Annexure A

Confidential

हिमाचल प्रदेश

REPORT

OF THE

HIMACHAL PRADESH STATE FINANCE COMMISSION

NOVEMBER, 1996

STATE FINANCE COMMISSION,
HIMACHAL PRADESH,
SHIMLA

CONFIDENTIAL

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STATE FINANCE COMMISSION,
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S H I M L A.

CONTENTS

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SECTION I

INTRODUCTORY

CHAPTER I

INTRODUCTION

1.1.- This is the report of the first ever State Finance Commission constituted in Himachal Pradesh to deliberate on the finances of the Panchayati Raj institutions and Urban Local bodies. It came to be established pursuant to the 73rd and 74th amendments to the Constitution of India aimed at democratic decentralisation by providing for the local government systems through the Panchayati Raj bodies at Gram Panchayat, Panchayat Samiti and Zila Parishad levels in the rural context; and Nagar Panchayat, Municipal Council and Municipal Corporation in the context of Urban Local Self-government. These amendments in the Constitution of India were followed by requisite follow up legislation in the Himachal Pradesh Panchayati Raj Act, the Municipal Corporation Act and the Municipal Committees/ Nagar Panchayats Acts of Himachal Pradesh providing for administration of Panchayati Raj and Urban Local bodies by the elected set up at various levels.

1.2. The State Finance Commission in Himachal Pradesh was constituted vide H.P.Government Notification No. Fin-C-A(3)-4/94 dated the 23rd April, 1994 as required under Article 348(3) of the Constitution of India. The text of the notification constituting the State Finance Commission is reproduced below:-

"In exercise of the powers conferred by Section 98(1) of the Himachal Pradesh Panchayati Raj Act, 1994, (Act No. 4 of 1994) read with Articles 243-I and 243-Y of the Constitution of India, the Governor of Himachal Pradesh is pleased to constitute H.P. State Finance Commission to review the financial position of the Panchayats and Municipalities and appoint the following persons as its Chairman and Members with immediate effect on the terms and conditions to be notified later on:-

1. Shri S.K.Chauhan	..	Chairman
2. Shri B.S.Chauhan	..	Member
3. Shri D.K.Sharma	..	Member Secretary

2. The Commission shall make recommendations to the Government as to :-

(A) the principles which should govern-

I) the distribution between the State and the Panchayats/Municipalities of the net proceeds of taxes, duties and fees leviable by the State which may be divided between them and the allocation between Panchayats/Municipalities at all levels of their respective shares of such proceeds;

II) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayats and Municipalities;

III) the grants-in-aid to the Panchayats/Municipalities from the Consolidated fund of the State;

(B) the measures needed to improve the financial position of the Panchayats/ Municipalities;

(C) any other matter referred to the H.P.State Finance Commission by the Government in the interests of sound finances of the Panchayats and Municipalities.

3. The Commission shall devise its own procedure and may appoint such Advisers, institutional consultants as it may consider necessary. It may call for such information and take such evidence as it may consider necessary.

4. The Commission shall make its recommendations as soon as feasible. It may consider, if necessary, sending reports on any of the matters as and when the recommendations are finalised."

1.3. Shri S.K.Chauhan served as the full time chairman of the Commission with effect from 23.4.1994 to 30.11.1995, his date of superannuation. Shri Sagar Chand Nayar assumed the office of the Chairman of the Commission with effect from 2nd December, 1995 and continued as such upto 2nd April, 1996 till he resigned from the office of the Chairman. Shri Sagar Chand Nayar was reappointed as Chairman of the Commission on 7th June, 1996 and continued as such till the end of the tenure of the Commission. Shri B.S. Chauhan served as a part-time member with effect from the date of constitution of the Commission till 20th August, 1995. Shri Avay Shukla was appointed part-time member with effect from 20th August, 1995 and continued as such till the tenure of the commission came to an end. Shri D.K.Sharma held the office of Member Secretary of the Commission all through the tenure of the Commission.

1.4. Going by the terms of reference of the State Finance Commission, it was expected of the Commission that it would go into the current state of finances of the Panchayati Raj and Urban Local Self-government tiers; would analyse the financial requirements of these bodies in the context of the amendments to the Constitution of India and performance of the statutorily assigned functions by these bodies; make recommendations concerning the devolution of resources to these bodies to perform such functions; and recommend ways and means towards strengthening the financial position of these local government institutions. Since Articles 243G and 243W of the amendments clearly state that in so far as the delegation and performance of the functions listed in the Eleventh Schedule and the Twelfth Schedule by the PRIs and Urban Local Bodies, respectively, was concerned, the State Government may, by law or an executive order, assign any of the functions listed in the respective Schedules to these bodies, the function of the Commission was limited to primarily look into the non-plan non-developmental liabilities of these rural and urban forms of local government. This provision, ipso facto, meant that as and when the State Government decides to assign the developmental responsibilities, this would be accompanied by appropriate financial and other delegation. Hence the focus of the study by the Commission was devoted towards assessing the non-plan financial liabilities of the Panchayati Raj and Urban Local Bodies.

1.5. Apart from the earlier democratic decentralisation attempted in some States of the country, the Commission had no earlier precedent available which could be used as a historical perspective to assist it in performing the assigned functions.

1.6. The H.P. State Finance Commission held its first meeting on 2nd May, 1994. The meeting was attended by Shri S.K.Chauhan, Chairman of the Commission , Shri B.S.Chauhan, Member and Shri D.K.Sharma, Member Secretary.

1.7. To begin with, the Commission apprised itself about the provisions of the 73rd amendment of the Constitution of India and the relevant provisions of the amended HP Panchayati Raj Act regarding the functions and responsibilities these provisions enjoin upon the Commission. Similarly, the Commission took stock of the provisions of the municipal acts towards setting up the procedure of functioning of the Commission. It was decided to develop questionnaires to be mailed to the Panchayati Raj and urban local bodies to collect basic data relating to these bodies alongwith the data on the revenue receipts and revenue expenditure. The Commission also invited views of the general public by notifying the terms of reference in various newspapers.

1.8. The Commission had its second meeting on 22nd October, 1995 and this meeting took stock of the progress made vis-a-vis the decisions taken in the first meeting and the system of expediting the collection of basic information.

1.9. Since Shri Avay Shukla joined the Commission as its new member, the Commission held its third meeting on 22nd October, 1995 and took stock of the progress. Apart from the review of the data collected, gaps and methodology to expedite the data gathering process, the Commission approved the draft approach framed by the Member Secretary with regard to the assessment of the revenues and expenditures of the ULBs and the PRIs. It also approved the chapterisation scheme.

1.10. After assumption of office by Shri Sagar Chand Nayar as Chairman of the Commission, the Commission held an impromptu meeting to review the Status of work. In all, the Commission had seven formal meetings.

1.11. The Commission had several meetings internally and also held meetings with the

Secretary (Local Self Government) with regard to delegated functions to the urban local bodies. The Commission held a separate meeting with the Secretaries to the State Government including the Additional Secretary (Panchayati Raj) in the context of the delegated functions to the Panchayati Raj Institutions on 17th August, 1996. This was followed by a meeting of the Commission to make up its mind on the question of transfer of resources to these bodies for performance of the delegated functions. The Commission would like to underline the constraints that it had to cope with in the course of its work. The responses from the various units of local government were slow in coming . Similarly, the responses from the Secretaries and Heads of the Departments in the State Government were also slow in coming basically because of the fact that the delegation order for the Panchayati Raj Institutions was under consideration with the Cabinet Sub-Committee. The moment this delegation was finalised, the Commission immediately convened a meeting of all the concerned Secretaries and finalised its views on the matter. The data received from the PRIs and Urban local bodies was highly inconsistent and needed enormous effort for homogenizing and turning it into useable mass. The Commission also found that the systems of accounting at all levels were non-uniform and needed a certain minimum level of uniformity.

1.12. The Commission would like to place on record the hard work done by Shri Sandeep Bhatnagar, Under Secretary of the Commission and Mrs. Neeta Gautam, Research Officer in compilation and analysis of the heterogenous data received from various quarters. The supporting staff of the Commission also came up to the expectations.

SECTION II

FRAMEWORK,

APPROACH

AND

METHODOLOGY

CHAPTER II

GENERAL FRAMEWORK AND APPROACH

2.1. The Commission's approach has been largely guided by the fact that the newly elected bodies of local governance should not entirely look forward to a situation where their financial needs will be entirely met by devolution of resources from the State or Central Governments. The Commission was also guided by the fact that the State Government itself was facing a budgetary deficit problem. Hence the Commission had the difficult task of finding a balance where scarce available resources and the emerging responsibilities at different levels of government could be gainfully shared at the same time while the imperatives of decentralisation and delegation were also not lost sight of.

2.2. The award period covered by the recommendations of the first ever State Finance Commission will be the fiscal years from 1996-97 to 2000-01. This period, at the national and State levels, will witness significant changes in the economic scenario, the fiscal federalism and the overall question of responsibility sharing. The mandate of the Commission originates from the Constitution of India and therefore, the Commission has to perform the judicious function of division of resources based on the responsibilities enjoined upon the local government system below the State level. The Commission had to ensure that while deliberating upon the sensitive issue of resource sharing, it did not lose the overall perspective of difficult situation of State finances and yet managed to strike a balance for performance of the statutorily assigned functions as also the ones delegated by the State Government. In the whole design, the Commission would like to emphasize the need for equity, efficiency and owning the responsibility at all levels which could only be realised if available limited financial resources were put to most productive use and such investments could lead to generation of resources for further growth.

2.3. The national economy had a surplus on the revenue account up to 1981-82. Then onwards, the revenue deficits have been increasing till recently when the macro economic adjustment of the national economy forced the Government to have a hard look at the yawning deficits and caused certain correctives to be thought of and enforced. As for Himachal Pradesh, the situation of budgetary deficits became difficult after the fiscal year 1989-90 when the award of the Ninth Finance Commission was put into operation. The State Government has, since then, all along been raising the problem with the Central Government and has also suggested some steps for improving the situation in accordance with the recommendations of the Rangarajan Committee which was appointed by the National Development Council to look into the financial difficulties of the Special Category States and suggest durable solutions in this behalf. The implications are that the whole question of financial devolution at the sub-State level should become an exercise in assigning greater responsibility for raising resources on the one hand, and also ensuring that whatever resources became available through efforts at local level and through the scheme of devolution to be suggested by the Commission, were used in the most cost effective manner and maximising the benefits, on the other.The Commission, in the course of its work, realised that the upkeep and maintenance of assets created in the past deserved greater attention. The situation of maintenance of assets at the level of local bodies was more precarious since these bodies all along looked forward to grants from the State rather than assuming responsibility for this purpose and also think of levying appropriate user charges. The Commission, therefore, felt that while it would be necessary to make special provisions for preparing inventory of physical assets and also for maintenance of assets at the local level, a bulk of such resources should be generated at the local level by introduction of appropriate user charges or institutionalisation of the community ownership and participation.

2.4. One of the important components of the approach was the question of estimating the existing revenue receipts and revenue expenditure of the PRIs and the ULBs. Data sent by these bodies suffered from serious inconsistencies, mainly of classificatory nature, where it was difficult to sift what constituted their own revenue receipts and what comprised the object specific grants from the State Government or the Central Government.

2.5. The Commission carefully considered the Statutory functions assigned to the Panchayati Raj Bodies as enshrined in Sections 11, 81 and 92 of the Himachal Pradesh Panchayati Raj Act, 1994 for Gram Panchayats, Panchayat Samitis and Zila Parishads, respectively in the process of firming up the approach. Similarly, the obligatory functions of the Municipal Corporation as laid down under Section 43 and the delegated functions under Section 42 of the Himachal Pradesh Municipal Corporation Act, 1994 and delegated functions for the Municipalities under Section 48 of the Himachal Pradesh Municipal Act, 1994 were also considered and assimilated for the purpose of determining the approach. The Commission took note of the fact that the requisite delegations in respect of the urban local bodies, i.e. the Municipal Corporation and the Municipalities were notified by the State Government through notifications issued in August, 1994. Some important functions assigned also involved sizeable resource transfers and administrative control of the staff of various Government Departments which was not operationalised. The Commission understands that this situation resulted largely from the fact that elected bodies came into existence only in December, 1995. The Commission also took note of the fact that even though the delegation had been ordered, a vast majority of the urban local bodies were not in a position to undertake the responsibilities and effectively carry out the same for lack of appropriate administrative support on the one hand, and lack of resources, on the other.

CHAPTER III

METHODOLOGY OF DATA COLLECTION

3.1. The Commission had to access a very large number of units for collection of basic data. The Commission had to collect data separately for the three tiers of the Panchayati Raj system and the three distinct and mutually exclusive levels of the urban local government system. There are 2922 Gram Panchayats, 72 Panchayat Samitis and 12 Zila Parishads in Himachal Pradesh under the PRI structure. On the other hand, there is one Municipal Corporation, 19 Municipal Councils and 29 Nagar Panchayats under the urban local government structure.

3.2. The Commission devised separate proformae for collection of basic data from these bodies. Since the Commission did not have enough staff, it decided to resort to the methodology of mailed questionnaires for collection of basic information. In addition, the Commission also invited views of the general public on the terms and conditions of the Commission by sending advertisements in all the regional and selected national level newspapers. Comprehensive questionnaires were devised for being circulated to the prominent citizens for eliciting their views on various issues concerning the areas of reference of the Commission.

3.3. Besides the mailed questionnaires, the Commission also resorted to meetings at a selective level. Meetings were held at formal level with the Mayor of the Shimla Municipal Corporation, Panchayat Samiti at Theog, Panchayat Pradhans of panchayats around Shimla and at informal level with Panchayat Pradhans in some districts.

3.4. Due to constraints of time and physical resources, the Commission decided to depend on the memoranda submitted by the Department of Urban Local Bodies, Department of Panchayati Raj and the Municipal Corporation, Shimla, in so far as the raising of the demands on behalf of various bodies was concerned. Moreover, formal meetings with various elected representatives could only become fruitful after the issue of notifications by the Government of Himachal Pradesh clearly defining the functions delegated to these bodies at different levels.

3.5. After the issue of notification on delegation of functions to the three - tier Panchayati Raj system by the State Government, the Commission decided to have a detailed dialogue with the Secretaries to the Government of Himachal Pradesh towards a better appreciation of the imposts of the delegation. Similarly, a meeting was decided to be held with the Secretary (Urban development) for re-ascertaining the position of delegated functions for which a notification had been issued as back as mid-1994. The Commission would like to place on record the cooperation it received from the officers of the State Government in its above endeavour.

CHAPTER IV

APPROACH FOR PANCHAYATI RAJ INSTITUTIONS

4.1 Keeping in view the general framework and approach, the Commission decided to adopt the following approach in assessing the revenues and expenditure of the Panchayati Raj Institutions :-

a) In the case of PRIs, it was found that these bodies had very limited sources of revenues at their own level. In many cases, such of the taxes/levies/cesses were not being levied as were in their purview. Also, it was found that the rates varied from place to place and there was no uniformity in determining the rates. It was also realised that the gross accruals were not indicative of any trends. Given these factors, the Commission decided that it would assume a growth rate of 7.5 per cent per annum in the case of revenue receipts - comprising of a real growth rate of 2.5 per cent and an inflation neutralisation of 5 per cent. A real growth rate of 2.5 per cent was assumed keeping in mind the fact that the conventional areas of resource generation were population or household based and not linked to economic activity.

b) As for the revenue expenditure, the Commission would like to advise against any increases in the levels of committed non-plan revenue expenditure resulting from expansion of staff. Accordingly,it was decided to adopt a real growth rate of 5 per cent over the base year along with the inflation neutralisation number implying a growth rate of 10 per cent for the forecast period. The Commission took note of the fact that disbursement of the salaries to the Panchayat Chowkidars and Panchayat Secretaries and the honorarium to the Pradhans and Up-Pradhans were the committed expenditure items for the Gram Panchayats. Similar committed expenditure on payment of honorarium to the elected chairpersons of the Panchayat Samitis and Zila Parishads also had to be taken into cognizance. As for the Panchayat Samitis, the existing Block level Staff should continue to be sufficient for the time being and the financial liabilities thereon would continue to be met in the ongoing manner except the fact that the administrative control was a matter to be separately considered. For the Zila Parishads, the Commission noted the fact that these bodies did not exist prior to 1995. As such, it would be necessary to provide for some nucleus staff to service the office of the Chairman. The Commission took note of the fact that the State Government had already decided to provide the office of the Chairpersons of Zila Parishads with a staff component of four, namely, a stenographer cum personal assistant, a driver, a clerk and a peon. With the assumption of a minimum component of Staff and concomitant expenditure for the first year of the forecast period, the 10 per cent growth assumption would suffice to meet the committed expenditure. The Commission, based on the data supplied by the PRIs, understood that these bodies were not performing the maintenance function in respect of the assets falling in their purview. The charter of statutory functions called for some provisions to be made for this important objective. This would also be guided by the decisions of the State Government to assign specific maintenance functions to these bodies at different levels. The provisions for maintenance of assets would be largely guided by the notification issued by the State Government in July, 1996. In addition to these, the Commission considered it necessary to make provision for one time grants for buildings of the Zila Parishads.

c) Certain taxes and levies currently administered by the State Government deserve consideration to be entirely assigned to the Panchayati Raj Bodies for a variety of reasons. These include the land revenue, Abiana or water rates for irrigation, cess on sale of liquor, school building fund etc. The reasons for assignment include ease of administration at the PRI level and cost effectiveness and also the fact that such an assignment would lead to making these tiers of local government more responsive to the needs of maintenance of certain assets on the one hand, and give some financial autonomy to them, on the other. The question of assignment would, however, be finally determined after an overall assessment of resource situation.

d) On the question of deficit mitigation, the Commission was of the opinion that in the current scenario, this could be best achieved by gap filling grants rather than a scheme of tax sharing. Another factor supporting this approach of the Commission is that certain areas of revenue generation have also been considered to be assigned to these bodies which would give them a certain degree of dynamism in raising revenues.

e) Given the above scenario, the Commission also seriously considered the question of a revenue surplus situation to be provided for the PRIs. In its opinion, a revenue surplus situation would become a disincentive at the level of these bodies for raising resources. The Commission, therefore, decided that it would be appropriate not to provide for a revenue surplus situation and the grants should only be limited to the level of deficit mitigation.

f) The Commission noted that all the areas of revenue generation by the Gram Panchayats were largely regulated by the State Government. Thus, while finalising the approach, it was agreed that assuming revision in rates of taxation or imposition of new taxes would not be realistic.

g) For all projections, the Commission would use the data for the period 1989-90 to 1993-94. The data on receipts and expenditure would then be reduced to a per capita basis. This statistic would be used to forecast the receipts and expenditure by treating the average figure as the base year figure and growth rates would be applied as indicated above, in addition to the population growth rate of 1.8 per cent per annum.

CHAPTER V

APPROACH FOR THE URBAN LOCAL BODIES

5.1. As in the case of Panchayati Raj Institutions, the Commission decided to adopt as realistic an approach in assessment of receipts and expenditure as would attempt to strike a balance between the responsibilities and overall resource availability. The main planks of the approach adopted by the Commission for urban local bodies are as under :-

a) The Commission noted that the areas of revenue generation in case of the urban local bodies were largely regulated by the State Government. An analysis of the data collected from the municipal corporation and the municipalities revealed that there was a high degree of heterogeneity not only in the imposition of the taxes or levies, but also in their effort to levy or collect the same. However, on the analogy of the revenues for PRIs, the Commission decided to assume 10 per cent growth rate in the own revenues of the urban local bodies comprising of 5 per cent real growth and 5 per cent inflation neutralisation. A higher rate of growth in real terms as compared to the rural areas in respect of the urban areas was justified on two counts - first the faster rates of urbanisation and second a generally higher level of income elasticity.

b) On the revenue expenditure side, the Commission decided to assume a growth rate of 10 per cent in respect of the committed salary and wages expenditure for all urban local bodies for the forecast period. As for the maintenance expenditure for the capital assets in the territorial jurisdiction of these bodies, despite repeated efforts, the Commission could not get firm data either from the urban local bodies or from the various line departments which were incurring expenditure on maintenance of such assets. The Commission had no option except accepting the available data on assets as well as the levels of expenditure and project it for the forecast period by providing a 10 per cent mark up on the base figures.

c) The Commission took note of the fact that many of the newly established elected municipalities did not have any staff support even to perform the basic functions. It also noted that grants in lieu of octroi were also administered to only about half of these bodies and the rest were largely dependent upon the grants from the State Government even for meeting the staff liability. The Commission, therefore, decided to recommend a minimum level of financial support depending upon the size of the already sanctioned staff strength for each municipal body and provide for expenditure on such staff. Having due regard to the overall financial scenario of the State Government, the Commission would caution against staff expansion in the urban local bodies at different levels. These bodies, as the time goes by, could consider hiring more staff only in case they could raise resources to do so at their own level.

d) The principle for deficit mitigation in the case of urban local bodies was decided to be the same as for PRIs i.e. grants.

e) The statements of receipts and expenditure received from the urban local bodies strangely revealed a revenue surplus situation in general. The Commission understood that it was a case of improper financial accounting rather than being a revenue surplus situation in reality. In the case of these bodies, the Commission was of the opinion that there was no need to provide for a revenue surplus situation in their case as these bodies had sufficient scope for raising resources for meeting, to a large extent, their committed expenditures for performing statutory functions.

SECTION III

SITUATIONAL ANALYSIS

AND

RECOMMENDATIONS

RELATING TO

PANCHAYATI RAJ BODIES

CHAPTER VI

AN ANALYSIS OF THE EXISTING FINANCIAL RESOURCES, EXPENDITURE AND FUNCTIONAL PERFORMANCE OF THE PANCHAYATI RAJ BODIES

6.1. Panchayati Raj system has been in existence in Himachal Pradesh in a statutory form since 1961. There used to be two tiers in the Panchayati Raj system in Himachal Pradesh - the Gram Panchayats and the Panchayat Samitis. Pursuant to the 73rd amendment to the Constitution of India and the succeeding legislation for amending the Himachal Pradesh Panchayati Raj Act which was carried through in 1994, the State of Himachal Pradesh has established a three tier Panchayati Raj system. Elections to all the three tiers have been held in 1995-96. As of now, there are 2,922 Gram Panchayats, 72 Panchayat Samitis and 12 Zila Parishads.

6.2. As has been ordained through the amendment to the Constitution of India, the PRIs have a very important role to play in the democratic functioning. These bodies are also expected to articulate the developmental needs of the spatial hierarchy at their own level and also be partners in the process of framing the development plans and to implement the same within their capabilities. Before all this is put into effect, it would be of some interest to look at the existing status of these bodies.

A.. GRAM PANCHAYATS :

6.3. In response to the mailed questionnaire sent to the Panchayats, the Commission received responses from 270 Gram Panchayats spread all over the State. This constituted a little over 9 per cent of the total number of Panchayats in the State . Average number of villages per Panchayat in the sample Panchayats comes to 8, whereas the range is 2 to 17 villages. The average number of households per Panchayat comes to 370 whereas the range is 101 to 822 households. Average population per Panchayat is 1863 according to the 1991 census as against the population of 1630 according to the 1981 census. The compound growth rate of population for the sample comes to 1.34 per cent, which is lower than the overall State growth rate of about 1.9 per cent. The Commission also attempted to collect data on the caste-wise distribution of the population in this sample. The scheduled castes account for 25.29 per cent, the scheduled tribes 6.44 per cent and the other backward classes another 7.64 per cent. This implied that nearly two-fifth of the rural population in the State belongs to these groups in the sample Panchayats.

6.4. The financial position of the Panchayati Raj institutions in the State has generally remained poor. The Gram Panchayats are today in no position to even meet the nominal committed expenditure they are supposed to meet. Historically, so far these bodies have more or less entirely depended upon the grants from the State Government, of which an overwhelmingly large portion is object tied. It also emerges that these bodies despite having been in existence for over three decades, have not made any serious effort to raise resources to the full potential in the context of existing areas of resource raising or explore newer areas for raising resources.

6.5. In the old set up, among the Panchayati Raj bodies, the Gram Panchayats only had the power to levy taxes and fees. Other higher tiers had no such powers and depended entirely on the grants from the State Government. The situation after the Constitutional amendment has not been altered. The new Panchayati Raj Act also gives financial powers to raise resources only to the Gram Panchayats. Sections 99 to 118 of the said act deal with these powers.

6.6. The data collected from the 270 Panchayats on resources and expenditure has been analysed and the results are as follows:-

1. The main taxes from which Panchayats raise resources include house tax, property tax, local rate and land revenue.

2. The fees being levied by the Panchayats include the judicial fee, certificate fee, marriage fee, fee on timber distribution rights, ration card fee and the cattle fee.

3. Non-tax receipts include items like rent, interest, proceeds from auctions, fees from fairs and festivals, minor forest produce and royalty on minor minerals.

4. Purpose specific and general purpose grants from the State Government or the Central Government.

6.7. The average annual receipts of a Panchayat based on the above sample come to Rs. 33,860. These comprise of Rs. 1,896 of taxes, Rs. 1,369 of receipts by way of fees, Rs. 3,850 of non-tax receipts and Rs. 26,745 as grants. Thus, grants constitute about 80 per cent of the revenue receipts of the Gram Panchayats.

6.8. On the expenditure side, it has been found out that average expenditure of a Panchayat comes to Rs. 35,368. This comprises of two components - the fixed expenditure on honorarium to Pradhans, Up-Pradhans and Chowkidars; and the variable expenditure on developmental works, maintenance of assets and other expenditure. The fixed expenditure has been assessed at Rs. 2,330 and the variable expenditure at Rs. 33,038. The fixed expenditure was met by budgetary transfers for disbursing the honorarium to the Panchayat Pradhans and the Up-Pradhans.

6.9. The five year data for 1989-90 to 1993-94 on receipts and expenditure explained above shows that the receipus have grown at a rate of about 34.65 per cent per annum whereas the expenditure grew by 16.94 per cent per annum.

6.10. The question of deficit mitigation will be separately dealt with at a later stage after taking into account the responsibilities assigned to these bodies by the State Government. However, it would be of academic interest to look at the data which has been collected with regard to the question of performing the obligatory functions by the Gram Panchayats. Such functions have been enshrined in Schedule I to Section 11(1) of the act. It emerged from the memorandum received from the Department of Panchayati Raj and the information collected from the Gram Panchayats that the Gram Panchayats find themselves incapable of discharging the obligatory functions on account of the poor financial health. It, therefore, emerges that the financial position of the Gram Panchayats will need to be improved towards enabling them to perform these statutory functions. The Commission would, however, underline that the resources for this object would have to be organised by the Panchayats in a self sustaining manner over the long term perspective.To begin with, certain support from the State Government would seem inescapable.

6.11. Schedule II to Section 11(2) contains the details of the responsibilities which could devolve to these bodies. As mentioned earlier, the State Government through its notification of 31st July, 1996 has assigned certain functions to the three tier Panchayati Raj system. As regards the requirement of resources for meeting these obligations, this would be dealt with in the subsequent chapters.

6.12. Let us now come to the possible areas of resource raising by the PRIs. As mentioned in the earlier part of the report, it is only the Gram Panchayats which have been given powers to raise resources. The Commission went into the possibilities which could be direct taxation, indirect taxation, miscellaneous capital receipts and other receipts based on the suggestions received from the Gram Panchayats. Direct taxes could include profession tax, property tax, tax on construction of house and commercial establishments and taxes on fruit and vegetable contractors. These areas have not been exploited by the Panchayats so far and the Commission feels that a beginning should be made. Indirect taxation could include levies on minor forest produce, toll tax, service tax and taxes on horticultural produce and wool etc. As for the miscellaneous capital receipts, the Panchayats have suggested royalty on minor minerals, taxes on vehicles carrying stones and sand, charges for night stay of buses in the area, charges from the forwarding companies, etc. Among the other receipts, the suggestions included fee from hawkers, levies on fairs and festivals, fee on registration of pet animals, marriage fee, fee on registration of births, ration card fee, judicial fees, cleanliness tax and fines and penalties.

B. PANCHAYAT SAMITIS:

6.13. Panchayat Samitis have been constituted in all the 72 community development blocks of the State. By design, these are supposed to provide linkage services to their respective areas of jurisdiction. The inter- Panchayat linkages in infrastructure and services are presumed to be their domain. Under Section 83 of the Himachal Pradesh Panchayati Raj Act, the Panchayat Samitis have been accorded limited autonomy in so far as the powers of the State Government in relation to the functions of the Panchayat Samitis are concerned. The State Government may add to the list of functions or withdraw any functions or duties assigned to the Panchayat Samitis.

6.14. The Commission had circulated the questionnaire to the Panchayat Samitis also for collection of the basic data. It got response from 15 units which comprises 20.83 per cent of the total number of Panchayat Samitis. It is, however, important to mention that no responses came from the Panchayat Samitis of Chamba, Lahaul-Spiti and Una districts. Average number of Panchayats per Samiti in the sample comes to 39, the range being 23 to 76. On an average, a Panchayat Samiti has about 13,081 households and a population of about 64,820 according to the 1991 census. The average compound growth rate of population in the 1981-1991 period has been found to be 1.91 per cent, which is true reflection of the actual growth rate for the entire State.

6.15. Prior to the latest amendment to the State Panchayati Raj Act, the Panchayat Samitis, under Section 120 of the H.P.Panchayati Raj Manual were authorised to impose any such tax with the prior permission of the Government which the Legislative Assembly of the State had powers to impose, provided that no tax under this section shall be imposed in respect of any property subject to local rate. Section 121 of the same manual also had some powers of taxation assigned to the Panchayat Samitis. However, as for the new Act, Section 81 assigns a wide range of functions to the Panchayat Samitis under general or special orders issued by the State Government. The notification issued by the State Government on 31st July, 1996 has elaborated about assignment of specific functions. The assignment of these functions does not mention any financial powers to raise resources at local level. It thus automatically follows that the Commission will have to take an appropriate view on transfer of resources for enabling these bodies to perform the assigned functions.

C. ZILA PARISHADS :

6.16. In the case of Zila Parishads, Section 92 of the Himachal Pradesh Panchayati Raj Act defines the functions. The functions of the Zila Parishads also fall in two categories - the statutory functions and the assigned functions. The statutory functions really do not involve any financial implications as would need devolution of resources from the State Government. However, for the assigned functions, the Commission will make recommendations as per the notification issued by the State Government.

CHAPTER VII

AN ANALYSIS OF THE TRANSFER OF RESOURCES TO THE PANCHAYATI RAJ INSTITUTIONS FROM THE CONSOLIDATED FUND OF THE STATE PRIOR TO THE SETTING UP OF THE STATE FINANCE COMMISSION

7.1. As for the receipts and disbursement of resources which are assigned to the Panchayati Raj Institutions prior to setting up of the State Finance Commission, the receipts were from local rate; fees, fines and forfeiture; cattle ponds and ferries; and land revenue. According to the provisions of the State Panchayati Raj Act, a given percentage of the land revenue collections has to be assigned to the Panchayats. The data on the receipts and the transfers according to the provisions of the old Act for the last 15 years has been presented in the following table :-

(Rs. In lakh)

Year	Receipts to the Consolidated Fund of the State	Transfer to the Panchayati Raj Institutions
1982-83	7.21	13.27
1983-84	9.37	9.78
1984-85	10.87	12.95
1985-86	11.90	11.87
1986-87	11.79	13.82
1987-88	14.58	12.08
1988-89	11.93	10.23
1989-90	14.61	10.34
1990-91	25.47	16.19
1991-92	15.61	14.81
1992-93	19.56	18.47
1993-94	13.24	18.06
1994-95	9.91	15.49
1995-96	14.10	19.12
1996-97	14.40	19.13

7.2. It may be observed from the data presented above that whereas the receipts to the consolidated fund of the State have not been following a growing trend, the transfers have generally kept an upward trend. The receipts suffer from the effects of climatic adversities and natural calamities. In such years, the State Government, keeping in view the hardships faced by the farming community, has to grant remission from collection of land revenue.

7.3. The Commission felt that in view of the above constraints, it may be reasonable not to assume any growth in the revenue transfers to the Panchayati Raj bodies on above account. Therefore, the Commission assumed the 1995-96 transfers to be used for the entire forecast period, i.e., from 1996-97 to 2000-01 at a fixed level of Rs. 19.13 lakh per annum, totalling to a transfer of Rs. 95.65 lakh during the entire forecast period.

CHAPTER VIII

FORECASTING THE RESOURCES OF PANCHAYATI RAJ INSTITUTIONS

8.1. Coming to the question of forecasting the resources of Panchayati Raj bodies, it would be pertinent to state that it is only the Gram Panchayats which have the powers to raise resources. The Himachal Pradesh Panchayati Raj Act, 1994 does not envisage any resource raising powers for the Panchayat Samitis and the Zila Parishads. As mentioned in the earlier Chapter on the resources of the PRIs, in terms of the own revenue raising effort by the Gram Panchayats, it has been stated that other than the grants from the State and the Central Government, the Gram Panchayats raise resources by way of taxes, fees and the non-tax receipts. The revenue accruals for the period under study from these areas have been assessed at Rs. 1,896, Rs. 1,369 and Rs. 3,850, respectively. This gives a total revenue raising effort by the Gram Panchayats at Rs. 7,115 per Panchayat which implies a per capita revenue effort of the order of Rs. 3.82. Going by the approach and methodology indicated earlier, this base figure for the period 1989-90 to 1993-94 has been projected into the forecast period giving an annual growth rate of 7.5 per cent per annum. The per capita accruals for the forecast period work out as under :-

1996-97	Rs. 4.12
1997-98	Rs. 4.41
1998-99	Rs. 4.75
1999-2000	Rs. 5.10
2000-01	Rs. 5.49

8.2. The district-wise projection of the resources for the forecast period taking into account the above averages and the projected population for the period are depicted in the following table :-

District	Projected receipts for					
	1996-97	1997-98	1998-99	1999-2000	2000-01	Total
1. Bilaspur	12.55	13.73	15.02	16.44	17.99	75.73
2. Chamba	16.37	17.91	19.60	21.44	23.46	98.78

3. Hamirpur	15.61	17.08	18.69	20.45	22.38	94.21
4. Kangra	50.21	54.94	60.12	65.79	71.99	303.05
5. Kinnaur	3.21	3.51	3.84	4.20	4.60	19.36
6. Kullu	12.68	13.88	15.19	16.62	18.19	76.56
7. Lahaul-Spiti	1.41	1.54	1.68	1.84	2.01	8.48
8. Mandi	32.46	35.52	38.87	42.54	46.55	195.94
9. Shimla	22.13	24.22	26.51	29.01	31.74	133.61
10. Solan	15.09	16.51	18.07	19.77	21.63	91.07
11. Sirmaur	15.39	16.84	18.43	20.16	22.06	92.88
12. Una	15.59	17.06	18.67	20.43	22.36	94.11
Total	212.70	232.74	254.69	278.69	304.96	1283.78

8.3. It is important to mention that in forecasting the receipts for the Panchayati Raj Institutions, the Commission has taken a very conservative view in the sense that it has neither assumed any new areas of resource raising on the one hand, and has also not assumed any revision in the existing rates of various levies, on the other. Thus, the Commission has not put any specific burden on these bodies in the forecast period as could not be honoured by them. This has been specifically done to ensure that the resource raising expectations from these bodies are not pitched at an unusually high level right in the beginning. The Commission expects that these bodies will gradually generate more resources in the coming years and will certainly be able to collect more revenues vis-a-vis the assumptions made in this report.

CHAPTER IX

FORECASTING THE COMMITTED EXPENDITURE OF PANCHAYATI RAJ BODIES

A. GRAM PANCHAYATS :

9.1. As mentioned earlier, the data collected from 270 Gram Panchayats also took stock of the expenditure being incurred by these bodies. The per Panchayat average expenditure has been estimated at Rs. 35,368 which comprises of two components. One is the expenditure on payment of honorarium to the elected Pradhans, Up-Pradhans and the Chowkidars of the Gram Panchayats whereas the other component is the expenditure on developmental works, maintenance , office expenses and any other expenses. The honorarium content worked out to an avarage of Rs. 2,330 per Panchayat per annum and the other component worked out to Rs. 33,038.

9.2. In the opinion of the Commission, it must provide for the committed expenditure of the Gram Panchayats. To do so, the Commission must also assess the levels of committed expenditure. It is felt that the committed expenditure will comprise of (a) the burden on account of honorarium and (b) the expenditure for day to day running of the office of Gram Panchayat. As for the honorarium, the Commission had firm basis to work out the details but in assessing the need of resources for general office expenses by the Gram Panchayats, the Commission had to make its own fair estimate in the absence of any firm data.

9.3 The existing rates of honorarium to the Gram Panchayat Pradhan and Up-Pradhan are Rs. 100 and Rs. 50 per month, respectively. The honorarium for the Panchayat Chowkidar is Rs. 300 per month. The honorarium of the Chowkidar is currently met to an extent of 90 per cent from the State's budgetary resources and the remaining 10 per cent is disbursed by the Gram Panchayat from its own resources. While taking stock of committed expenditure, the Commission preferred to take the entire honorarium of the Chowkidar into account. The monthly committed expenditure on the above account works out to Rs. 450, implying an annual burden of Rs. 5,400. The total number of Panchayats in the State is 2,922. The gross annual implication on account of honorarium comes to Rs. 1,57,78,800. Let us now come to the question of provision of office expenses by the Gram Panchayats. On the basis of data given by the Gram Panchayats and the field interaction with these bodies, the expenditure on office expenses ranged between Rs. 2,800 to Rs. 4,000 per Panchayat per annum. The Commission was of the opinion that we should provide for such expenditure on an uniform basis. Accordingly, the Commission recommends that an annual provision of Rs. 3,400 per Panchayat be made for these purposes. In the first year, this will amount to a gross expenditure of Rs.99,34,800. The Commission also considered the fact that this component would need to be given an annual mark up towards neutralising the inflation. Based on these, the forecast of the committed expenditure for the Gram Panchayats for the forecast period works out as under :-

(Rs.)

Year	Expenditure on		Total
	Honoraria	Office Expenses etc.	
1996-97	1,57,78,800	99,34,800	2,57,13,600
1997-98	1,57,78,800	1,09,28,280	2,67,07,080
1998-99	1,57,78,800	1,20,21,108	2,77,99,908
1999-2000	1,57,78,800	1,32,23,219	2,90,02,019
2000-01	1,57,78,800	1,45,45,540	3,03,24,340
TOTAL	7,88,94,000	6,06,52,947	13,95,46,947

9.4. Based on the above, the Commission recommends provision of Rs. [illegible] lakh for payment of honoraria and for meeting the expenditure on office expenses by the Gram Panchayats.

B. PANCHAYAT SAMITIS :

9.5. There are 72 Panchayat Samitis in the State. As mentioned in the framework and approach the committed expenditure in the case of the Panchayat Samitis would be the honorarium to the Chairpersons and Vice Chairpersons of these bodies. The existing rates are Rs. 300 and Rs. 150, respectively per month. On this basis, the annual expenditure works out to Rs. 450 per Panchayat Samiti. Since this is to be provided on a fixed basis, the annual burden comes to Rs. 3,88,800 for all the Panchayat Samitis put together. For the entire forecast period, this requires a provision of Rs. 19.44 lakh.

9.6. As for the provision for office expenses by the Panchayat Samitis, the Commission felt that an annual provision of the order of Rs. 10,000 per Panchayat Samiti would be justified. Accordingly, annual provision of Rs. 7.20 lakh would be necessary on this account. For the total forecast period, this would require a provision of Rs. 43.956 lakh, given an assumption of 10 per cent increase annually

9.7. In totality the Commission recommends a provision of Rs. 63.396 lakh for the Panchayat Samitis for the forecast period of 1996-97 to 2000-01, with the following annual provisions :-

(Rs. Lakh)

Year	Provision for		Total
	Honoraria	Office Expenses etc.	
1996-97	3.888	7.200	11.088
1997-98	3.888	7.920	11.808
1998-99	3.888	8.712	12.600
1999-2000	3.888	9.583	13.471
2000-01	3.888	10.541	14.429
TOTAL	[illegible].440	43.956	63.396

C. ZILA PARISHADS :

9.8. Zila Parishads are the newly constituted bodies in so far as Himachal Pradesh is concerned. As of now, the newly elected chairpersons and vice chairpersons of these bodies do not have a provision for payment of honorarium on the same analogy as the Gram Panchayats and the Panchayat Samitis. As such, there is no need to make provision on this account. The State Government has already decided to provide the Staff for the office of the Chairpersons of Zila Parishads. This provides for one Personal Assistant, one Clerk, one Driver and one Peon. In addition, the State Government has also provided the Chairpersons with a vehicle. The staff provided will be borne on the cadre of the State Panchayati Raj Department or the Deputy Commissioners and expenditure will also be borne by the Government through the District Panchayat Officer who has been designated as the Secretary of the Zila Parishad. Since the Zila Parishads did not exist earlier, the Commission was of the opinion that the district level PRI entity would require a one time financial support for office building. For this purpose, the Commission recommends a provision of Rs. 25 lakh per Zila Parishad to be equally spread over the forecast period. As for the maintenance of the buildings thus created, the Zila Parishads should mobilise resources at their own level.

CHAPTER X

RESOURCES FOR PERFORMANCE OF THE STATUTORY FUNCTIONS BY THE PANCHAYATI RAJ BODIES - NEED AND MODALITIES FOR MEETING THE COMMITMENTS

10.1. The Himachal Pradesh Panchayati Raj Act, 1994; the Himachal Pradesh Municipal Act, 1994 envisage certain statutory or obligatory functions to be performed by the various bodies. The Commission found out that many of the statutorily assigned functions were not being performed by the Panchayati Raj Bodies for a variety of reasons, the prominent being inadequacy of financial resources.

10.2. For the PRIs, the statutory functions for the Gram Panchayats, Panchayat Samitis and the Zila Parishads are defined in Section 11, Section 81 and Section 92 of the Himachal Pradesh Panchayati Raj Act of 1994, respectively. Certain functions which are required to be performed by the Gram Panchayats statutorily, involve commitment of financial resources. Schedule - I to Section 11(1) of the Act ibid lists out these functions. Items 1, 2, 3, 4, 5, 6, 7, 15, 16, 17 and 26 are functions of such nature as would require substantial financial resources. Based on the perceptions of the Commission, it came to a conclusion that the Gram Panchayats are generally not performing most of these functions. The rest of the Statutory functions are regulatory in nature and, therefore, do not involve financial resources. The Commission understood that these functions were not being performed by the Gram Panchayats basically on account of lack of resources on the one hand, and also due to the fact that many of the functions were getting performed through the schemes from the category of centrally sponsored schemes of Rural Development Ministry or through the decentrallised planning schemes of the State Plan. As such, the Gram Panchayats did not see any incentive in taking on the responsibility of these statutory functions directly or raising resources for performing these functions.

10.3. The Commission is of this opinion that the grants which directly devolve to the Gram Panchayats under the Jawahar Rozgar Yojna should be used for meeting the liability and / or commitment for performance of the Statutory functions for the civic amenities component. Similarly, the grants to the PRIs recommended by the Tenth Finance Commission should come very handy to the Gram Panchayats in discharging their statutory functions. Since these two sources of funds put together come to about Rs. 16 to 17 crore on an annual basis, it gives each Gram Panchayat an average resource availability in the range of Rs. 54,750 to Rs. 58,200. In the opinion of the Commission, this corpus should conveniently see the Gram Panchayats through in the context of performing the statutory functions and there is no need, as of now, for any further resource transfers on this account. Although the year 2000-01 is not covered by the award of the Tenth Finance Commission, yeat we have assumed the same level of resources as for the year 1999-2000 based on the recent guidelines sent to the Sate Government by the Planning Commission. We feel that in case the needs for these functions are to outstrip the resource availability as indicated above, the best course for the Gram Panchayats would be to raise resources at their own level or alternatively seek public contributions from its population and get the civic amenity projects funded through the "Vikas Mein Jan Sahayog" programme of the State Government. This programme of effective public participation has been understood to be of massive use and the contributions have also been forthcoming in ever greater measure year after year for the last 3-4 years. This raises the stakes of people for most efficient resource use and is a mode of raising developmental resources without a recourse to either fresh taxation or raising the rates of existing taxes.

10.4. The statutory functions assigned to the Panchayat Samitis are enshrined in Section 81 of the Himachal Pradesh Panchayati Raj Act, 1994. A careful look at the provisions reveals that it is only Section 81 (a) which would involve financial implications. The other sub-sections are regulatory in nature. The specifications of Section 81 (a) and section 83 (1) have a massive overlap. Therefore, the Commission chose to look at the delegated functions as contained in the notification of 31st July, 1996 which lays down the responsibilities of the Panchayat Samitis and decided that the resource transfers should be regulated in accordance with the notification. Hence no resource transfers are recommended for performance of statutory functions listed in the Act.

10.5. Coming to the Zila Parishads, the statutory functions are laid down in Section 92 of the Himachal Pradesh Panchayati Raj Act, 1994. All these functions are largely in advisory nature and do not involve any financial implications. Only Section92 (1) (iv) could involve financial implications but it would emerge only after the inter-Panchayat Samiti developmental projects are identified, investigated and then decided to be implemented. The Commission, therefore, is of the opinion that no specific resource transfers are necessary at this stage in the context of the statutorily assigned functions to the Zila Parishads. These bodies, however, will need resource back up for the delegated functions as contained in the notification of 31st July, 1996 and the same would be dealt with in the following chapter.

CHAPTER XI

DELEGATED FUNCTIONS, RESOURCE IMPLICATIONS AND THE MODE OF FINANCING FOR THE PANCHAYATI RAJ BODIES

11.1. The Commission held a meeting with the Secretaries to the Government of Himachal Pradesh on 17th August, 1996 to take stock of the delegated functions to the three tiers of PRIs as contained in the notification of 31st July, 1996. This meeting was aimed at assessing the financial implications on programmes as had been delegated by the State Government. After detailed discussions, it was agreed that the department-wise activities which involved financial implications were as under :-

A. Agriculture Department :

1. Schemes relating to soil and water conservation (subsidy portion)
2. Biogas development (subsidy portion)
3. Crop protection - subsidy on pesticides

B. Animal Husbandry Department :

1. Feed and fodder development scheme (subsidies and demonstrations)
2. Construction and maintenance of veterinary dispensary buildings

C. Ayurveda and Homeopathy Department :

1. Construction and maintenance of buildings of ISM dispensaries and staff quarters
2. Construction and maintenance of buildings attached to ISM dispensaries

D. Education Department :

1. Maintenance of primary school buildings
2. Supply and distribution of material and equipment to the middle schools
3. Maintenance of high school buildings and related infrastructure

E. Fisheries Department :

1. Renovation of existing community ponds and construction of new community ponds
2. Maintenance and control of community ponds
3. Sanction of subsidy for government/ FFDA schemes for repair/renovation and construction of ponds

F. Forest Department :

1. Execution of micro plans under the "Other afforestation schemes"
2. Taking over management and responsibility of assets created under the above schemes

G. Health and Family Welfare Department :

1. Construction and maintenance of health sub centre buildings and staff quarters

H. Horticulture Department :

1. Organisation of campaigns, fairs, meets, exhibitions, seminars, etc.
2. Organisation of farmers training camps, study tours, seminars, etc.
3. Organising horticultural inputs distribution system (other than fungicides and pesticides)

I. Industries Department :

No activity involves transfer of financial resources

J. Irrigation and Public Health Department :

1. Routine maintenance of hand pumps
2. Routine maintenance of drinking water and irrigation schemes which have been executed at a cost of Rs. One lakh and below
3. Prevention and control of water pollution

K. Public Works Department :

1. Identification, construction and manitenance of village paths, culverts and lanes
2. Construction and maintenance of small foot bridges upto 10 metre span on nallahs/streams on village paths
3. Construction and manitenance of buildings belonging to Gram Panchayats, Panchayat Samitis and Zila Parishads
4. Identification, construction and maintenance of mule roads
5. Construction and maintenance of Jhullas across rivers/streams on village paths or mule paths
6. Maintenance and running of boats and ferries

L. Rural Development Department :

1. Ownership and maintenance of community assets viz Panchayat Ghars, Community centres, Mahila / Yuvak Mandal Bhawans and IRDP stalls etc.
2. Maintenance of the assets created under JRY/IJRY/EAS
3. Implementation of the State and Central Rural Sanitation Programmes
4. Implementation of National Programme of improved chullahs
5. Programme implementation of IRDP, JRY, IJRY, TRYSEM, DWCRA, EAS, etc.

M. Social and Women Welfare Department :

1. Construction of Anganwari centres
2. Publicity component of the enforcement of PCR Act
3. Implementation of the schemes relating to improvement of Harijan Bastis

11.2. After schematic discussion, it was found out that in the case of Agriculture, Horticulture, Animal Husbandry and Fisheries Departments, the transferred schemes involved a plan outlay of Rs. 3.52 crore according to Annual Plan for 1996-97. However, this did not include any provision for the maintenance of veterinary dispensaries, since no separate provision exists. In case of Education Department, the annual plan provision for maintenance of school buildings was about Rs. 50 lakh. In the case of Health Department, there was no separate provision for maintenance purposes whereas the provision for construction of buildings could not be separately assessed by the department. For Social and Women Welfare Department, the current provision was of the order of Rs. 10 lakh. In the case of Public Works department, there was no provision in the Plan of the department for the delegated functions. Similarly, there was no separate provision for the delegated functions of the Ayurveda Department. In the case of Irrigation and Public Health Department, there was no provision for maintenance of hand pumps. For the other delegated function of maintenance of water supply and irrigation schemes costing up to Rs. One lakh, the department will take some time for identification of appropriate schemes and transfer of resources could only be assessed at that time, based on the physical locationing of the schemes. The Commission would like to leave it to the nodal department which will be responsible for implementation of the recommendations of the Commission to do the needful as and when the Irrigation and Public health Department could supply the relavant data. For the delegated functions of Forest Department, resource transfers could only be considered after the micro plans are drawn up by the PRIs. As for the Rural Development Department, the resources for all the poverty alleviation and employment generation programmes are being devolved to the DRDAs under a pre-determined formula and the Commission decided to keep these out of consideration for the transfer purposes. Similarly, for the rural sanitation programme and the improved chullahs programme, the total available resources would also be transferred to the DRDAs. The annual resource transfers for performing the other developmental functions delegated by the State Government, according to the estimates of the Commission work out to Rs. 7.50 crore. The Commission recommends this provision at constant level since year to year allocations would be governed by the Annual Plans of the State Government but are not expected to decline under normal circumstances.

11.3. The Commission would like to mention that the available provisions for maintenance of assets assigned to be maintained by the PRIs were very meagre and needed to be stepped up. The Commission decided not to take into cognisance such meagre provisions for the purposes of transfer to the Panchayati Raj Institutions. In view of the fact that a vast number of assets have been created in the recent past through various State and Central programmes and the maintenance of all such assets has been decided to be entrusted to the Panchayati Raj Institutions, the Commission recommends establishment of a Rural Infrastructure Maintenance Corpus.

11.4. Keeping in view the fact that each Panchayat, on an average, will have about 3 primary schools, one health institution and one Panchayat Ghar; and that there would be one veterinary institution for every two Panchayats by the end of 1997-98, the Commission recommends a provision of one per cent of the capital cost of these assets for maintenance of these assets. The resource transfers will be strictly linked to the inventory of these assets in each Panchayat. This would mean a provision of Rs. 256 lakh per annum and a total provision of Rs. 1280 lakh for the entire forecast period. These resources will constitute the proposed Rural Infrastructure Maintenance Corpus and shall remain exclusively earmarked for the designated purpose. The Commission has decided not to provide for any growth in the recommended base year figure for the reason that the Gram Panchayats should also make efforts to raise resources for maintaining the new assets which are added to the stock during the award period, since these would belong to them and benefit the local population. The transfers for the maintenance of water supply and irrigation schemes would be over and above this amount.

11.5. The annual resource transfers for the delegated developmental programmes and the maintenance function come to Rs. 1006 lakh for the first year of the forecast period and have been projected at the same level for each year during the forecast period. For the entire forecast period, the total expenditure provision recommended for the above two aspects comes to Rs. 5030 lakh.

SECTION IV

SITUATIONAL ANALYSIS

AND

RECOMMENDATIONS

RELATING TO

URBAN LOCAL BODIES

CHAPTER XII

AN ANALYSIS OF THE EXISTING FINANCIAL RESOURCES, EXPENDITURE AND FUNCTIONAL PERFORMANCE OF THE URBAN LOCAL BODIES

12.1. The urban local bodies have three distinct categories, namely the Nagar Panchayats, Municipal Councils and the Municipal Corporation. Prior to the enactment of 74th amendment to the Constitution of India and subsequent amendments in the respective State Acts, there were three categories of urban local bodies which were called Notified Area Committees, Municipal Committees and Municipal Corporation. The difference vis-a-vis the rural structure is that all the three categories are absolutely independent of each other and draw powers from the Himachal Pradesh Municipal Act, 1994 (for the Nagar Panchayats and Municipal Councils) and the Himachal Pradesh Municipal Corporation Act, 1994. The following text attempts to present a brief on the different categories of urban local government.

12.2. Out of twelve districts in the State, Kinnaur and Lahaul-Spiti districts do not have any notified urban areas. In these two districts, Special Area Development Authorities have been constituted for some locations for the limited purpose of provision and operation/maintenance of basic civic amenities under the Town and Country Planning Act. The Commission decided to keep these out of consideration in the context of urban local bodies. There are 29 Nagar Panchayats, 19 Municipal Councils and one Municipal Corporation in the State. For the purposes of acquainting itself with the financial position of these bodies, the Commission collected data from 13 Nagar Panchayats, 11 Municipal Councils and the one Municipal Corporation. This coverage, in the opinion of the Commission, was adequate in so far as the question of generally assessing the situation was concerned. The data collected and analysed relates to the five year period 1989-90 to 1993-94.

12.3. Given the situation in Himachal Pradesh, with the exception of few, most of the urban local bodies can be considered as a part of the rural scenario. Most of these would be at a lower level of development of civic infrastructure as compared to the villages in the plains. Many have population size smaller than the villages. There are vast variations in the area, population, assets, civic infrastructure, resource endowments and administrative infrastructure in the urban local bodies. Given this scenario, it would be very difficult and also impractical to consider an uniform approach in dealing with the financial position of these bodies.

NAGAR PANCHAYATS :

12.4. In the analysis of the sources of revenues, own sources of revenue have been classified as taxes, fees and non-tax revenues in accordance with the system followed by these bodies. There is no uniformity of taxes or rates of taxation in different Nagar Panchayats which leads to a wide variation in their quantum of resources. Even areas of taxation like house tax, property tax, sanitation/safai tax etc. are not levied by all bodies. House construction tax, map sanctioning fee, land tax, vehicle tax and entertainment tax are other reported forms or areas of taxation. Average tax revenue receipts of the sampled Nagar Panchayats have been estimated at Rs. 1.75 lakh per annum. The surcharge reported as levied in the form of water connection and toll tax in two districts has very sharp variations and has thus been left out of consideration for general application. But the Commission feels that these could be potential areas of further resource generation and should be exploited by these bodies.

12.5. Revenue from fees has been reported to be collected under the items birth and death certificates, map sanctioning fee, slaughter house fee, license fee, tehbazari and copying fee. Some bodies have also reported fees for brick-kilns, wholesale trade, lodging, annual rearing of animals etc., but these cannot be taken as a representative sample for the purposes of forecasting receipts. These , however, could be the potential areas for generation of resources by these bodies towards supplementing their resources. Average annual revenue receipts from the head "fees" per sampled Nagar Panchayat have been estimated at Rs. 0.80 lakh.

12.6. As for the non-tax revenue receipts, income has been reported from items like rent, charity, interest, fairs, auctions and other unspecified sources. Under this item also, there is a wide range of variation in accruals. Incomes from rent and interest would vary widely depending upon the assets and deposits. The average annual receipts from non-tax sources per Nagar Panchayat have been estimated at Rs. 3.25 lakh.

12.7. The data collected from the Nagar Panchayats with regard to the receipts through the grants-in-aid also suffers from inconsistencies. The only grant-in-aid item on which reliable data could become available is the grant in lieu of octroi. This also generally constitutes majority of the resources transferred to some of these bodies by way of grants-in-aid. Prior to 1982-83, octroi constituted the most buoyant source of revenue with the urban local bodies. At that time, it was levied by all the municipal committees. Nine out of the present 29 Nagar Panchayats were also collecting the octroi duty. After abolition of octroi, the State Government decided to compensate these bodies by providing grant in lieu of octroi. The avarage grant per Nagar Panchayat on this account comes to Rs. 3.12 lakh. Thus, on an average, total revenue receipts of a Nagar Panchayat come to Rs. 9.29 lakh per annum. These resources are generally used to finance the establishment expenditure of the Nagar Panchayats.

12.8. As mentioned above, there are 20 Nagar Panchayats which were either non-existent in 1982-83 or were not collecting octroi duty. These bodies have not been provided with any grant in lieu of octroi and as such, have remained at a position of disadvantage as compared to other bodies which are similarly situated in the organisation of urban local bodies. The Commission would like to take a view on this aspect since octroi was the major source of revenues to the urban local bodies. Majority of the Nagar Panchayats have opined that the State Government should consider re-imposition of octroi duty to provide these bodies with a dynamic source of revenue.

12.9 Purpose specific developmental grants are also administered by the State Government to the Nagar Panchayats. Since such grants or transfer of resources would, however, be governed by the extent of delegation of powers to these bodies, the Commission did not consider it necessary to go into this area of availability of resources to the Nagar Panchayats.

MUNICIPAL COUNCILS :

12.10. Himachal Pradesh has 19 Municipal Councils out of which data were collected from 11 bodies. As in the case of Nagar Panchayats, the Municipal Councils also have vast diversity and variation in the area, population, civic infrastructure, resource endowments and performance of duties etc. The area of the sampled municipal councils varies from 0.8 square kilometres to 10.6 square kilometres. All these councils have office building and the average area of the office complex comes to about 203 square metres. One council has a town hall of its own, four councils have a market under their ownership and seven councils own a serai or a rest house. Almost all the councils own shops and the number ranges between 14 and 148. The road length in the council area varies from 1.5 kilometres to 23.5 kilometres. The street light points range between 156 to 2,200 and public toilets range from 11 to 55. These numbers substantially prove the diversity of the problem.

12.11. As compared to the Nagar Panchayats, the Nagar Palikas have a wider revenue base. The Commission attempted to classify their revenues also in the same four categories as for the Nagar Panchayats. The taxes, fees and duties, etc. appear to be classified differently. Property tax and house tax appear to have the same connotation in different bodies. Similarly, house construction fee, map sanctioning fee and building fee appear to be identical in terms of impost but differ only in nomenclature.

12.12. Average tax revenue per Municipal Council has been estimated at Rs. 2.27 lakh and its components are house tax / property tax (85.04 per cent), sanitation or safai tax (5.37 per cent), entertainment tax (3.34 per cent) and a whole host of other miscellaneous taxes (6.16 per cent).

12.13. Average revenue receipts per Municipal Council from fees have been estimated at Rs. 59,600. It comprises of map sanctioning fee / building fee (33.06 per cent), Tehbazari / ground rent (29.33 per cent), slaughter house fee (10.42 per cent), loading fee (11.71 per cent), hawkers fee (3.81 per cent), dangerous and offensive trade fee (2.13 per cent) and other fees (9.54 per cent).

12.14. As for the non-tax revenue receipts, the average estimate comes to Rs. 6.06 lakh. It would, however, be important to mention that the variation is very significant and the average per Municipal Council could give a misleading picture. However, for the sake of presentation, the composition of non-tax receipts is income from rent (62.16 per cent), fairs (11.77 per cent), interest (3.68 per cent), auctions of grass, wood, fruits etc. (5.94 per cent) and other miscellaneous accruals (16.45 per cent).

12.15. All the municipal councils were collecting octroi duty before its abolition by the State Government in 1982-83. These have been compensated by the State Government over time for the loss of revenue but the growth rate of grants in lieu of octroi has been under 9 per cent per annum. The Municipal Councils also felt that reimposition of octroi could go a long way in improving the financial position of these bodies. The average grant per Nagar Panchayat on this account has been estimated at Rs. 10.83 lakh per annum. Taking all these receipts together, the average revenue receipts per Nagar Panchayat per annum come to Rs. 19.75 lakh.

CHAPTER XIII

AN ANALYSIS OF THE TRANSFER OF RESOURCES TO URBAN LOCAL GOVERNMENT INSTITUTIONS FROM THE CONSOLIDATED FUND OF THE STATE PRIOR TO THE SETTING UP OF THE STATE FINANCE COMMISSION

13.1. Transfer of financial resources to the urban local bodies from the consolidated fund of the State has been in practice for a long time. The Commission decided to look at such transfers and also the growth rates over a long term frame. Data for this purpose was collected from the budget documents of the State Government, both on receipts as also disbursements.

13.2. In the context of urban local bodies, there are no receipts but the State Government has been assigning grants in lieu of abolition of octroi with effect from the year 1982-83. The data is as under :-

Year	Quantum of Grant (Rs. Lakh)	Per cent Change
1982-83	158.33	...
1983-84	164.29	3.76
1984-85	176.55	7.46
1985-86	187.27	6.07
1986-87	198.36	5.92
1987-88	208.06	4.89
1988-89	276.55	32.92
1989-90	223.59	(-)19.15
1990-91	214.17	(-) 4.21
1991-92	310.09	44.79
1992-93	357.71	15.36
1993-94	348.50	(-) 2.58
1994-95	350.86	0.68
1995-96	406.07	15.74
1996-97 (B.E.)	446.68	10.00
Average Growth Rate for 1982-83 to 1996-97		8.69

13.3. It would be seen that the grants in lieu of octroi to the designated urban local bodies have witnessed a growth rate of 8.69 per cent per annum on an average. The simple growth rate per annum works out to 13 per cent per annum.

CHAPTER XIV

GRANTS TO URBAN LOCAL BODIES IN LIEU OF ABOLITION OF OCTROI - SITUATIONAL ANALYSIS AND SUGGESTED FUTURE PACKAGE

14.1. Prior to 1982-83, octroi used to be the principal source of revenues to the urban local bodies. In the year 1981-82, the State Government decided to abolish the octroi duty which was being collected by 28 out of the 39 urban local bodies in existence at that time. Before abolition, a proposal also remained under consideration of the State Government to introduce octroi duty in the remaining 11 urban local bodies which could not be finalised. While deciding to abolish octroi, the State Government decided to provide grants in lieu of abolition of octroi which were primarily aimed at compensating these bodies for loss of revenue.

14.2. As a result of the above decision of the Government, the grant-in-aid in lieu of abolition of octroi was, for the first time released by the State Government on 28th April, 1982. For the 28 urban local bodies as were collecting octroi duty prior to the decision of abolition, the State Government had estimated a monthly expenditure of Rs. 18 lakh. This comprised of Rs. 3,45,525 of expenditure on salaries and Rs. 14,54,475 as expenditure for sustaining the normal activities. This is the only firm base figure of committed expenditure available for the 28 urban local bodies. The annual estimates worked out to Rs. 41.463 lakh for salaries and Rs. 174.537 lakh for performing the statutory duties. Against this estimate, the Government actually released Rs. 158.33 lakh during the year 1982-83 as per the finance accounts.This ratio also implies that in the first year of introduction of this scheme for compensation, the expenditure on salaries was estimated at about 20 per cent of the total expenditure.

14.3. If the above ratio is applied to the grants transferred to these 28 urban local bodies during the year 1995-96, the salary expenditure would come to about Rs. 81 lakh, the total transfers being Rs. 406.07 lakh. This, however, would not be a true reflection of the expenditure on salaries since this component of expenditure has grown at a much faster rate than other items of expenditure on the one hand, and the staff strength has also increased significantly, on the other. We will deal with the estimates of the committed expenditure for the urban local bodies in a subsequent chapter.

14.4. As mentioned earlier, apart from these 28 urban local bodies, the other 21 bodies(comprising of 11 existing in 1982 and 10 which came into existence after that) do not receive any grants in lieu of octroi primarily for the reason that these bodies either had not been collecting octroi duty prior to 1982-83, or were not in existence at that time. The Commission considered this iniquitous situation at length and came to a conclusion that it must examine various possibilities and then suggest a system which could be equitable to all the urban local bodies in the process of administering the grants in lieu of octroi.

14.5. The Commission analysed data on the following three aspects :-

1. Actual octroi collections for 1971-72 to 1976-77,
2. Sales tax collections for the above period ,
3. Actual sales tax collections between 1982-83 to 1994-95, the grant-in-aid in lieu of octroi administered and the relationship between the two.

14.6. Based on the analysis of above data, the Commission studied various alternative projections and came to the conclusion that the level of grants merits to be raised significantly. After examining several options, the Commission recommends that the base year grants should be raised to a level of Rs. 1221.11 lakh i.e., for the year 1996-97 and then given an annual 10 per cent increase. The projections thus worked out for the forecast period are given in the following table :-

Year	Projected grants in lieu of octroi (Lakh Rs.)
1996-97	1221.11
1997-98	1343.21
1998-99	1477.53
1999-2000	1625.28
2000-01	1787.81
Total	7454.94

14.7. As to the question of allocating the grants to the urban local bodies on an uniform basis, the Commission recommends that the above grants be administered to the various urban local bodies in proportion to the population according to the 1991 census.

CHAPTER XV

FORECASTING THE RESOURCES OF THE URBAN LOCAL BODIES

15.1. The details of the revenue receipts of the urban local bodies have been analysed and presented in Chapter XII earlier on. The data and inferences contained in that chapter are at a macro level. In this chapter, the resources of these bodies have been projected into the forecast period in accordance with the framework, approach and methodology laid down by the Commission.

NAGAR PANCHAYATS:

15.2. In the case of Nagar Panchayats, based on the data collected from 13 out of the 29 bodies, it has been assessed that the per capita receipts from their own sources by way of various components are as under :-

Component of receipts	Total average accrual(Rs.)	Per capita accrual(Rs.)
1. Tax receipts	2,35,528	68.52
2. Receipts from fees	80,022	23.28
3. Non-tax receipts	3,12,672	90.97
TOTAL		182.77

15.3. Since the Commission has already separately dealt with the question grants in lieu of octroi , the same have not been used in estimating the per capita receipts. As mentioned earlier, there is neither a uniform system of taxation or raising resources in the various Nagar Panchayats, nor do all bodies collect resources which should be statutorily collected by them. Hence the Commission used the data for such items of resource raising as were largely common in the sample. The above estimates are based on the five year time series data collected from the Nagar Panchayats for the period 1989-90 to 1993-94.

15.4. The Commission decided to adopt the above average per capita receipts to project the level of receipts for the forecast period. It is important to mention that the Commission did not deliberately deflate the estimates to real levels after ignoring inflation in working out the above statistic. The projections have been made as explained below:-

A. Base year average per capita revenue	Rs. 182.77
B. Growth assumption in the forecast period	10 per cent per annum

C. PROJECTIONS :

1996-97	Rs. 201.04
1997-98	Rs. 221.15
1998-99	Rs. 243.27
1999-2000	Rs. 269.59
2000-01	Rs. 294.35

15.5. The Commission feels that the Nagar Panchayats must raise resources of the above order during the forecast period because it is not the singular responsibility of the State Government to meet their committed expenditure needs. In doing so, the Commission feels that freedom must be given to these bodies to raise resources by any mode available to them under the provisions of Sections 65 to 68 of the Himachal Pradesh Municipal Act, 1994. Receipts of the above order have been assumed by the Commission in working out the surplus or deficit situation after a reasonable assessment of the expenditure needs, which have been dealt with in a separate chapter.

MUNICIPAL COUNCILS :

15.6. Out of the 19 Municipal Councils, the Commission could collect and analyse data for 11 bodies. The per capita receipts from their own sources have been estimated as under on the same methodology as was applied to the Nagar Panchayats:-

Component of receipts	Total average accrual (Re.)	Per capita accrual (Rs.)
1. Tax receipts	6,87,055	62.30
2. Receipts from fees	61,677	5.60
3. Non-tax receipts	6,42,05[illegible]	58.24
TOTAL		126.24

15.7. A comparison of the data for the Nagar Panchayats and the Municipal Councils reveals that the tax receipts are more or less in the same region for both the bodies whereas the receipts from fees and non- tax sources are at a much lower level in the case of Municipal Councils as compared to the Nagar Panchayats. The Commission feels that the potential in the case of Municipal Councils is certainly greater for raising resources in these two areas. Therefore, the Commission saw enough merit in using the same forecast for the municipal councils as was decided to be used for the Nagar Panchayats. Therefore, the figures used for forecasting the revenues of the Municipal Councils have been adopted as under:-

Year	Projected per capita revenue of Municipal Councils(Rs.)
1996-97	201.04
1997-98	221.15
1998-99	243.27
1999-2000	269.59
2000-01	294.35

MUNICIPAL CORPORATION:

15.8. There is only one Municipal Corporation in the State. The per capita tax receipts have been estimated at Rs. 272.88, the receipts from fees at Rs. 9.93 and the non-tax receipts at Rs. 276.35. This gives a per capita own sources revenue of Rs. 559.16 at the base year. Based on this, the projections for the forecast period are as under :-

1996-97	Rs. 615.08
1997-98	Rs. 676.58
1998-99	Rs. 744.24
1999-2000	Rs. 818.67
2000-01	Rs. 900.53

15.9. The details of the revenue receipts for each of the urban local body based on the projected population for the forecast period are contained in the following table:-

Name of the local body	Projected receipts from own sources of revenue(Rs. Lakh)					
	1996-97	1997-98	1998-99	1999-2000	2000-01	TOTAL
A. NAGAR PANCHAYATS						
1. Dhalli	5.16	5.77	6.47	7.30	8.11	32.81
2. Sunni	2.79	3.13	3.50	3.95	4.39	17.76
3. Narkanda	1.51	1.69	1.89	2.14	2.38	9.61
4. Kotkhai	1.97	2.20	2.50	2.78	3.10	12.55
5. Jubbal	3.03	3.39	3.80	4.29	4.76	19.27
6. Chopal	2.36	2.64	2.96	3.34	3.71	15.01
7. Rohru	7.30	8.28	9.28	10.46	11.63	46.95
8. Arki	4.34	4.78	5.35	6.03	6.83	27.33
9. Parwanoo	12.87	14.41	16.14	18.21	20.24	81.87
10.Rajgarh	3.91	4.38	4.91	5.53	6.15	24.88
11.Ghumarwin	8.15	9.13	10.22	11.53	12.82	51.85
12.Talai	3.41	3.81	4.27	4.82	5.36	21.67
13.Gagret	9.36	10.48	11.74	13.24	14.72	59.54
14.Daulatpur	6.04	6.76	7.58	8.54	9.50	38.42
15.Mehatpur	14.10	15.79	17.69	19.95	22.18	89.71
16.Santokhgarh	15.05	16.86	18.87	21.29	23.67	95.74
17.Nadaun	7.43	8.32	9.31	10.51	11.68	47.25
18.Sujanpur	12.04	13.48	15.10	17.03	18.93	76.58
19.Bhota	2.83	3.16	3.54	4.00	4.44	17.97
20.Jwalamukhi	8.89	9.96	11.15	12.58	13.99	56.57
21.Dehra	7.42	8.32	9.31	10.50	11.67	47.22
22.Nagrota	9.90	11.08	12.41	14.00	15.56	62.95
23.Chowari	4.63	5.19	5.81	6.55	7.28	29.46
24.Rewalsar	2.30	2.57	2.88	3.25	3.61	14.61
25.Sarkaghat	6.80	7.61	8.52	9.62	10.69	43.24
26.Jogindernagar	9.92	11.11	12.44	14.03	15.60	63.10
27.Manali	5.35	5.99	6.71	7.56	8.41	34.02
28.Bhuntar	6.53	7.32	8.19	9.24	10.27	41.55
29.Banjar	2.28	2.55	2.86	3.22	3.58	14.49
Total	187 67	210.16	235.40	265.49	295.26	1193.18
B. MUNICIPAL COUNCILS						
1. Rampur	9.54	10.69	11.97	13.50	15.00	60.70
2. Theog	6.06	6.78	7.60	8.57	9.53	38.54
3. Solan	47.81	53.54	59.95	67.63	75.17	304.10

4. Nalagarh	16.37	18.33	20.50	23.16	25.74	104.10
5. Nahan	48.07	54.25	60.30	68.03	75.61	306.26
6. Paonta	29.03	32.31	36.40	41.07	45.64	184.45
7. Sri Nainadeviji	1.91	2.14	2.39	2.70	3.00	12.14
8. Bilaspur	23.82	26.11	29.24	32.99	36.67	148.33
9. Una	26.38	29.54	33.08	37.32	41.48	167.80
10.Hamirpur	27.57	30.87	34.57	39.00	43.35	175.36
11.Dharamshala	38.45	43.06	48.22	54.39	60.46	244.58
12.Kangra	19.82	22.20	24.86	28.05	31.17	126.10
13.Nurpur	17.50	19.59	21.94	24.75	27.52	111.30
14.Palampur	8.00	8.95	10.03	11.31	12.57	50.86
15.Chamba	37.79	42.32	47.39	53.46	59.42	240.38
16.Dalhausie	15.07	16.87	18.89	21.32	23.69	95.84
17.Mandi	51.00	57.11	63.95	72.14	80.19	324.39
18.Sundernagar	44.83	50.20	56.22	63.42	70.49	285.16
19.Kullu	32.02	35.86	40.16	45.30	50.35	203.69
Total	501.04	560.72	627.26	708.11	787.05	3184.58
C. MUNICIPAL CORPORATION						
1. Shimla	551.78	617.88	691.90	774.81	867.62	3503.99
Grand Total	1240.49	1388.76	1554.96	1748.41	1949.93	7882.55

CHAPTER XVI

FORECASTING THE COMMITTED EXPENDITURE OF THE URBAN LOCAL BODIES

16.1. In earlier part of this report, it has been explained that the Commission collected data from 13 Nagar Panchayats, 11 Municipal Councils and the only one Municipal Corporation for analysing the receipt and expenditure patterns. Whereas it was possible for the Commission to gainfully utilise the data on receipts, the same could not be done for the expenditure side. The basic constraint for this was the fact that the urban local bodies did not have a uniform system of maintaining the object-wise expenditure. In the opinion of the Commission, it was necessary to have firm data on the number of employees from a reliable source and then project the expenditure based on the macro estimates for the Municipal Corporation employees since the employees of the urban local bodies enjoy the same scales of pay across the board.

16.2. Accordingly, the Commission approached the Department of Urban Local Bodies which had the firm data on the number of posts sanctioned, posts filled up and the vacant posts. The Commission was also supplied projected additional staff requirements for each of the urban local body by the Department. However, the Commission decided not to deliberate on the demand for additionality of staff for a variety of reasons. The data on the above aspects is contained in the table below:

Name of the Urban local body	Sanctioned staff strength	Staff in position
A. MUNICIPAL CORPORATION:		
1. Shimla	952	N.A.
B. MUNICIPAL COUNCILS :		
1. Rampur	42	34
2. Theog	22	21
3. Solan	129	119
4. Nalagarh	37	32
5. Nahan	115	95
6. Poanta Sahib	31	28
7. Sri Nainadeviji	14	13
8. Bilaspur	37	36
9. Una	48	45
10.Hamirpur	50	25
11.Dharamshala	50	47

12.Kangra	22	13
13.Nurpur	22	19
14.Palampur	24	21
15.Chamba	68	65
16.Dalhausie	41	34
17.Mandi	127	113
18.Sundernagar	40	24
19.Kullu	114	69
C. NAGAR PANCHAYATS :		
1. Dhalli	16	14
2. Sunni	3	-
3. Narkanda	3	-
4. Kotkhai	4	1
5. Jubbal	3	1
6. Chopal	3	-
7. Rohru	4	3
8. Arki	9	4
9. Parwanoo	7	6
10.Rajgarh	3	-
11.Ghumarwin	3	-
12.Talai	3	1
13.Gagret	3	1
14.Daulatpur	3	2
15.Mehatpur	3	-
16.Santokhgarh	3	-
17.Nadaun	8	4
18.Sujanpur	3	1
19.Bhota	3	-
20.Jwalamukhi	11	11
21.Dehra	10	8
22.Nagrota	10	9
23.Chowari	3	-
24.Rewalsar	3	-
25.Sarkaghat	3	-
26.Jogindernagar	3	2
27.Manali	34	33
28.Bhuntar	12	10
29.Banjar	3	-
Total	2164	964*

* : This excludes the staff in position in Municipal Corporation Shimla.

16.3. Exact data on the establishment expenditure was called for by the Commission from the Municipal Corporation, Shimla. For obvious reasons, the Commission chose to use this data for forecasting the expenditure of committed nature for all the urban local bodies. The data and its derivatives are presented in the following table :-

Year	Establishment expenditure		
	Total(Lakh Rs.)	Per employee (Rs.)	Growth over previous year
1990-91	249.76	26235	---
1991-92	270.02	28363	8.11%
1992-93	287.98	30250	6.65%
1993-94	315.47	33137	9.55%
1994-95	332.38	34913	5.36%

16.4 The average annual growth rate in establishment expenditure has been of the order of 7.42 per cent, or say, 7.5 per cent. Based on this trend growth rate, the per employee expenditure for the base year of forecast, i.e., 1996-97 comes to Rs. 40,345. On this norm, the total establishment expenditure for all the urban local bodies for 1996-97 the first year of the forecast period comes to Rs. 873.07 lakh, which has to be apportioned among the urban local bodies in the ratio of the number of employees in these bodies for the first year and projected into the forecast period on an annual growth rate of 10 per cent. as per the assumptions made out in the framework and approach adopted by the Commission. Such a growth rate will cater to the dearness allowance provisions for the future years but not for the salary revisions. The recommended provisions for meeting the salary expenditure for the forecast period are as under :-

Year	Recommended provision for salary expenditure(Lakh Rs.)
1996-97	873.07
1997-98	960.38
1998-99	1056.41
1999-2000	1162.05
2000-01	1278.26
TOTAL	5330.17

16.5. The other area of committed expenditure is the maintenance of physical assets owned by the urban local bodies. In this behalf, the Commission was constrained by non-availability of data for all kinds of assets for all the urban local bodies. However, it had collected data on a sample basis from a fairly large sample urban local bodies and the same data has been used in determining the requirements of maintenance provisions for these bodies. Actual data for Municipal Corporation, Shimla and the estimates for the other urban local bodies for the selected items of civic infrastructure is presented in the following table :-

Urban Body	Roads (Kms)	Streets (Kms)	Water Supply (Kilo Litres per day)	Sewerage	Street Lights	Public Toilets
1. Shimla MC	50.34	75.07	15400	340	3173	101
2. Municipal Councils*	191.14	134.90	N.A.	N.A.	16568	551
3. Nagar Panchayats*	172.84	159.79	N.A.	N.A.	4814	203
Total	414.32	396.76	---	---	24555	855

* : Estimated infrastructure based on the sample of 11 Municipal Councils and 13 Nagar Panchayats spread over all the districts.

16.6. It is true that many of the urban local bodies would have assets and civic infrastructure other than the one specified in the above table, the Commission decided to restrict its recommendations to the above categories of civic infrastructure. It was also decided that the civic amenities of water supply and the sewerage should be kept out of these recommendations in view of extremely capital intensive nature of maintaining these services which would need to be separately looked after by the State Government. As to the norms for maintenance and upkeep of these assets/civic amenities, none exist except for the maintenance of roads, as adopted by the National Finance Commissions from time to time. Based on this and the provision for staff having been separately recommended, the Commission decided to provide for maintenance of roads at the rate of Rs. 15,000 per kilometre. For the streets, it is felt that a norm of Rs. 5,000 per kilometre would be sufficient in view of the width of the streets being generally one third of the single lane roads . For street lights, it was decided to provide at the rate of Rs. 150 based on the need for replacement of the lighting fixtures. For public toilets, the Commission decided to provide at the rate of Rs. 1,000 per unit per annum based on the information collected by us . The aggregate maintenance provisions for these services for the first year work out to Rs. 127.22 lakh. With the assumed 10 per cent mark up every year during the forecast period, the annual provisions are recommended as under :-

Year	Aggregate maintenance provisions (Rs. Lakh)
1996-97	127.22
1997-98	139.94
1998-99	153.94
1999-2000	169.33
2000-01	186.26
Total	776.69

16.7. Putting the two items of committed expenditure together, the Commission recommends to provide Rs. 1000.29 lakh in the first year of the award and Rs. 6106.87 lakh over the total five year forecast period for the urban local bodies for meeting the expenditure on salaries and maintenance of the above four categories of civic amenities.

CHAPTER XVII

RESOURCES FOR PERFORMANCE OF THE STATUTORY FUNCTIONS BY THE URBAN LOCAL BODIES - NEED AND MODALITIES FOR MEETING THE COMMITMENTS

17.1. Section 48 of the Himachal Pradesh Municipal Act, 1994 defines the powers and authorities of the Nagar Panchayats and Municipal Councils. These are the functions which should be performed by the these bodies, i.e., the Nagar Panchayats and the Municipal Councils in accordance with a notification issued by the State Government. Such a notification was issued by the State Government on the 30th August, 1994 but has not been put into operation because the new bodies came into existence only in December, 1995. The Commission would like to deal with the resource requirements for such delegated functions to the Nagar Panchayats and the Municipal Councils in the next chapter. In doing this, the Commission would also take into cognizance the grants recommended by the Tenth Finance Commission under the 74th amendment to the Constitution of India which are of the order of Rs. 51 lakh for 1996-97 and Rs. 205.00 lakh for 1996-97 to 1999-2000 period. As for the last year of the forecast period of this Commission, we have taken the same level of resources as for 1999-2000 in accordance with the guidelines received from the Planning Commission, Government of India.

17.2. Talking of the Municipal Corporation, Section 42 of the Himachal Pradesh Municipal Corporation Act, 1994 deals with the question of delegated functions parallel to the provisions of Section 48 of the Himachal Pradesh Municipal Act, 1994, for the lower level formations of urban local government. This aspect will, therefore, be dealt with in the following chapter.

17.3. However, Section 43 of the Himachal Pradesh Municipal Corporation Act, 1994, defines the obligatory functions of the Municipal Corporation. These functions are being performed by the Shimla Municipal Corporation from out of its own resources or with the help of general grants it receives in lieu of abolition of octroi. Since both these aspects of financial resources have been separately dealt with earlier on in the report, the Commission will not like to make any specific or additional provision of resources for this purpose.

17.4. Discretionary functions of the Municipal Corporation have been defined in Section 44 of the Himachal Pradesh Municipal Corporation Act, 1994. Taking cognizance of the overall resources scenario, the Commission would like to state that the Municipal Corporation could delve into the territory of discretionary functions in case it could mobilise resources for doing so at its own level.

17.5. Since there is a considerable overlap in the statutory functions required to be performed by the urban local bodies and the delegated functions, the Commission decided to assess the resource requirements for these together. The details are contained in Chapter XVIII of this report.

CHAPTER XVIII

DELEGATED FUNCTIONS, RESOURCE IMPLICATIONS AND THE MODE OF FINANCING FOR THE URBAN LOCAL BODIES

18.1. As has been mentioned in the earlier chapters, the State Government has issued notifications for delegation of functions to the urban local bodies, as were statutorily warranted. The Commission scrutinised the notifications carefully and arrived at the conclusion that most of the delegated functions were in the nature of developmental functions. This aspect needs to be highlighted since the resource transfers on this account will be governed by the overall size of the developmental outlays for the State Plans on a year to year basis. The Commission also understood that many of the urban local bodies were under-equipped to perform the functions as had been delegated and would have to follow a gradual and caliberated process of gaining experience and gathering expertise for this purpose. Keeping this aspect in view. the Commission decided to have a detailed dialogue with the Urban Development Department to have a clear perception of the entrusted functions and the resource implications for meeting the needs.

18.2. The Commission had a meeting with the Secretary (Urban Development) on 18th July, 1996 with regard to the notifications issued by the Government for delegation of functions to the Nagar Panchayats, Municipal Councils and the Municipal Corporation. We were apprised by the Secretary (UD) that the notifications envisaged the ultimate ideal situation for decentrallised functioning by the urban local bodies. This, however, was not practicable as these bodies were not in a position to perform all the functions. The Commission was told that the best method to initiate the process would be to entrust actual perfromance of responsibilities in a carefully chosen manner and it should follow gradual transfer linked to build up of the competence and experience gained over time.

18.3. The contents of the notifications were gone through item by item and it was agreed that the following functions should be transferred alongwith the resources:-

1. Planning for economic and social development:
    a) Formulation of schemes for upliftment of poor,
    b) Implementation of poverty alleviation programmes.

2. Roads and bridges:
    a) Construction and maintenance of public streets, lanes and bylanes and pavements.

3. Public health:
    a) Provision of drains and nullahs,
    b) Provision of public latrines and urinals and their upkeep.

4. Urban forestry, protection of the environment and promotion of ecological aspects :
    a) Plantation, maintenance and preservation of ornamental and economic trees within the municipal areas,
    b) Establishment and maintenance of electric crematoria.

5. Slum improvement and upgradation:
    a) Identification of slum areas, formulation of schemes for rehabilitation of the people living in slums.

6. Urban Poverty Alleviation:
    a) Identification of urban poor and the localities predominantly occupied by them,
    b) Formulation and execution of schemes for their upliftment.

7. Provision of urban amenities and facilities such as parks, gardens, playgrounds, fitness centres or trails:
    a) Provision of parks, gardens, playgrounds, fitness centres or trails and improvement of existing parks and gardens.

8. Promotion of cultural, educational and aesthetic aspects:
    a) Promotion and encouragement of cultural activities,
    b) Suggest remedial measures for improvement of education and educational institutions.
    c) Establishment and maintenance of libraries and reading rooms.

9. Burial and burial grounds, crematoria, cremation grounds and electric crematoria:
    a) Provision and maintenance of burial grounds, cremation grounds and to improve their surroundings and regulate their use,
    b) To establish and maintain electric crematoria.

10. Cattle ponds, prevention of cruelty to animals:
    a) Establishment and maintenance of cattle ponds,
    b) To prevent roaming of stray cattle.

11. Vital Statistics including registration of births and deaths.

12. Public amenities including street lights, parking lots, bus stops and public conveniences:
    a) Street lights,
    b) Bus stands, bus stops, rain shelters, loading and unloading points,
    c) Public amenities like public latrines, public baths, public paths, ponds, tanks and lakes,
    d) Serais, Dharamshalas and night shelters,
    e) Ferries and boats.

13. Establishment, maintenance, regulation and control of slaughter houses and tanneries.

18.4. Secretary (Urban Development) also mentioned that the rates of taxes and duties being levied by various urban local bodies were fixed several years or decades ago and need revision. It was also mentioned that many local bodies were not levying the taxes and rates which should be statutorily levied by them. The Commission took note of this fact and has already made appropriate and uniform assumptions about raising of resources by all the urban local bodies. Secretary (UD) also mentioned that commercial rates should not be levied on the services like public taps and street lights since these are not put to any commercial use. Although there appears to be sufficient merit in this suggestion, yet the Commission would leave it to the Government to take a decision on this suggestion.

18.5. On the question of transfer of resources for effectively performing the functions enumerated in para 18.3 above, the Commission has assessed the availability of resources within the sanctioned plan and non - plan allocations for 1993-94 to 1995-96. It is felt that the resources for performing functions relating to civic amenities are inadequate. The average annual outgo from plan for this purpose has been in the range of Rs. 60 lakh to Rs. 80 lakh per annum. The non - plan actuals of grants for upkeep and maintenance of civic amenities have ranged between Rs. 53 lakh to Rs. 66 lakh . This gives a per capita expenditure of about Rs. 29 which is inadequate and explains the situation that these bodies are not effectively performing the functions which they should statutorily perform. The Commission, therefore, recommends that a per capita provision of Rs. 300 per annum should be provided for this purpose.This is based on the adjusted median value of the level of assistance under the scheme of Environmental Improvement of Urban Slums, after discounting off the provisions separately recommended by the Commission for maintenance of selected civic amenities. As for the implementation of the Centrally Sponsored Schemes of Nehru Rozgar Yojna, Urban Basic Services, Integrated Development of Small and Medium Towns and Prime Minister's Integrated Urban Poverty Eradication Programme, the allocations will be governed by the outlays sanctioned under the Central sector and State Plan on a year to year basis. For the current year, the estimated allocation available as central share is Rs. 2.75 crore. Based on above parameters, the devolution of resources for the forecast period works out as under :-

(Rs. Crore)

Year	For delegated civic functions	Under Centrally Sponsored schemes	Total
1996-97	14.58	2.75	17.33
1997-98	14.82	2.75	17.57
1998-99	15.09	2.75	17.84
1999-2000	15.36	2.75	18.11
2000-01	15.66	2.75	18.41
Total	75.51	13.75	89.26

SECTION V

GENERAL OBSERVATIONS

AND

SUMMARY

OF

RECOMMENDATIONS

CHAPTER XIX

SOME GENERAL OBSERVATIONS AND COMMENTS

19.1. In the context of Himachal Pradesh, the process of democratic decentrallisation with the statutory back up has begun. As the process goes along, it will throw up a variety of issues. It would also be important to have a regular mechanism for monitoring the whole process. The sub-State level hierarchies of local government will have to understand that the process is a collective endeavour. The responsibility of raising resources to meet local aspirations will always remain a tricky question but it merits to be realised that this responsibility will have to be shared all along the hierarchy. In the Indian context, the issue of sharing of resources is going to become more and more complex. With the problem of ever increasing revenue deficits in the recent past and the economic restructuring which the nation is going through, in the years to come it will become more a question of sharing deficits rather than surpluses and assuming responsibilities for raising resources. The issue of user charges for various services has been evaded for long but it will increasingly become imminent that such charges will need to be levied. Resources which can be legitimately raised will require to be raised and no alibis will help sustaining the current scenario for long. Subsidisation, if any, will have to be a system of cross subsidies, some one paying a higher price to subsidise the ones who have poor paying capacities. Keeping this background in view, the Commission will like to make the following suggestions for consideration of the State Government, Panchayati Raj Institutions and the Urban Local Bodies :-

1. Decentralisation brings greater responsibility upon the lower levels of hierarchy. This implies that the local governments at all levels will have to be extremely careful about the efficient use of available scarce resources. Not only this, they will also have to assume responsibility for raising resources, an area which may have remained at a very low priority so far. Panchayati Raj Institutions and Urban Local Bodies must raise resources which are exclusively their responsibility.

2. The existing provisions in the Acts do not really allow a fair degree of freedom to the Panchayati Raj Institutions or the Urban Local Bodies to raise resources through the taxes and levies mentioned in the statutes. In the opinion of the Commission, the State Government could consider setting the minima and maxima of the rates for each of such taxes and let the local government institutions take a view on the current rates which certainly merit to be raised. For this purpose, the State Government could consider

amending the statutes to provide for such a flexible arrangement.

3. As mentioned in the report, some of the local government bodies are not levying the rates and taxes which should be statutorily levied by them. It should be mandatory for all to raise resources within their purview. The Commission feels that in case some local government bodies do not collect the statutory levies, the resource transfers recommended through this report of the Commission should not be released. Compliance to collect taxes at the local level should only qualify these bodies for availing the resource transfers from the consolidated fund of the State. The Departments of Panchayati Raj and Local Self Government should ensure implementation of this suggestion. It is also clarified that this suggestion should not be construed to imply any staff proliferation in these departments.

4. In the course of its work, the Commission realised that proper inventories of the assets - either owned by these bodies or delegated to be maintained by these bodies - did not exist. This is extremely necessary to be created so that exact availability of infrastructure - civic as well as developmental - is known and the needs of resources for its effective upkeep are possible to be quantified. In the context of quantification of resources needed for upkeep and maintenance, it would be necessary to have the inventories prepared and continuously updated.

5. In developing and expanding the civic infrastructure, the urban local bodies should increasingly resort to negotiated loans from the national funding agencies since the competing priorities within the State Plan will leave less and less resources available for such infrastructure as could be amenable to levy of user charges. This mode of financing will also ensure levy of appropriate user charges which could at least make up for the operation and maintenance expenditure for such infrastructure.

19.2. The Commission would like to quote from the report of the Tenth Finance Commission on the subject of decentralisation which is extremely relevant to the entire scheme of things emerging from this report. The text is as under :-

" Because of the 73rd and 74th amendments to the Constitution, Finance Commissions will be required in future to suggest measures in the light of the recommendations of the State Finance Commissions. We believe it is important that the Panchayati Raj institutions are firmly established and strengthened. Equally, we think it is necessary to guard against generation of dependency for resources at each sub-national level. The three tier structure, with two layers of Finance Commissions, may generate expectations that in the end it will be the responsibility of the Centre to channel resources through the State Governments to the Panchayats and urban local bodies. The fiscal system can scarcely meet such expectations. Panchayats and urban local bodies need to have well defined sources of income and taxing powers. They must be encouraged to exploit them to the full, relying on the transfers from the above only at the margin and preferably on a matching basis. Decentralisation of the development process is a desirable objective. But it can prove effective only if local resources are mobilised for local development, thus ensuring minimum leakage and cost effective deployment."

19.3. The Commission has expressed the above concern in the report at several places. It is felt that in order to achieve the back up for such a system, there should be a permanent institutional arrangement in the State Planning Department to perform the following functions on a sustaining basis :-

a) to oversee the implementation of the recommendations of the State Finance Commission,

b) to collect data and analyse the trends in actual receipts and expenditure of the Panchayati Raj Institutions and the Urban Local Bodies and identify the reasons for variations vis-a-vis the recommendations of the State Finance Commission,

c) to conduct studies and publish data on the finances of the Panchayati Raj institutions and the urban local bodies, and

d) to study and analyse the disparities in the levels of development at various levels as also the capabilities of raising resources.

19.4. The State Planning Department is already performing some of the above functions. It has a Regional and Decentralised Planning Division which should be able to perform the above functions in addition to the existing functions relating to sub-State level planning and decentralisation of development. Important studies, if required in the above context could also be considered to be farmed out to appropriate institutions and individuals having the right kind of experience, rather than looking for any kind of staff additions.

CHAPTER XX

SUMMARY OF RECOMMENDATIONS

20.1. Summary of the recommendations made by the Commission relating to the revenue raising and expenditure commitments for the Panchayati Raj Institutions and the Urban Local Bodies is as below:-

(Rs. In lakh)

Item	1996-97	Forecast Period
(A) URBAN LOCAL BODIES		
(1) Receipts :	2787.60	16969.49
a) Revenue receipts	1240.49	7882.55
b) Grants in lieu of Octroi	1221.11	7454.94
c) Grants on CSS	275.00	1375.00
d) TFC grants	51.00	257.00
(2) Expenditure :	2733.29	15032.86
a) Salaries	873.07	5330.17
b) Maintenance of assets	127.22	776.69
c) Delegated functions	1458.00	7551.00
d) CSSs	275.00	1375.00
(3) Deficit(-) / Surplus(+)	(+) 54.31	(+)1936.63
(4) Gap filling grants	NIL	NIL
(B) PANCHAYATI RAJ INSTITUTIONS		
(1) Receipts	1036.83	5401.43
a) Assigned resources	19.13	95.65
b) Revenue receipts	213.70	1283.78
c) TFC grants	804.00	4022.00
(2) Expenditure	1424.23	6788.88
a) Panchayats		
- Honorarium	157.79	788.95
- OE etc.	99.35	606.53
b) Panchayat Samitis		
- Honorarium	3.89	19.45

OE etc.	7.20	43.95
c) Zila Parishad Buildings	60.00	300.00
d) Delegated functions	750.00	3750.00
e) Rural Infrastructure Maintenance Corpus	256.00	1280.00
(3) Deficit(-)	(-)297.40	(-)1387.45
(4) Gap filling grants	297.40	1387.45

20.2. The year wise phasing of the receipts and expenditure for the Panchayati Raj Institutions alongwith the estimated deficit and the quantum of gap filling grants are depicted in the following table:-

(Rs. In lakh)

Item	1996-97	1997-98	1998-99	1999-2000	2000-01	Total
I. RECEIPTS						
A)Resources Transferred By State Govt	19.13	19.13	19.13	19.13	19.13	95.65
B) Revenue Receipts	212.70	232.74	254.69	278.69	304.96	1283.78
C) TFC Grants	805.00	805.00	804.00	804.00	804.00*	[illegible]22.00*
TOTAL-I	1036.83	1056.87	1077.82	1101.82	1128.09	5401.43
II.EXPENDITURE						
A)Panchayats						
- Hon.	157.79	157.79	157.79	157.79	157.79	788.95
- Office Exp.	99.35	109.28	120.21	132.23	145.46	606.53

B) Panch. Samitis						
- Hon.	3.89	3.89	3.89	3.89	3.89	19.45
- Office Exp.	7.20	7.92	8.71	9.58	10.54	43.95
C) ZP Bldgs.	60.00	60.00	60.00	60.00	60.00	300.00
D) Delegated Functions	750.00	750.00	750.00	750.00	750.00	3750.00
E) Rural Infra. Maint. Corpus	256.00	256.00	256.00	256.00	256.00	1280.00
TOTAL -II	1334.23	1344.88	1356.60	1369.49	1383.68	6788.88
III. DEFICIT (-) (I - II)	297.40	288.01	278.78	267.67	255.59	1387.45
IV. GAP FILLING GRANT	297.40	288.01	278.78	267.67	255.59	1387.45

* : For 2000-01, the TFC grant has been assumed at the level of 1999-2000.

20.3. The year-wise phasing of the revenues and expenditure of the urban local bodies is presented in the following table. It would be seen from the data given below that in the case of urban local bodies, a revenue surplus situation has emerged from the first year of the award period. This surplus situation needs to be very carefully managed and the available surplus requires to be applied to such resource generating capital assets as result in improving the financial position of the urban local bodies. Under no circumstances, the revenue expenditure on staff should be increased. In fact, the existing centrallised cadre control of the urban local bodies staff by the Department of Urban Development should come very handy in not allowing a single additional post to be created in any urban local body.

(Rs. Lakh)

Item	1996-97	1997-98	1998-99	1999-2000	2000-01	Total
I. RECEIPTS						
A) Rev. receipts	1240.49	1388.76	1554.96	1748.41	1949.93	7882.55
B) Grants in lieu Of Octroi	1221.11	1343.21	1477.53	1625.28	1787.81	7454.94
C) CSS grants	275.00	275.00	275.00	275.00	275.00	1375.00
D) TFC grants	51.00	51.00	51.00	52.00	52.00*	257.00*
TOTAL - I	2787.60	3057.97	3358.49	3700.69	4064.74	16969.49
II. EXPENDITURE						
A) Salaries	873.07	960.38	1056.41	1162.05	1278.26	5330.17
B) Maint. Of Assets	127.22	139.94	153.94	169.33	186.26	776.69
C) Delegated Functions	1458.00	1482.00	1509.00	1536.00	1566.00	7551.00
D) CSS	275.00	275.00	275.00	275.00	275.00	1375.00
TOTAL - II	2733.29	2857.32	2994.35	3142.38	3305.52	15032.86
III. SURPLUS (+) (I - II)	54.31	200.65	314.14	558.31	759.22	1936.63

* : For 2000-01, the TFC grant has been assumed at the level of 1999-2000.

Sagarchand Nayar
(S.C. NAYAR)
CHAIRMAN

(A. SHUKLA)
MEMBER

(D.K. SHARMA)
MEMBER-SECRETARY

DATED THE 30th NOV., 1996