.738
10	Jhajjar	3.998	12.987	15.464	18.325	21.298	24.774	3.067	5.366	6.389	7.571	8.800	10.235
11	Faridabad	2.167	7.039	8.382	9.933	11.544	13.428	10.739	18.786	22.367	26.507	30.808	35.834
12	Gurgaon	2.870	9.323	11.101	13.155	15.290	17.785	9.427	16.490	19.634	23.268	27.044	31.455
13	Rewari	3.991	12.964	15.437	18.293	21.260	24.730	2.868	5.017	5.974	7.080	8.228	9.571
14	Mahendergarh	4.734	15.378	18.311	21.699	25.220	29.335	2.172	3.800	4.524	5.362	6.231	7.248
15	Bhiwani	8.185	26.591	31.662	37.521	43.608	50.724	4.461	7.804	9.291	11.011	12.798	14.885
16	Jind	6.443	20.931	24.923	29.534	34.326	39.927	3.554	6.218	7.403	8.773	10.197	11.860
17	Hisar	7.435	24.154	28.761	34.083	39.612	46.076	6.236	10.909	12.989	15.393	17.891	20.810
18	Fatehabad	5.060	16.439	19.575	23.197	26.960	31.359	2.776	4.856	5.782	6.852	7.964	9.263
19	Sirsa	7.279	23.648	28.158	33.368	38.782	45.109	5.263	9.207	10.962	12.991	15.099	17.562
20	Mewat	5.668	18.413	21.925	25.981	30.196	35.123	2.345	4.103	4.885	5.789	6.729	7.826
21	Palwal	4.379	14.224	16.937	20.071	23.327	27.133	3.844	6.724	8.006	9.488	11.028	12.827
<b>TOTAL</b>		<b>100</b>	<b>324.86</b>	<b>386.82</b>	<b>458.39</b>	<b>532.76</b>	<b>619.69</b>	<b>100</b>	<b>174.93</b>	<b>208.28</b>	<b>246.83</b>	<b>286.88</b>	<b>333.68</b>

**15.61** The Commission has also decided that backlog amounting to Rs. 215.08 crore and Rs. 115.81 crore should be transferred to the PRIs and ULBs respectively in a phased manner during 2014 – 15 and 2015 – 16 over and above their respective shares in financial devolution recommended by this Commission for PRIs and ULBs for these years. Further that these funds should be distributed among all tiers of PRIs and ULBs within the district as per the criteria laid down by this Commission for global sharing of state own tax revenue.

**15.62** The Commission does not recommend assignment of any specific state taxes, duties, tolls and fees to the local bodies during its award period.

## **10. Grants-in-aid to Local Bodies**

**15.63** The Commission recommends one time grants-in-aid of Rs. 113.60 crore for the following purposes:-

**15.64 Maintenance of Municipal Roads and Solid Waste Management:-** The Commission recommends a grant of Rs. 57.85 crore for proper maintenance and upkeep of municipal roads and development of solid waste management.

**15.65 Upgradation of Fire Services:-** A special and one time grant of Rs. 10 crore has been recommended for augmentation of fire services infrastructure.

**15.66 Capacity Building:-** The Commission recommends a grant of Rs. 15.00 crore i.e. Rs. 6.00 crore for HIRD Nilokheri, Rs. 3.00 crore for SCDTC Nilokheri and Rs. 6.00 crore for HIPA Gurgaon for strengthening of their capacities to organise comprehensive courses for local bodies representatives, employees and government functionaries.

**15.67 Strengthening the Data Base of PRIs and ULBs:-** The Commission recommends a grant of Rs. 10.00 crore for creation and strengthening of data bases at all levels of local bodies i.e. Rs. 5.00 crore for PRIs and Rs. 5.00 crore for ULBs. Departments of Panchayati Raj and Urban Local Bodies should assess requirements of each of the local bodies for computerisation and other related ingredients and earmark sufficient additional funds, if need be, from their shares in tax devolution.

**15.68 Maintenance of Accounts and Audit of Local Bodies:-** The need for better management of local bodies through improvement of accounting practices and audit has been strongly felt. The Commission recommends a grant of Rs. 20.00 crore comprising of Rs. 10.00 crore each for PRIs and ULBs for setting up of a cadre of qualified personnel equipped with modern tools of management and information technology to ensure revamping of the management of accounts and improving of audit standards.

**15.69 Setting up of Cells for Research & Analysis of Public Finance and Policy:-** The Commission has observed that universities in the State need to play some role in analysis of applied aspects of government economic policies, fiscal matters and evaluation of governance at all levels. A sum of Rs. 75.00 lakh is recommended i.e. Rs. 25.00 lakh for each of three universities in the State i.e. K.U. Kurukshetra, MDU Rohtak and GJU, Hisar for this purpose. Long term studies would be invaluable to both state government and SFC/CFC.

**15.70** The summary of the grants-in-aid recommended for various purposes is shown below:-

<b>Particulars</b>	<b>Amount (Rs. in crore)</b>
• Maintenance of municipal roads and Solid Waste Management	57.85
• Up-gradation of fire infrastructure	10.00
• Capacity building	15.00
• Strengthening of data base	10.00
• Maintenance of accounts and audit of local bodies	20.00
• Creation of cells for research and analysis of public finance and policy in universities	0.75
<b>Total</b>	<b>113.60</b>

## **11. Incentive Mechanism**

**15.71** The Commission recommends creation of Incentive Fund at the district level each for PRIs and ULBs as a mechanism to encourage them to make vigorous efforts for revenue raising and improve basic social indicators.

**15.72** The annual corpus of the Incentive Fund each for PRIs and ULBs would be 10 percent of their annual entitlements in tax devolution which would be released only to those local bodies which perform better than the suggested norms

during the preceding year. Fifty percent of the annual accruals in the Incentive Fund may be earmarked for those local bodies which are able to increase their own tax and non-tax revenues by more than 10 percent over the preceding year. The other eligibility criteria is a minimum recovery of 60 percent of the total annual demand against own tax and non-tax revenues beginning with the financial year 2011 – 12. The minimum recovery percentage would have to be raised by 5 percentage points each year upto 80 percent in the year 2015 – 16, the concluding year of the award period of this Commission so as to be eligible to draw down the Incentive Fund.

**15.73** The other 50 percent part of the annual corpus of the Incentive Fund should be earmarked and released to those local bodies, at all levels, which keep up to or exceed the standard norms to be fixed by the state government in respect of emerging core areas. These include: fiscal management, implementation of national and state programmes and other core areas as enrolment at primary level, reversal of dropout levels among girls, small family norms, Infant Mortality Rate, sanitation, conservation of water and energy resources, prevention of foeticide and infanticide and other emerging areas to be identified by the state government.

## **12. Channelization, utilisation and monitoring of Finance Commission devolutions to the local bodies**

**15.74** All the concerned institutions and agencies, for whom grants have been recommended, are required to design their action plans within the indicated ceilings and to submit their proposals to their respective administrative departments for approval. The Finance Department would release the requisite funds to the concerned implementing agencies on quarterly basis as per the phasing to be indicated by the implementing agencies.

**15.75** Since a big chunk of budgetary funds is transferred to local bodies through various channels including Finance Commissions, it becomes necessary to ensure that the requisite funds are transferred to these bodies timely; also the funds so transferred are properly utilised and effectively monitored.

**15.76** This Commission has observed that devolution of funds to local bodies is often irregular and dilatory. In some cases funds are released at the fag end of the financial year. This affects proper budgeting and timely utilisation of transferred funds. The system of release of funds to local bodies, therefore, needs to be

streamlined and the requisite funds should be transferred to these bodies in a time bound manner.

**15.77** As the high powered committee headed by the Chief Secretary has not served the intended purposes, the Commission re-iterates the constitution of an external Monitoring Group on Karnataka pattern endowed with authority to better ensure proper utilisation and effective monitoring of SFC/CFC devolutions and other recommendations.

### **13. Measures of Additional Resource Mobilisation for Local Bodies**

#### **(a) Measures Common to PRIs and ULBs Additional Stamp Duty**

**15.78** The Commission recommends that additional duty on stamp duty should be increased by the ULBs to 3% from existing 2% which is in conformity with the provisions in Municipal Act.

**15.79** The gram panchayats should be permitted to levy additional duty on stamp duty at the rate of 3% on sale and transfer of immovable properties in their jurisdiction. Necessary amendment may be made in Panchayat Act, 1994 while doing so, if so warranted.

**15.80** The additional stamp duty should not form part of the state budget and the former system of collection and transfer of local bodies shares to them at the level of Registrar or Sub-Registrar should be reverted back. It not only saves time and ensures immediate transfers of revenue to the local bodies but is also symbolic of their fiscal autonomy. The share of PRIs and ULBs should be paid to them by making payment at the collection/ registration point.

#### **Tax on consumption of Electricity (Electricity Tax)**

**15.81** The Commission recommends that electricity tax needs to be enhanced to 10 paise per unit from the existing 5 paise per unit with a view to improve the financial position of municipalities.

**15.82** The Commission also recommends that electricity tax at the rate of five paise per unit should be immediately levied on electricity consumed in panchayat areas. The tax rate be subsequently increased to 10 paise per unit on similar lines as recommended for municipalities.

**15.83** The power consumed for street lights, water supply and other public utilities in panchayat and municipal areas should be charged on bulk supply or domestic rates rather than on commercial rates.

### **Share in Royalty on Minor Minerals**

**15.84** The Commission recommends that 10% of the income from royalty on minor minerals should be the share of PRIs or ULBs. As regards share of PRIs, it is recommended that this may form a pool of resources at the district level for further disbursement to the panchayats in accordance with set guidelines to be framed by the Panchayat Department. In order to ensure equitable distribution, share of various panchayats could be worked out partly on the basis of origin and partly on the basis of transit route or other suitable criteria to be evolved by the state government.

### **Teh Bazari**

**15.85** The Commission observes that teh bazari can be a substantial source of income to ULBs in case it is properly utilised and fees or charges of teh bazari are revised from time to time.

## **(b) Measures of Additional Resource Mobilisation specific to PRIs**

### **House Tax (Chullah Tax)**

**15.86** The Commission recommends that the rates of house tax should be revised with immediate effect, as under:-

- For land owner or shopkeeper: - From Rs. 30/- to Rs. 100/- p.a.
- For tenant of land or an artisan: - From Rs. 20/- to Rs. 50/- p.a.
- For un-skilled labourer: - From Rs. 10/- to Rs. 25/- p.a.

It is further recommended that house tax rates should be revised every five years to make it relevant to cost escalation. Further, no exemption should be granted for katcha dwellings since even a small levy imparts a sense of dignity and participation to the residents.

### **Development Tax**

**15.87** The GP should be fully and solely involved in its role as a regulatory and competent authority authorized to approve the building plans and give completion certificates – both with the help of expert guidance and support. Development tax

should be imposed for being a direct source of revenue for the gram panchayat. As far as construction of structures outside the lal dora but inside the village boundary, the DTP could continue to play the regulatory authority in conjunction with the GP with the revenue from the development tax being transferred to the GP.

### **Management of Common/Panchayat lands and other Common Property Resources (CPRs)**

**15.88** The Commission suggests that laws pertaining to removal of encroachments on CPRs should be made more stringent and efforts be made to enforce them strictly so that the disputed cases of unauthorized possession may be speedily disposed of. Village and block level functionaries should be made responsible for pursuing such cases.

**15.89** It is imperative that some powers be delegated to the panchayats for dealing with small scale encroachments and imposition of penalties. In addition, cases under the Village Common Lands Act should attract heavy penalties for encroachment of common property resources of the Gram Panchayats.

**15.90** The village common land and other CPRs should be physically identified, properly recorded and demarcated through fencing etc. and displayed on notice board of each panchayat with necessary details for general information of the residents so as to avoid encroachments.

**15.91** Management and development of CPRs should be essential components of village and district level plans and should also form part of the training modules for PRIs functionaries and representatives. Mass campaigns should be undertaken for increasing people's awareness about the importance and protection of CPRs.

**15.92** Concerted efforts should be made for commercial exploitation of common lands by setting up commercial complexes, rural industries, industrial sheds etc. where sufficient land is otherwise available for local requirements. A big part of the area should be utilized for plantation, afforestation, fishing activities, horticulture, floriculture etc. for augmenting income of panchayats. Panchayats should also impose some charges for use of CPRs. Fines may also be imposed on defaulting persons. Income from these sources should be utilised for proper management and development of CPRs.

**15.93** Panchayats having waste land should also be encouraged to set up solar power generation plants. Individual solar power generation by households should also be encouraged as in the cases of Kerala & Tamil Nadu.

**15.94** The auction system for leasing out panchayat lands should be transparent and objective. Representatives of PRIs should be present at the time of auction of shamlat lands to avoid corruption and connivance.

### **Conversion charges – Change of Land Use (CLU)**

**15.95** It is recommended that 10% of income from change of land use (CLU) may be devolved on the gram panchayats. The system of transfer of the share of panchayats so worked out would be much simpler with the collecting agency continuing to be the state government.

### **Issue of various certificates**

**15.96** Birth and death certificates, marriage certificates, domicile certificates and caste certificates should be issued by the panchayats to the village applicants for which fees varying from Rs. 25/- to Rs. 100/- can be charged for different kinds of certificates on the pattern being followed in Himachal Pradesh. It would be easier to enable and empower panchayats to issue certificates of the above kinds.

### **Other Recommendations**

**15.97** The Commission has also received some general suggestions during field visits for improving resources base of the PRIs which are reproduced below for appropriate action.

- PRIs should impose tax or fee on advertisements, hoardings, cable operators, micro wave towers, public schools, coaching centres, technical, medical and management colleges, commercial institutions and other establishments like shops, restaurants, hotels etc. located in their jurisdiction.
- GPs should impose token tax on hawkers and other traders for selling their goods in villages.



- The activities like poultry, fisheries, hatcheries and other non-farming activities taking place in their areas should be brought under PRIs for levy of fees etc.
- Panchayats should construct shops, banquet halls, housing colonies etc. on panchayat lands to raise revenues.
- Some shares of income from river ghats, minor minerals, change of land use (CLU) should also be given to the PRIs.

## **(C) Measures of Additional Resource Mobilisation specific to ULBs**

### **Property Tax (House Tax)**

**15.98** The Commission suggests that rebates and exemptions from property tax should be minimized and property owners of all categories must be made to pay an affordable amount on their properties. It may also be ensured that all non-domestic properties attached to brick kilns, rice shellers, stone crushers, petrol pumps, stud farms and small & large scale industries are covered under tax net.

### **Profession Tax**

**15.99** In keeping with the spirit of empowerment and devolution of powers to panchayati raj institutions and urban local bodies, profession tax may be revived and allowed to be imposed by local bodies on such commercial entities including schools that have high fee structures as compared to those private schools that are arguably commercial but are charging only nominal amounts as fees. It should be left to the local bodies to levy or not levy the tax on such institutions given the financial position of such schools as assessed by the local authority. As far as other institutions and commercial or industrial units, the local bodies should be allowed to tax these. As mentioned by the 11<sup>th</sup> and 12<sup>th</sup> CFCs, the rates need to be revised upwards by constitutional amendment.

### **Fire Tax**

**15.100** This Commission suggests that all properties in urban areas, residential and non-residential, institutional or commercial, should be included for imposition of fire tax irrespective of the type of property. This is because of higher density of population in residential areas, especially in the old inner city areas where various types of economic activities are generated resulting in corresponding fire hazards.

## **Vacant Land Tax**

**15.101** The Commission suggests that a vacant land tax should be levied by ULBs at a reasonable percentage of the capital value of the property. It is further suggested that vacant land should be clearly defined which should include open land and un-built plots. Such lands being used for purposes of marriage parties, receptions and entertainment purposes and parking etc. should be taxed at higher rates.

## **Vehicle Tax (Motor Tax)**

**15.102** The Commission feels that motor tax for all kinds of vehicles should at least be doubled so as to improve resources of the municipal bodies.

## **Non- Tax Sources**

**15.103** The Commission is of the firm opinion that rates of fees/charges must be updated periodically to boost revenues. Besides, the user charges should also continue to be updated from time to time so as to cover at least the maintenance cost. This would rather inculcate among the citizens a habit to pay for the services being availed by them. The Commission, therefore, observes that the state municipal administration should review the fees/charges periodically for their updation so as to augment revenues of the municipalities.

**15.104** Attempts should be made to move towards the goal of full cost recovery of services. Initially, recovery of full costs of operation and maintenance of providing the services should be attempted. An element of cross-subsidy to the poorer sections may be provided by charging higher rates from the better off consumers and industrial users.

**15.105** There are some non-tax fees or levies which can be charged for improved level of services. These are known as valorisation fee, impact fee and betterment levies. These are such levies which may not be resisted to by the general public but would lead to augmentation of revenues of the municipal bodies.

## **14. Other Issues and Recommendations**

### **Audit and Accounts of Local Bodies**

**15.106** Accrual based double entry system should be introduced in all the urban local bodies as per the provisions of NMAM. On the analogy of NMAM, the New

Municipal Accounts Code may be formulated and implemented in all ULBs, as recommended by the GOI and notified by the Urban Local Bodies Department on 28.03.2012.

- Similarly, Model Accounting System as prescribed by the MOPR/GOI be introduced in all tiers of PRIs by substituting the existing accounting formats prescribed in Haryana Panchayati Raj Accounts, Finance, Audit, Budget and Works Rules, 1996.
- Annual accounts of PRIs and ULBs should be disclosed and published on line to ensure transparency and accountability.
- The Annual Technical Inspection Report, now known as Annual Administrative Report (AAR) of C&AG and Annual Report of Local Fund Audit should be placed before the state legislature on a regular basis. If necessary, relevant legislation may be introduced to institutionalise this procedure.
- Prompt action needs to be taken on audit reports on the accounts of PRIs and ULBs by the concerned authorities and replies to audit objections be ensured within a stipulated period of 3 months.
- All the bye-laws of PRIs and ULBs need to be enforced strictly to enable these bodies to earn more and to make them self sustaining.
- Data base formats prescribed by the Ministry of Urban Development should be adopted by all the ULBs. Similarly, all the tiers of PRIs should adopt the formats as prescribed by the C&AG and sufficient trained staff be provided to gram panchayats.
- State government should appropriately strengthen their Local Fund Audit Department through capacity building as well as personnel augmentation. All the posts of Auditors, Senior Auditors and Audit Officers presently lying vacant, should be immediately filled up on a time bound basis. Since audit personnel to be obtained from the market through outsourcing would require fresh training, the better option would be to engage retired government auditors on contract basis. Where these are not available, appropriate training be given to persons who may be employed from the market.
- Accountants and auditors should be hired from private sources and measures be taken to either recruit accountants and auditors within six months or hire the contractual services of young or retired persons.

- We have suggested setting up of new managerial cadres on the pattern of Karnataka & Gujarat for handling the higher level of accounts and managerial responsibilities necessitated by high volumes of financial devolution and number of development programmes being implemented.
- The system of cost audit may be initially introduced in municipal corporations and municipal councils in order to reduce costs. The services of cost accountants may be engaged on contract basis to initiate the system and train the staff. A small cadre can be built up and deployed for service throughout the state.
- Since local bodies play a key role in the development process and their functional domain stands substantially enlarged due to constitutional amendments, the system of works audit should be introduced to effect transparency and accountability in their operations
- A committee on Local Bodies should be formed on the lines of Public Accounts Committee to bring to light the irregularities and loss suffered by local bodies.

## **Social Audit**

**15.107** A well in-built social audit system should be put in place in all GPs through the forum of gram sabha to conduct social audit so as to avoid corruption and nepotism in the working of local bodies. All the documents of GPs relating to financial transactions, physical works, accounts, audit reports etc. should be kept for social audit during gram sabha meetings. Such an oversight will ensure financial correctness resulting in economy in expenditure and minimum wastage of funds and materials. However, while social audit may look at the muster roll and payments made and review the material and records, the technical aspects of the works would need to be reviewed by the core team of the headquarters not only to ensure compliance with specifications but also other aspects like structural soundness etc. A technical evaluation cell should be set up at the headquarters independent of the technical line department of Chief Engineer of Panchayati Raj. Such a cell could be under the control of Rural Department or Local Audit Department. Steps should be taken to ensure the Social Audit Directorate functions independently.

## **Training**

**15.108** The Commission has noted that though some progress has been made towards imparting training in the matters of accounts and audit, still more efforts need to be made in this direction. Training modules should be drawn up for skill up-gradation jointly by the Panchayat Department, Urban Local Bodies Department, Local Audit Department as well as the C & AG of India. Besides, these departments should be suitably strengthened in terms of trained manpower and infrastructural logistics so as to cope with the requirements of new standards and methodology in the sphere of accounting and auditing.

## **Capacity Building, Training and Empowerment**

**15.109** The strategies for capacity building and training must aim at making delivery of services quick, cost effective and responsive to people's requirements. For this purpose an apex state level mechanism linked to a decentralised net work of training institutions needs to be developed.

**15.110** Training modules prepared by the GOI and NGOs can also be used for the purpose. Training of officials, elected representatives and other stakeholders should be a continuous process consisting of foundation courses, refresher courses, re-orientation courses, seminars, workshops, study tours etc. The major issues for consideration in this regard are:- identification of target groups and assessing their training needs, preparation of course contents, background training materials and teaching aids etc.

**15.111** The two premier institutes i.e. HIRD Nilokheri and HIPA Gurgaon should be strengthened by way of additional manpower and infrastructural logistics so as to enable them to cater to the capacity building and training needs of PRIs and ULBs. It is further suggested that HIPA should be entrusted the task of providing training to the officials and non-officials of urban local bodies and HIRD that of the Panchayati Raj Institutions.

**15.112** The Commission further recommends that a state level Urban Management, Training and Research Academy should be set up in the State at the earliest. The proposed academy should be an autonomous professional body with eminent experts in the field of urban management and finance.

## **Community/Citizens' Participation**

**15.113** The Commission feels that community participation is an area of high priority in terms of both policy and action in the working of local bodies. What is needed is the adoption of community /citizen initiatives as policy measures and their replication, multiplication and encouragement on a much larger scale through systematic efforts and institutionalization of arrangements.

## **Citizens' Empowerment**

**15.114** Empowerment of citizens is a critical element to enable local bodies to function and deliver efficiently. The legislations already made in this regard are enough to deliver the goods. But merely making legislations and announcing policies does not serve the purpose. Effective implementation of citizen-centric laws and policies is a must to empower them. The need is for strict and forceful implementation of existing legislations at grass root level. This can be achieved if the key elements for making community participation citizen centric are properly understood and efforts are made for enriched community participation.

## **Formation and functioning of District Planning Committees (DPCs)**

**15.115** There is a dire need to strengthen the role of DPCs in an effective for achieving desired goals. DPCs should have powers to review the progress of programme implementation. If empowered properly, DPCs may prove to be a major milestone in the development process in the years to come.

**15.116** Since DPCs are constitutional entities, there is a pertinent need to review their functioning and encourage public participation in grass-root planning and programme implementation. The DPCs should be made open to democratic discussion and decision making. These committees should hold regular meetings. DPCs should take quarterly review meetings and find out measures to solve grievances.

**15.117** The Commission is of the opinion that district plan funds should be distributed among different tiers of local bodies on the basis of population ratios and other indicators of backwardness and deprivation.

**15.118** It would be appropriate to integrate works under MPLADS with the district plan and execute them through concerned PRIs and ULBs. It is further

suggested that the State Planning Board/state government should ensure that all the district plans are incorporated in the state plans.

### **Creation of data base and e-governance**

**15.119** The Commission strongly feels the necessity of a permanent central agency in the State Finance Department or the Planning Department exactly on the pattern of Finance Commission Division in the Ministry of Finance, Government of India which should be fully equipped with qualified and technical manpower to work as repository of data on local bodies and also to review and monitor the progress of implementation of recommendations of SFCs and CFCs.

**15.120** In order to overcome the problem of statistical data on PRIs and ULBs, there is an urgent need of creation of Statistical Cells each in the Departments of Panchayats and Urban Local Bodies, fully equipped with trained and dedicated manpower and modern electronic devices.

**15.121** Local bodies, particularly the ULBs, should adopt IT and electronic governance for providing higher standards of information, administration and services to the people. It is, therefore, recommended that a comprehensive and time bound programme of computerization of local bodies should be taken up on priority basis.

### **Privatization of Municipal Services**

**15.122** Keeping in view the positive results of privatisation in terms of cost effectiveness and efficiency improvement, this Commission strongly recommends privatization of services like street lighting, solid waste management, construction/maintenance of toilets, garbage collection and disposal, street cleaning, maintenance of roads/gardens/parks/play grounds in all the major municipalities. The prerequisites to regulate the process of privatization of municipal services are preparation of model bye laws and guidelines, a strong regulatory mechanism and oversight system, appropriate institutional and legal frame works so that a strict watch could be kept on private service providers for obtaining quality service levels at minimal cost. Community participation can also be a cost effective measure of maintaining and operating civic services.

**15.123** The state government would have to frame a suitable policy so that the services of employees rendered surplus are properly utilised for other functions till the process of absorption is completed.

### **Public Private Partnerships (PPP)**

**15.124** The Commission observes that since big infrastructural projects involve high costs, long gestation periods and low returns, these projects should be taken up under PPP arrangements, which should include water supply, STPs, sanitation, construction of roads/by passes/flyovers/ commercial centres, recreational facilities, public conveniences, community centres etc. PPP arrangements should also cover efforts made by voluntary organizations like RWAs and NGOs in areas like garbage collection and removal, solid waste disposal, tree plantation, maintenance of parks, neighbourhood watch etc. However, for this purpose, appropriate policies, legal frame work, tariff regulation arrangements and incentive systems should also be evolved and put in place by the government so as to achieve the desired objectives of cost effectiveness, efficiency improvement and resources generation etc.

### **Taxation of Central Government Properties**

**15.125** The Commission observes that there exist huge properties in various parts of the State belonging to various central government departments and in case sincere efforts are made to identify such properties and recover property tax, substantial income can be generated by the local bodies. It is further suggested that Urban Local Bodies Department should conduct a survey to identify central properties located in the State, determine their annual value and calculate service charges due to various municipalities and initiate recovery process following due course.

**15.126** The Commission is of the view that the state government should ensure that property tax on state government properties payable to local bodies is paid in time in future apart from clearing all the outstanding arrears within a year. It is further suggested that a system may be devised by the State Finance Department to make payments of property tax direct to the Urban Local Bodies Department from the budgetary allocations of the defaulting departments and other undertakings.



## **Policy on Municipalisation**

**15.127** The Commission has been informed that as per 2011 census, four cities/towns namely, Hodal, Charkhi Dadri, Mandi Dabwali and Gohana, having municipal committees, have crossed population of 50,000 and as such these towns qualify for being converted into municipal councils. A view has to be taken as to whether these four towns can be converted into municipal councils. The Commission is of the view that the state government should examine this issue on a case to case basis as per the enabling provisions under the Municipal Act and also as per the guidelines/criteria laid down by the state government. The Commission also understands that residential areas have also been developed by HUDA and, thus, such areas have immense economic potential, especially being situated on national and state highways or on other focal points. The state government should also consider declaring such areas as municipal areas.

## **Functioning of Gram Sabha and Ward Sabha**

**15.128** The Commission recommends following measures for making gram sabhas effective:-

- The gram panchayat should be allowed to take up only those projects/works as have been approved by the gram sabha in the Annual Action Plan.
- The quorum of one-tenth must be revived for the general meeting of the gram sabha to ensure people's participation.
- The list of the beneficiaries of various types of pensions and other schemes including those of BPL/IAY and 100 yard plots be finalised by the gram sabha.
- The budget of gram panchayat must be approved by the gram sabha and in case of differences between them, the matter be referred to the Panchayat Samiti whose decision will be final in this context.
- The gram sabha shall conduct social audit of the performance of the gram panchayat. It shall be assisted by its social audit committee constituted by the gram sabha and consisting of a retired government servant/ex-serviceman, a representative each of Sakshar Mahila Samooh, Self Help Groups, Nehru Yuva Kendra and members of Panchayat Samiti and Zila Parishad representing the gram panchayat area.
- Ward Sabhas should also be constituted in gram panchayats having more than two villages and gram panchayats having a population of more than 5,000. Its meetings should be chaired by the panch from the ward and it should be held before the gram sabha meeting which should consider the recommendations of the ward sabha in the meeting of the gram sabha.
- The proceedings of the gram sabha should be videographed.

## **Environmental Improvement**

**15.129** There is a need to restore ecological balance. The urban local bodies and PRIs are important in this effort to improve the ecology. These bodies can not only play a significant role in tackling the green house effects but can earn revenues by aggressive steps to promote afforestation and gain carbon credits. The local bodies need to be tasked for effective monitoring and harnessing of their potential resources. Other large vacant areas unsuitable for afforestation can be harnessed for solar power generation for local use with extra power generation going into the grid. Another important issue is the harnessing of methane and other greenhouse gases to help the environment. Gobar gas plants should also be installed for revenue generation for the local bodies by sale of natural gas for cooking and other common purposes. PPP option should be encouraged for better management of these installations.

## **15. Recording of Best Practices**

**15.130 Conformity Legislations :** Consequent to the 73<sup>rd</sup> and 74<sup>th</sup> CAAs, 1992, all the conformity legislations have been enacted by GOH for empowerment of local bodies viz, Haryana Panchayati Raj Act 1994 providing for a three tier system in PRIs, Haryana Municipal (Amendment) Act, 1994, Haryana Municipal Corporation Act 1994 and Haryana Finance Commission Rules, 1994.

**15.31 Constitution of permanent State Election Commission:** Subsequent to enactment of conformity legislation, a permanent statutory State Election Commission has been constituted by GOH on 18.11.1993 to conduct elections of all units of PRIs and ULBs in the State. This Commission has regularly conducted four historic elections of PRIs in December 1994, March 2000, April 2005 and June 2010 under its supervision and control and those of ULBs from time to time in 1994, 2000, 2005 and 2010. Presently, there are 68,226 elected representatives of all units of PRIs and 2405 that of ULBs. The total number of elected representatives of SC, BC and women in PRIs is 20,624.

**15.132 Reservation for SC, BC and Women:** One of the most vital features of Panchayati Raj system in Haryana has been regular conduct of elections and empowerment of weaker sections of society including women. It has made reservations for SCs, BCs, and women not only for getting elected to panchayats and municipalities but also for executive posts like chairpersons and vice-

chairpersons. About 50% elected representatives of PRIs and ULBs belonging to reserved categories reveals the impact of reservation policy in Haryana State.

**15.133 Constitution of State Finance Commission (SFC):** Section 213 of PRIs Act 1994 and Rule 3 of Haryana Finance Commission Rules, 1994 provide for constitution of SFC after expiration of every five years to review the financial position of PRIs and ULBs and to recommend principles for sharing of state revenues with the local bodies. GOH has complied with these provisions and as a result, the 1<sup>st</sup> SFC was set up on 31.05.1994, 2<sup>nd</sup> SFC on 06.09.2000, 3<sup>rd</sup> SFC on 22<sup>nd</sup> December, 2005 and 4<sup>th</sup> SFC on 16.04.2010. All these SFCs have made comprehensive, effective and balanced recommendations for financial, functional and administrative empowerment of PRIs and ULBs in the State.

**15.134 Functional Decentralization:** Eleventh and Twelfth Schedules of the Constitution envisage 29 functions for PRIs and 18 functions for ULBs. As per the provisions made in PRIs and ULBs Act, all these functions are required to be transferred to these bodies by the state government for their effective functioning. GOH has delegated certain duties and functions of supervisory and monitoring nature of 16 important departments to the three levels of PRIs. Further, to strengthen the process of decentralization, a detailed activity mapping of ten important departments was prepared and circulated on 17.02.2006 for ensuring role clarity and under which funds, functions and functionaries have been devolved to the PRIs. Like-wise, 14 functions have already been transferred to the ULBs so far.

**15.135 Constitution of District Planning Committees (DPCs):** In pursuance of the constitutional mandate, GOH has already constituted DPCs in all the 21 districts vide notification dated 5<sup>th</sup> August, 1997. DPCs are empowered to approve various development works of local level needs. GOH has gone one step further. With a view to ensure proper and timely utilization of district plan funds, District Development and Monitoring Committees (DDMCs) have also been constituted in all the districts on 11<sup>th</sup> October, 2012.

**15.136 Constitution of Gram Sabha and Ward Sabha:** GOH has established gram sabha at Gram Panchayat level and ward sabha for each constituency of gram panchayat for effective and greater people's participation. Gram sabhas and ward sabhas have been strengthened by giving several mandatory powers such as identification and prioritization of beneficiaries for all

government programmes, approval of development plans, generating proposals and determining priorities of schemes, promoting adult education, preventing social evils etc.

**15.137 Enhancement in Financial Powers of PRIs:** With a view to have effective participation of PRIs in the development process and decentralization of financial powers, GOH has enhanced the financial powers of the PRIs in respect of administrative approval and technical sanction for execution of development works, as under :-

<b>Gram Panchayat</b>	from Rs. 3.00 lakh to 5.00 lakh for each work
<b>Panchayat Samiti</b>	from Rs. 5.00 lakh to 10.00 lakh for each work
<b>Zila Parishad</b>	from Rs. 10.00 lakh to 15.00 lakh for each work

**15.138 Channelization of Funds:** GOH has been giving more and more untied funds to PRIs and ULBs to enable them to perform their functions effectively. In order to streamline funds flow to the local bodies, the system of direct releases of government funds through banks has been introduced.

**15.139 Constitution of Haryana Rural Development Authority (HRDA):** On the pattern of Haryana Urban Development Authority (HUDA), GOH has also set up Haryana Rural Development Authority (HRDA) to meet housing, environmental and other civic infrastructural needs of the rural areas. The objective is to provide urban-like facilities in rural areas and to promote regulated and planned growth in villages.

**15.140 Display of strategic information:** GOH has directed the installation of display boards on the outskirts of village and municipal boundaries containing vital information and data about population, area, density of population, receipt of funds, expenditure incurred, works undertaken and other demographic and social indicators.

**15.141 Information Technology (IT):** The IT policy envisages state wide internet connectivity upto block level and in due course, upto the village level. This initiative would take governance and delivery of services to a higher threshold.

**15.142 Special Economic Stimulus Package Fund:** GOH has created a special Economic Stimulus Package Fund for infrastructure development on fast track basis in the fields of health, education, water supply and sanitation, housing, government buildings, irrigation etc. Steps have also been taken to accelerate the work on major infrastructure projects and implementation of development

schemes. It would help generate employment opportunities and other facilities in areas falling under local bodies.

**15.143 Separate Directorate of Social Audit:** The foremost initiative is creation of an independent Directorate of Social Audit. This is an important step forward liable to be reckoned as one of the best practices to be emulated. The Social Audit Directorate would build capacities of gram sabhas for conducting social audit, identify, train and deploy suitable resource persons, prepare social audit reporting formats, guidelines and manuals for social audit process, facilitate verification of records with work sites, smooth conduct of social audit of gram sabha etc.

**15.144 Other best practices:** There are several initiatives being taken by individual units of PRIs and ULBs which may be termed as best practices and should be adopted by local bodies at all levels. Some of these are formation of Park Development Committee, Sanitation Ward Development Committee, issue of birth and death certificates by the ULBs and measures of internal resource generation by the local bodies. Sweepers have been appointed in all villages to ensure cleanliness and hygiene. Incentives have been given by various social sector related departments for achievement in social indicators including health related matters.

## **16. Other Recommendations**

**15.145** Study groups of experts were constituted to make general recommendations for empowerment of PRIs and ULBs. The Commission also circulated a comprehensive questionnaire for obtaining views of all stake holders. The inputs and recommendations so received are as under: -

### **PRIs**

- Gram Panchayat or the concerned body (PS/ZP) should be empowered to levy state entry tax.
- Tax on mining should be within the purview of the gram panchayat concerned and some fixed percentage of it should be determined for the PS and ZP or substantial share in royalty on mining activity should go to the PRIs.
- Transportation of raw materials, like sand etc. for construction activities to the urban areas be taxed by the gram panchayat as it damages the roads

and other infrastructure of the village. The gram panchayat needs to be empowered through legislation to impose taxes on this activity.

- The gram panchayats need to be empowered through legislation to give sanction for the change in the use of agriculture land for certain purposes.
- District Planning Committees need to be made meaningful. Presently, MPs and MLAs decide the work to be taken up and the area in which funds are to be utilized. DPC members from PRIs & ULBs should have the authority to decide the work and areas for such works.
- HRDF share should also be given to the zila parishads and the percentage of it could be decided by the state government.
- ZP should have some fixed share in the toll taxes being collected in the rural area.
- ZP needs to be strengthened by providing regular staff including its own SDOs and JEs. There is also a need to debureaucratize these bodies which give overwhelming powers to DCs.
- PRIs should be encouraged to construct shops, banquet halls under revenue earning scheme to enhance the income of PRIs.
- Some share of income from Yamuna river ghats may be given to ZP.
- PRIs should be authorized to levy tax on microwave towers, public schools, coaching centers, engineering, medical and management colleges located in their jurisdictions.
- GP should be allowed to levy additional stamp duty at the rate of 2% on registration of immovable properties in their areas as provided in PRIs Act.
- Banjar (uncultivable) and wastelands should be converted into fertile lands.
- Gazette notifications of documents related to activity mapping are to be published. These are essential for devolution of funds, functions and finances (3 F's).
- Minimum 15% of the state plan funds should be allocated to PRIs as untied funds.
- Incentives should be given to well performing panchayats and their achievements need to be given publicity so that these could be replicated in other panchayats also.

- Common lands should be put to more purposeful uses by diversification of agricultural activities into areas like floriculture, horticulture, etc.
- There is a need of a planner at village level or cluster level for certifying the ownerships and for discouraging encroachments of village land.
- To make the gram panchayats functional and vibrant one Gram Sachiv must be put in place for only two panchayats.
- Every panchayat should have its own well equipped office with basic infrastructural facilities like file cabinet, chest, table, chair, computer. It should be made mandatory that all the meetings are held in panchayat office.
- The mindset of the elected representatives and inhabitants of rural areas needs to be changed through proper orientation and extension work for enabling the gram panchayats to raise their own resources.
- The faculty strength of HIRD should be increased in various specialized fields to cater to the increasing demand for training, research, extension and policy inputs.
- It has been brought to the notice of the Commission that husbands of most of the elected female representatives, particularly of gram panchayats, take active part in meetings of gram sabhas and gram panchahats, also sign the official documents and even appear before the higher authorities on their behalf. This tendency needs to be curbed at the earliest and some disciplinary action should be taken against the defaulters.

## **ULBs**

- The rates of conversion charges and license fee levied for change of land use (CLU) should be increased in proportion to market potential value and 50% of the proceeds be devolved to the concerned municipality.
- Malls and bazaars are crowded with vehicles and the owners charge huge vehicle parking fees. Municipalities should develop parking areas near such places for raising their own resources.
- ULBs should be given a fixed share in labour cess as municipalities provide basic civic amenities to the labour colonies. Like-wise, municipalities should also be provided a share in toll tax.

- Suitable measures should be initiated for conservation of energy and water in public places and meters should be installed at suitable places.
- Sewer connections should be regularized in unauthorized colonies by levying appropriate charges.
- Avenues for local taxation should be explored and identified and brought under tax net. Revenue generated from local economic base like fuel tax, entertainment tax etc. should be paid back to ULBs for efficient local service delivery. Existing rates of electricity tax, liquor tax, mobile cess, cable tax, advertisement tax, etc. should be revised through suitable indexing.
- Licensing policy for municipal areas should be liberalized in order to reduce pressure of unauthorised colonizers in controlled areas.
- Municipal assets like land, buildings and other commercial properties should be identified and listed and suitable guidelines be prepared for their proper valuation in order to mobilise optimum revenue. There should be an effective management system for municipal assets. Municipal Valuation Committee could be set up to expedite this process.
- Planning and implementation of infrastructure projects including city development plan and detailed project report should be carried out through consultation process involving various stake-holders in order to effect transparency, accountability and responsiveness.
- The role of parastatal bodies should be properly recognised so that these could play supporting and complementary role to strengthen urban governance system.
- ULBs should initiate steps to introduce double entry accounting system to promote transparency and accountability in the financial management and decision making.
- Municipal administrative structure and personnel management need to be streamlined and rationalised by recruiting qualified and technical manpower particularly in the areas of finance, accounting, urban planning, public health etc.
- Taxes and user charges should be collected by initiating effective collection drives, using e-collection, collection at door-steps, mutual resolution of disputes, lok adalats, attractive incentives and penalties etc.



- E-governance should be introduced at appropriate levels in local governance system for improving working efficiency of ULBs. Management Information System (MIS) should be introduced by using GIS, GPS etc. for development of database.
- A separate institution should be set up to address capacity building for all stake holders related to functioning of ULBs.

### **Common to both PRIs and ULBs**

- There is need for empowerment of those representatives of ULBs and PRIs who represent areas falling under university or overlapping university campuses, HUDA sectors or cantonments or similar externally administered areas.
- Housing Board colonies and developed HUDA sectors should be transferred to urban local bodies in a time bound manner.
- Funds should be distributed among various levels of local bodies on the basis of population ratio and other appropriate factors.
- The state level training institutions should frame a rigorous policy in favour of training, capacity upgradation, motivation, conflict management and resolution techniques and grievance redressal with better public response/relations. These would make the elected representatives and the employees of government and PRIs more responsive and effectual in public service.
- Along with devolution of services to local bodies, effective compliance with Right to Services legislation recently passed by the state legislature will ensure greater transparency and better services for the people.
- Services pertaining to registration of vehicles and renewal of driving licenses ought to be spread to different accessible points in the city so that effective services can be rendered in the minimum time and with the least discomfort to citizens. This efficiency of service can be harnessed to charge the citizens a little more most of whom are well off with higher capacity for bearing cost of delivery of better services. Such means can be adopted even by the local authorities without state intervention.

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