

REPORT

OF

THE FINANCE COMMISSION HARYANA

CHANDIGARH

March, 1997

FOREWORD

The enactment of the 73rd and 74th constitutional amendments is a historic watershed in the evolution and development of the Panchayati Raj System and the Urban Local Bodies in the country. The subsequent enactment of the Haryana Panchayati Raj Act, 1994, the Haryana Municipal Amendment Act, 1994 and the Haryana Municipal Corporation Act, 1994 and the formulation of the Haryana Finance Commission Rules were a logical sequel to these constitutional amendments. The Commission was constituted by the State Government vide notification dated 31st May, 1994, which also specified its terms of reference.

The terms of reference of the State Finance Commission are much wider in scope as compared to those of the Central Finance Commission in as much as in addition to recommendations for sharing of taxes, levies and fees etc. between the State and the Local Bodies, the Commission is required to suggest measures to improve the financial position of these bodies with a view to make them self-reliant and for placing their finances on a sound footing in the long run. This intricate task has been rendered all the more difficult in the absence of precedents as well as lack of reliable and authentic data. The Commission, however, has gone ahead with its task by collecting basic information to the extent possible from the State Government Departments as well as the Local Bodies. Studies were also conducted on specific issues of relevance and discussions were held with elected representatives of these bodies at the district level. Suggestions were also invited from members of the public and other interested persons apart from ascertaining the position existing in the various other states.

The State Government has delegated certain duties and responsibilities pertaining to selected sixteen Departments to the Panchayati Raj Institutions and the question of such delegation on a wider basis is still under consideration of the Government and a final view is yet to be taken. We have tried to analyse the administrative and financial profile of these Local Bodies with specific reference to their sources of revenue and the ability to generate additional resources at their own level. Apart from suggesting certain devolution both by way of sharing of taxes and levies as well as grants-in-aid, an attempt has been made to ensure that these bodies have access to elastic sources of

revenue and are less dependent on State Government assistance for their existence. In the case of Urban Local Bodies, emphasis has been laid on freezing the staff strength with a view to bring the establishment expenditure to a manageable level and also improve efficiency and productivity by taking recourse to privatisation of services and mechanisation of operations. With a view to meet the financial requirements of Urban Local Bodies for improving the infrastructure, access to institutional finance is necessary and recommendations have accordingly been made for creation of two apex level organisations to look after these needs of Urban Local Bodies. Certain simplifications have also been suggested with regard to assessment of house tax and the need to recover "user" charges from the beneficiaries has also been emphasised.

We are cognizant of the fact that the State's finances have been under considerable strain for quite sometime, particularly after the introduction of total prohibition in the State w.e.f. 1.7.1996. Furthermore, the year 1996-97 is the last year of the Eighth Five Year Plan (1992-97) and the committed liability on this account which will become a part of the non-plan expenditure during 1997-98 which will be upward of Rs. 100 crores per annum. The Haryana Government is committed to apply the recommendations of the Fifth Pay Commission to its own employees, of course, with such modifications and changes as would be considered necessary and this together with Bonus and additional DA instalment would entail a major burden on the next year's budget for which a sum of Rs. 628 crores stands provided in the next year's (1997-98) budget.

The Commission has made recommendations regarding financial devolution taking into account the delegations made or likely to be made in the foreseeable future and the role envisaged for the Panchayati Raj Institutions at the various levels in the peculiar circumstances of the State. In course of time when there is a qualitative improvement in the functioning of the PRIs, there is bound to be a demand for devolutions of more and more functions to the grass root levels, which would automatically bring in pressure for devolution of more finances to these levels as well. We have no doubt that transfer of any additional functions to the Panchayati Raj Institutions in future would be accompanied by proportional transfer of funds as well and provision for staff on a reasonable basis. We further hope that the State Government would expedite this process with a view to implement the constitutional amendments both in letter and spirit.

We want to place on record our sincere appreciation of Shri G. Madhavan, our Member-Secretary, who had to shoulder a very onerous and heavy responsibility. Our thanks are also due to all officers and officials of the State Government who have extended whole hearted co-operation by responding to our queries promptly and freely giving the benefit of their views on various subjects. We would like to thank Shri Brij Bhushan Lal and Shri P.N. Kanwar, Consultants, as well as other officials of the Commission who rendered invaluable assistance in drafting and finalising this report. Our thanks are also due to Shri Raj Kumar, Managing Director, HARTRON, and their officers Shri Kanwal Singh, Asstt. General Manager and Shri Sanjay Sethi, Senior Manager, for promptly responding to our pressing requirements and giving the report an elegant shape.

Kamla Verma
Chairperson

L.C. Gupta, IAS (Retd.)
Member

T.D. Joggal, IAS
Member

Meenaxi Anand Chaudhry, IAS
Member

G. Madhavan, IAS
Member-Secretary

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PART - I

(PANCHAYATI RAJ INSTITUTIONS)

CHAPTER-I

THE COMMISSION

CONSTITUTION

1.1 The enactment of the Seventy Third and Seventy Fourth Constitutional amendments is a historic watershed in the evolution and development of the Panchayati Raj system and the Urban Local Bodies in the country. In conformity with these amendments, the Haryana Government enacted (i) The Haryana Panchayati Raj Act, 1994, (ii) The Haryana Municipal (Amendment) Act, 1994 and (iii) The Haryana Municipal Corporation Act, 1994. These Acts provide, among other things, for the constitution of a Finance Commission within one year of the constitutional amendment and thereafter at the expiration of every fifth year to review the financial position of Panchayats and Municipalities. Accordingly, in exercise of the powers conferred by Article 243-I of the Constitution of India and Section 213 of The Haryana Panchayati Raj Act, 1994, the Haryana Finance Commission Rules providing for the constitution of the State Finance Commission and regulating the qualification and appointment of its Chairman and other members, were notified by the State Government vide notification dated 5th May, 1994.

1.2 The first State Finance Commission was constituted by the State Government vide notification dated 31st May, 1994 under the Chairmanship of Shri Rajinder Singh Bisla, M.L.A. with the following members :-

- | | | |
|----|-----------------------------|--------------------|
| 1. | Shri L.C.Gupta, IAS(Retd.) | - Member |
| 2. | Shri S.K.Sharma, IAS | - Member |
| 3. | Shri M.S.Rathee, IAS(Retd.) | - Member |
| 4. | Shri G.Madhavan, IAS | - Member-Secretary |

1.3 Shri Rajinder Singh Bisla served as Chairman till March 26, 1996 when he resigned. State Government vide its notification dated 12th July, 1996 appointed Smt. Kamla Verma, Health Minister, as the Chairman of the Commission.

1.4 After Shri S.K. Sharma, IAS proceeded on deputation to the Government of India, Shri M.K. Miglani, IAS, Financial Commissioner and Secretary to Government Haryana, Development and Panchayat Department was appointed as a part-time member of the Commission. The Government also decided that Dr.Tarsem Lal, IAS, Financial Commissioner, Local Government Department, be invited as a special invitee to assist the Commission in its deliberations.

1.5 Shri M.S.Rathee resigned from the membership of the Commission w.e.f. 14th August, 1995. The State Government appointed Dr.Tarsem Lal, IAS as Member of the Commission after acceptance of resignation of Shri M.S.Rathee.

1.6 Shri R.L. Sudhir, IAS, Financial Commissioner, Development and Panchayats Department, Haryana and Shri T.D. Jogpal, IAS Commissioner, Local Government Department, Haryana, were appointed as ex-officio Members of Commission vide notification dated 12th July, 1996. However, due to deputation of Shri R.L. Sudhir, IAS to Government of India, Smt. Meenaxi Anand Chaudhry, IAS, his successor was appointed an ex-officio Member of the Commission vide orders dated 10th Oct. 1996.

1.7 Shri L.C. Gupta, IAS (Retd.) and Shri G. Madhavan, IAS served as Member and Member-Secretary respectively for the entire term of the Commission.

TERMS OF REFERENCE

1.8 The Commission is required to make recommendations relating to the following matters as per terms of reference notified by the Government :-

- a) the principles which should govern —
 - (i) the distribution between the State and Zila Parishads, Panchayat Samitis and Gram Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under part IX of the Constitution of India and the allocation between the Zila Parishad, Panchayat Samiti and Gram Panchayats 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 Gram Panchayats, Panchayat Samitis and Zila Parishads;

- (iii) the grants-in-aid to the Zila Parishad, Panchayat Samiti and Gram Panchayat from the consolidated fund of the State;
- (b) the measures needed to improve the financial position of the Gram Panchayats, Panchayat Samitis and Zila Parishads.

1.9 The Commission has also been asked to make recommendations relating to -

- (a) the principles which should govern :-
 - (i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under part IX A of the Constitution of India and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
 - (ii) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Municipalities ;
 - (iii) the grant-in-aid to the Municipalities from the consolidated fund of the State
- (b) the measures needed to improve the financial position of the Municipalities.

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

- i) the objective of balancing the receipts and expenditure of the State and for generating surplus for capital investment;
- ii) the resources of the State Government and demands thereon particularly in respect of expenditure on civil administration, maintenance and upkeep of capital assets, maintenance expenditure on plan schemes and other committed expenditure or liabilities of the State; and
- iii) the requirements of the Panchayati Raj Institutions and the Municipalities, their potential for raising resources and for reducing expenditure.

(The State Govt. notifications on the subject are at Annexure I)

4.10 The term of the State Finance Commission was initially upto 30th May, 1995. Its term was further finally extended by the State Government vide its Notification No. 20/2/94 Pol (2P) dated 6th, February, 1997, upto 31st March, 1997.

APPROACH OF THE COMMISSION

1.11 The letter and spirit of the Seventy Third and Seventy Fourth amendments to the Constitution demand that the local bodies be endowed with sufficient powers and resources so as to enable them to function as effective units of self-government. The inadequate delegation of functions and insufficient financial resources available to them to effectively shoulder their responsibilities was perceived as a major bottleneck in the way of their smooth functioning. The State Finance Commissions were accordingly conceived as instrument for devolving the necessary funds from the State level to these bodies so as to place them on a sound financial footing.

1.12 The Eleventh and Twelfth Schedules of the Constitution list out various areas of responsibilities of Panchayati Raj Institutions and Municipalities respectively. On the rural side, the State Government has enacted the Haryana Panchayati Raj Act, 1994 and all the 29 items included in the Eleventh Schedule have been given a due place in the responsibilities and functions assigned to PRIs. The Zila Parishads which are being revived after a long lapse of time, have been mainly given a supervisory role.

1.13 16 Departments of State Government have delegated powers and functions to Panchayats, Panchayat Samities and Zila Parishads in some of the areas indicated in the Act. The functions delegated so far are mainly of a participatory nature so as to actively involve the PRIs in the various programmes being implemented at the field level. The actual implementation and financial powers as well as budgetary control continue to vest in the respective Government Departments in most of the cases. Under the provisions of the Haryana Panchayati Raj Act, 1994, the State Government is empowered to assign any function including those mentioned in the Eleventh Schedule to the Panchayati Raj Institutions. The list of functions in the Eleventh Schedule is quite exhaustive and cover major departments like Education, Health, Public Health, Environment, Irrigation, etc. The delegation of these functions to PRIs requires decisions at the highest levels of the Government and in the nature of things, it is a gradual and time consuming process. PRIs also need to be equipped with the necessary basic skills for taking up higher responsibilities as envisaged in the list of functions elaborated in the Eleventh Schedule. They have to be adequately trained so as to equip them to discharge responsibilities, both administrative and financial, before funds on a large scale are made available to them and this is bound to take some time. The Commission has made recommendations regarding financial devolution taking into account

the delegations made or likely to be made in the foreseeable future and the role envisaged for the Panchayati Raj Institutions at the various levels in the peculiar circumstances of the State. In course of time when there is a qualitative improvement in the functioning of the PRIs there is bound to be a demand for devolutions of more and more functions to the grass root levels, which would automatically bring in pressure for devolution of more finances to these levels as well. We, accordingly hope that transfer of any additional function to the Panchayati Raj Institutions in future would invariably be accompanied by proportional transfer of funds as well and provision for staff on a reasonable basis. Any discussion at this stage on the question of further delegation of powers and functions to the Panchayati Raj Institutions at our level would tend to be purely academic and we have by and large, refrained from undertaking such an exercise. We also feel that, in line with the practice generally followed, this matter is squarely within the purview of the State Government.

1.14 The provision of basic civic services including environmental upkeep and improvement in the rural areas is practically negligible. Big villages with a population of 5,000 and above constitute 23.6% of the rural population, where sanitation and other public facilities are woefully inadequate. It is not feasible to work out reliable estimates of expenditure involved in providing core services and other amenities to rural areas since no standard physical norms have been established except in the areas of rural water supply and primary education which are being funded through State Plan/Non-plan budgets. The annual income of panchayats from their own sources is wholly inadequate, this being primarily from lease money of shamlat land, house tax and share in the sales of country liquor, which would not be available any more because of the introduction of prohibition throughout the State w.e.f. 01.07.96.

1.15 The functions expected to be discharged by the Urban Local Bodies, as listed in the Twelfth Schedule involve, apart from Town Planning, slum clearance and Urban Poverty Alleviation Programmes, provision for a number of core services like water supply, sewerage, sanitation, solid waste disposal etc. The present level of these services in urban areas is of minimal nature and would require upgradation for which investment on a sizable scale will have to be made. As against this, the major sources of income of Municipalities are mainly confined to octroi and house tax with limited income from miscellaneous fees and fine and meagre grants from the State Government. After meeting the obligatory expenditure on salaries and wages, including contribution towards pension fund, most

of the municipalities are not in a position to spare any funds either for developmental works or for improving other civic amenities for the citizens. The position gets worse with the grant of every further D.A. instalment by the State Government which is automatically applied to the municipal staff. Most of the municipalities are in arrears in respect of payment of salaries, wages and pension contributions and threats of strikes are, more or less, a normal phenomenon.

1.16 The task before the Commission is quite complex and intricate since the requirement of funds to match the functional responsibilities of rural and urban local bodies is far beyond the foreseeable availability of budgetary and other resources. The Commission has, therefore, conceived of a multi-pronged strategy to transfer resources from State level, to suggest measures to augment the resources of the local bodies themselves and to hammer out arrangements for tapping institutional finance on a continuing basis for creating the necessary infrastructure.

The approach, thus, adopted is briefly as follows :-

- (1) While determining the share of local bodies in various taxes and levies, the tax instruments have been so chosen as to meet the criteria of equity, elasticity and cost effectiveness. Keeping in view the lack of infrastructure at the local level, particularly on the rural side, for cost-effective collection of revenues, the Commission has recommended generally that the task of collection should, by and large, continue to vest in the State agencies which get adequately compensated as the sharing is effected on the basis of net collections. The clear intention is to minimise expenditure on additional staff involved in operating as a possible collection agency and to achieve the economies of scale.
- (2) Many of the taxes and other non-tax levies have remained un-revised for the last so many years both in the rural as well as urban sectors and in many instances, the cost of collection is either close to or is much more than the actual levy with the result that the entire exercise is counter-productive. The Commission has, therefore, particularly kept this aspect in mind so as to ensure that the present day costs are fully taken into account. Octroi, house tax, miscellaneous fees and fines, etc. can be cited as some examples in this regard.

- (3) With regard to existing taxes and levies, the Commission has tried to make the system of assessment simple as well as transparent so that chances of discrimination, arbitrariness and unnecessary litigation are minimised. The intention is to ensure that the minimum possible discretion is left at the level of assessing authorities which tends to be subjective leading to complaints and heart-burning. Recommendations made with regard to house tax in municipal areas can be cited as an example in this regard.
- (4) The expenditure needs of local bodies for maintenance of existing assets have increased over the years. Salaries and wages tend to absorb a greater part of the resources of urban local bodies leaving very little for actual maintenance of assets and services. The maintenance of physical assets created in these areas is also woefully inadequate. The twin objective of effective upkeep of physical assets and at the same time controlling the burgeoning wage bill of the local bodies has been given particular attention by the Commission.
- (5) The cost of providing many of the services rendered in the urban areas by the local bodies have been of late spiralling and the charges being recovered from the beneficiaries (e.g. water supply, sewerage) cover only a part of the expenditure so incurred. The broad approach adopted by the Commission is to progressively reduce the element of subsidy over a period of years so that the users are legitimately required to pay the cost of services which are provided to him. At the same time, the need to protect the interests of weaker sections of society cannot be lost sight of even by introducing an element of cross subsidisation, if considered necessary.
- (6) With the constraint of resources at the State level, the continued availability of budgetary support to meet the infrastructure and developmental needs of local bodies is bound to become increasingly difficult. Local bodies shall, therefore, have to look to the capital market and institutional sources for meeting their capital/developmental requirements. The Commission has, therefore, recommended creation of certain institutional arrangement/autonomous bodies for facilitating the flow of funds from these sources on a continuous basis.
- (7) Since within the resources available or likely to be made available, it is not considered feasible to meet the pent up demand for providing various services, the Commission

has assessed the requirement of funds on the basis of minimum level of services which must be attempted in the next four years (1997-98 to 2000-2001) for the urban areas. For this purpose, the norms evolved by various committees set up at the national level as well as objectives and targets fixed by the State Government have been the guiding factor.

- (8) On the question of sharing of resources inter-se between the local bodies at various levels which are proposed to be transferred from the State level, two approaches are possible. The first one involves sharing of revenue on the basis of jurisdiction of collection and the other is based on population and various other factors related to the level of backwardness. Sharing on the basis of origin has an advantage since it creates a vested interest of the local population and gives them a stake in the actual collection of revenue, since they are going to be the ultimate beneficiaries. At the same time, it can be legitimately argued that sharing on this basis could lead to fiscal disparities whereas sharing on the basis of a well considered formula could to a large extent bring about an acceptable level of equalisation with regard to the resource position of the various local bodies. Keeping in view the merits and demerits of these arguments, the Commission has adopted a judicious mix of both the options while suggesting transfer of State resources. The clear over-all intention of the Commission has been to ensure a predictable and buoyant mechanism of revenue sharing which is at the same time transparent as well as effective.

METHODOLOGY

1.17 Methodology adopted by the Commission for carrying out the task assigned by the State Government within the scope of its terms of reference was as under : -

- a) Data/information on municipal finances was collected from municipalities on a specially designed questionnaire. Further, information on revenue receipts, grants-in-aid, sharing pattern and implementation of centrally sponsored schemes and expenditure thereon and assets owned by the municipalities was also collected on a detailed proforma received from Government of India.

- b) Data/information was collected on a designed questionnaire through the Director of Panchayats from the Panchayat Samitis on their finances and other allied matters. As regards the Panchayats, keeping in view their very large number, the Commission decided to collect data/information from a cross-section of representative Panchayats from each district of the State. The Deputy Commissioners were requested to select 5 such representative Panchayats in each district for this purpose and asked to send information concerning these Panchayats through the Block Development and Panchayat Officers on a designed questionnaire.
- c) Since Faridabad is the only Municipal Corporation in the State and keeping in view its importance, it was decided to get a study conducted regarding its finances by an expert body namely, The National Institute of Urban Development (NIUA), New Delhi. Apart from a study of its finances, the area of tax administration of the Corporation was studied in detail with a view to bring about improvements in this sphere. Likewise, the Sonapat Municipal Council was selected as a representative Municipal Council for such a study so that the results of this study could be made applicable to similarly situated councils in the State.
- d) The Secretary, Local Government submitted a detailed paper wherein the financial position of two municipalities namely, Gohana and Ganaur were analysed so as to have a clear picture of the specific problems faced by such local bodies. This study has proved to be useful in more fully comprehending the problems faced by them in their day-to-day functioning on the financial side.
- e) The Commission utilised the services of the Haryana Rural Development Institute, Nilokheri to conduct a specific study on the magnitude of the problem of un-authorised occupation of Panchayat land, the income being presently generated and the potential for further augmenting of resources for the panchayats from this remunerative source. The study was also undertaken with a view to suggest remedial measures for resolving the current problems particularly relating to widespread encroachments of Shamlat land.
- f) The Commission also took re-course to the collection of secondary data from various departments in addition to primary data collected through various questionnaires as mentioned above. This was supplemented with a series of discussions held with senior

officers of departments of Excise & Taxation, Public Health, Transport, Mining & Geology, Panchayats, State Electricity Board, Agricultural Marketing Board, Local Government, etc. so as to assess the availability of resources and ways of augmenting them.

- g) The Commission held detailed discussions with the district level officers, newly elected Members of Panchayati Raj Institutions and Urban Local Bodies as well as other prominent public men to ascertain their views on various issues covered under the terms of reference. In addition to this, the Commission also invited suggestions from members of the public and other interested persons by issuing public notices in the newspapers. Individual letters were also addressed by the Chairman of the Commission to all the Ministers, Members of Parliament, Members of Legislative Assembly, elected representatives of Panchayati Raj Institutions, Members of Bar Associations, Industrial Associations and other public bodies, inviting their suggestions.

DIFFICULTIES FACED BY THE COMMISSION

1.18 Even though the Finance Commission was set up vide Government Notification dated 31st May 1994, it could not start functioning effectively till December, 1994. It took considerable time to locate suitable office accommodation and the process of allocation of budgetary provisions and recruitment of staff also took time. The Commission also experienced difficulties in getting reliable information from the municipalities and PRIs and had to frequently approach the Heads of the respective departments to expedite the process of securing the necessary information. In some cases, information initially furnished through the questionnaire had to be cross-checked or returned to the organisation since a lot of discrepancies were noticed in them. Even the information obtained from the departments had to be cross-checked by holding personal discussions with the departmental representatives from time to time.

1.19 The terms of reference of the State Finance Commission are much wider in scope as compared to those of the Central Finance Commission. Apart from recommending transference of State resources, the State Finance Commission is also required to suggest measures to improve the financial position of the urban and rural local bodies, keeping in mind their potential for raising resources and for reducing un-necessary expenditure. It is, therefore, clear that as compared to the

task of the Central Finance Commission which only deals with the subject of sharing of revenues between the Central and State Govts., the task entrusted to the State Finance Commissions is much more wider and comprehensive.

1.20 Apart from the extended nature of the terms of reference, the task before the State Finance Commission was much more difficult since it has been constituted for the first time and there are no precedents to fall back upon, as is the case in respect of the Central Finance Commission. While in the case of State and Central finances, audited and authenticated accounts (by the Comptroller and Auditor General) are available, in the case of local bodies, there is acute paucity of reliable data and no audited and authenticated accounts are forthcoming. In the case of Haryana, the third tier of Panchayati Raj Institutions namely Zila Parishad was abolished soon after the inception of the State and has not been in existence for the last 25 years. Thus, no facts and figures are available with regard to Zila Parishads and the Commission has, therefore, practically to start on a clean slate as far as the recommendations pertaining to Zila Parishads are concerned.

PERIOD COVERED BY OUR RECOMMENDATIONS (1997-98 TO 2000-2001)

1.21. Our terms of reference do not indicate the period for which recommendations would be made available. In accordance with the constitutional provisions, a State Finance Commission is required to be appointed not later than 5 years from the date of the appointment of the previous Commission. As our Commission was appointed on 31st May, 1994, the new Commission is likely to be appointed around mid 1999. Since it would also take some time before its recommendations would be available, we have thought it fit to make our recommendations for the 4 years period i.e. 1997-98 to 2000-2001.

Our recommendations regarding the implementation of the award of the "Tenth Finance Commission" (Rs. 20.66 crores for PRIs and Rs. 4.15 crores for the urban local bodies annually) will be applicable for the three years period i.e. 1997-98 to 1999-2000.

It is further recommended that in case for any reason the recommendations of the next State Finance Commission are not available to the Government by the end of the year 2000-2001, the

recommendations being presently made by us may continue to be in force, till such time the recommendations of the next State Finance Commission are implemented.

CONCEPT OF NET PROCEEDS OF TAXES

1.22 Under the terms of reference of the Commission, our recommendations have to relate to the net proceeds of taxes, duties and other fees leviable by the State. In all our recommendations, we have gone by the gross figure intimated to us by the State Government. However, percentage of tax collection charges on tax receipts from the year 1992-93 to 1995-96 as indicated in the budget document of (1995-96) varies between 2.10 to 1.75. To arrive at the net devolution of proposed taxes, on an average 2% may be deducted by way of collection charges from the devolution recommended by us. This formula will be uniformly applicable to work out the final devolution in all our recommendations.

OVERALL DEFICIT

1.23 In the absence of any budgetary format and reliable figures of receipts and expenditure, any attempt at making financial projections for the future in respect of PRIs would tend to be a purely theoretical exercise. Financial projections are, accordingly, being attempted for the Urban Local Bodies only.

1.24 The detailed exercise undertaken by us indicates that there is a huge deficit which will keep on increasing from year to year despite the fact that we have estimated the additional expenditure on creating the urban infrastructure on a very conservative basis and have taken into account all possible additional resource mobilisation. We have kept this aspect fully in view while recommending a package for the devolution of taxes and grants-in-aid by the State Government in favour of ULBs. We trust that the gap in the resources which is still subsisting will receive the attention of the next Eleventh Central Finance Commission. Here it may be noted that in accordance with the amendments recently carried out in Article 280 of the Constitution of India, the Central Finance Commission is required to consider the question of augmenting the Consolidated Fund of the State for supplementing the resources of the Municipalities and Panchayati Raj Institutions.

CHAPTER-II

HARYANA - A PROGRESSIVE STATE

2.1. The area presently comprising the State of Haryana was a comparatively neglected and economically backward part of the composite State of Punjab, but as later developments clearly demonstrated, it had a good potential for growth. 75.37% of its population, living in 6759 villages, is rural, and is largely dependent on agriculture or allied activities for its livelihood. Cultivators comprise two-fifth of the working force in the State and another 19% are agricultural labourers. There are about 15.30 lakhs operational holdings and nearly 2/3 of the holdings are with small and marginal farmers with less than 2½ hectares. The net area cultivated is about 36.50 lakh hectares, and the net area irrigated is 74%. The traditional crops cultivated are foodgrains, sugarcane, oil seed and cotton, though of late rapid strides have been made in the field of horticulture and floriculture as well.

2.2. It is a happy augury that the State has witnessed a continuous upward trend in its per capita income ever since its inception. The per capita income in real terms i.e. at 1980-81 prices was estimated at Rs.3670 during 1995-96 as against Rs. 2370 in 1980-81. At current prices, however, the per capita income was estimated at Rs. 13770 during 1995-96. The agricultural sector still continues to dominate the State's economy by contributing 43.6% of its total income. However, the secondary and tertiary sectors have also developed steadily and their combined share in the State economy has overtaken the share of the primary sector. The manufacturing sector occupies the second important place closely followed by trade, hotels and restaurants sector etc.

2.3. A major contributory factor has been the investments made during the various Five year plans as would be clear from the following table :-

TABLE 2.1
INVESTMENT UNDER PLANS

Sr.No.	Plan Period	Plan investment (Rs. in crores)	Percentage increase over previous plan
1.	Fourth Plan (1969-74)	358.26	—
2.	Fifth Plan (1974-79)	677.34	89%
3.	Sixth Plan (1980-85)	1595.47	135%
4.	Seventh Plan (1985-90)	2510.64	57%
5.	Eighth Plan - approved outlay (1992-97)	5700.00	127%
	- anticipated expenditure	5024.79	100%

2.4. The backbone of economic prosperity and the upward growth in the per capita income is the green revolution and the breakthrough in the field of agriculture, wide-spread expansion of irrigation facilities, the exploitation of under ground water and adoption of modern farming techniques and harnessing of scientific and technical know-how. Within a short span of about two and a half decades i.e. since 1966-67, the total foodgrains production increased from 25.92 lakh tonnes to an estimated 102.01 lakh tonnes by 1995-96, of which wheat alone accounted for 73.13 lakh tonnes. The average wheat production per hectare has reached a level of 3697 kg. (1995-96) as against all India average yield of 2257 kg. per hectare (1990-91). The average yeild of wheat per hectare was only 1425 kg. during 1966-67. The production of oil seeds which was stagnant at 92 thousand tonnes in 1966-67 touched a record production of 8.15 lakh tonnes by 1995-96. Similary, the production of cotton which was just 2.88 lakh bales in 1966-67, has gone upto 12.83 lakh bales.

2.5. The total area accordingly to village papers is 43.92 lakh hectares (1994-95) of which 36.30 lakh hectares is the net area sown which comes to 82%. The total cropped area is 60 lakh hectares, which gives as high a cropping intensity as 165%. The net area irrigated is 26.80 lakh hectares giving a coverage of 74% under irrigation. The corresponding figure of net area irrigated in 1966-67 was 12.93 lakh hectares which was 37.8% of the net area sown. The area irrigated more than once is presently estimated to be 17.70 lakh hectares. A unique system of lifting water in stages has been implemented for giving irrigation facilities to the arid and hitherto drought-prone areas of Bhiwani and Mahendergarh districts. A World Bank assisted project called "Water Resources Consolidation Project" is being implemented so as to improve the existing irrigation facilities by taking measures for the reduction of water losses through seepage in the canal system and lining of channels and water courses.

2.6. Haryana has an excellent potential for industrial growth as well and this has been fully exploited. The factors which helped in the utilisation of this potential are its proximity to Delhi, easy accessibility because of a vast network of roads and national highways, 100% electrification of villages and good and growing purchasing power due to higher per capita income coupled with administrative efficiency and sustained efforts at all levels. The result is that the industrial growth in the last two decades has been quite impressive. From 4500 units in the year 1966, the number of small scale industrial units has gone upto 1.25 lakh. Similarly, the number of large and medium units have gone up from 162 to 679. The rural industrialisation scheme launched in 1977 for combating rural unemployment and under employment has also registered significant progress. The new industrial policy aims at maximising employment potential through accelerated industrialisation and development of backward and rural areas by providing liberal incentives and subsidies. An Investment Promotion Board has been constituted by the State Government to provide expeditious time bound and fast track clearances of sanctions and also for regular monitoring of various investment proposals.

2.7. Social services sector as well as imparting of social justice has been given high priority and significant improvement has been brought about in the sphere of Education and Health although there is still room for considerable improvement. Piped water supply is being made available to almost all the villages in the State. Due emphasis has also been given on housing for the poor. Social security measures such as old age pension and improvement of the nutritional level of the deprived

groups and children has been undertaken. The share of this sector went up to 34.5% in the Eighth Five Year Plan whereas during the 4th and 5th Plans, it was only 12.13%.

2.8. Another important plank of the development effort is the "Minimum Needs Programme" (MNP) which is covering almost the entire rural population and is intended to provide essential infrastructure and social services for the weaker sections of the population. The programmes included are fuel wood plantation, construction of link roads, enrolment of children in the age group 6-14 years under elementary education and enrolment of participants in the age group 15-35 under various adult education programmes. M.N.P. also aims at providing health cover by establishing community health centres and low cost sanitation. Under rural house-sites-cum construction scheme, assistance is provided to landless families, particularly from the weaker sections of society.

2.9 While the objectives of further economic growth and social justice have to be vigorously pursued, the quality of life, as it is experienced at the ground level is another vital aspect which needs to be fully taken care of and a stage has been reached where an almost equal emphasis must be given to sanitation and environmental improvement, water supply and sewerage and provision of civic amenities. This has become all the more necessary due to rapid urbanisation and consequential growth of slums and unhealthy environment. The provision of these basic services falls within the domain of local bodies and fully keeping the constraint of resources in view, an attempt has been made by the Commission to ensure that financial assistance is duly made available to enable the local bodies to discharge their responsibilities more effectively and efficiently.

CHAPTER-III

EVOLUTION OF RURAL LOCAL GOVERNMENT IN INDIA

3.1 The village Panchayat, literally meaning a 'body of five elders' is a venerable ancient institution and there is considerable evidence to suggest that this institution, representing the collective will of the village community in various shapes and forms, existed ever since the vedic age and these village communities were generally perceived as more or less self-sufficient and self-reliant, having an autonomous existence of their own from times immemorial. In the words of the celebrated Sir Charles Metcalfe, these "village communities are little republics, having nearly everything they can want within themselves". As is generally known, over a period of time dormancy and decadence set in inexorably and what was witnessed was a slow yet perceptible decline and stagnation during early period of the British Rule. The strengthening of the Collector's authority, the debilitating effect of the prevailing landlord system and the excessive centralization of executive and judicial powers in the hands of Government officials deprived the village functionaries of whatever modicum of power and influence they were left over the years.

3.2 The evolution of Local Government system, involving grant of powers and functions as well as representation to the local populace passed through different phases. During the first phase i.e. prior to 1882, Local Government was developed as a convenient tool to effect improvement in administration on the one hand and to raise necessary resources to finance the local services on the other. The year 1882 is an epoch-making watershed when Lord Ripon's Government issued the historic resolution on "Local Self-Government", which was the first systematic attempt to establish a network of rural local bodies. However, little progress could be made till 1919 primarily due to the indifferent attitude of the then bureaucracy and paucity of financial resources. During the third phase (1920-1947), elections to urban local bodies were held on the basis of adult franchise, and there was some loosening of bureaucratic control though without much devolution of financial powers. The Government of India Act 1919, made local self government a transferred subject, which accelerated the growth of local bodies under the patronage of elected Ministers. On the rural side, Panchayat Acts providing for the mode of electing panches and the powers to be exercised by them were promulgated in different

provinces. One such Act was the Punjab Panchayat Act, 1939 which consolidated the law relating to the panchayats and enlarged the scope of their administrative and judicial functions.

3.3 With the promulgation of our Constitution in January, 1950, embodying the principles of democracy and a welfare state, a new impetus was sought to be provided to Local Self Government. Article 40 in the chapter on Directive Principles of State Policy particularly provides that the " State should take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self Government". Though considerable development has taken place over the years since then, by and large, these institutions have come nowhere near the original concept of units of self-Government because of certain inherent deficiencies. A more concrete and positive thrust is now proposed to be given to these urban and local bodies with the wide ranging 73rd and 74th amendments which gives them a constitutional status as the third-tier with specific powers and functions.

3.4 Going a little back to the recent past, since the problem of providing finances to these institutions was vital to their proper functioning, the Government of India had set up the Local Finance Committee (1951) and Taxation Enquiry Commission (1953-54) to make specific recommendations for strengthening the finances of local self-government institutions. About this time, the first major rural development programme, namely the Community Development Programme, was launched by the State Government with much fanfare in 1952. The C.D programme centered around a 'Block' which was created as a small enough viable administrative unit below the district level for providing administrative, technical and financial assistance for these programmes. The National Extension Service was constituted at block level with a network of Village Level Workers (V.L.W.s). The Block Development Officer (Now BDPO) was the head of this new administrative unit and functioned under the overall direction and control of the district administration. Public participation at the block level was by and large, secured through nominated representatives of the village community.

3.5 The Balwant Rai Mehta Study Team (1957) was appointed to study and report on Community Development Projects and N.E.S. with a view to ensure "economy and efficiency" and to assess "the extent to which the movement has succeeded in utilising local initiatives and in creating institutions to ensure continuity in the process of improving economic and social conditions in rural

areas". The team in its reports offered two broad directional thrusts. It argued that there should be administrative decentralisation for the effective implementation of the development programme and that the decentralised administrative system should be under the control of the elected bodies. It was asserted that development cannot progress without responsibility and power and that Community development can be real only when the community understands its problems, realises its responsibilities, exercises the necessary powers through its chosen representatives and maintains constant and intelligent vigilance on local administration. With this objective, it recommended an early establishment of statutory elected local bodies and devolution to them of necessary resources, powers and authority.

3.6 Affirming these recommendations in 1958, the National Development Council recommended the following basic principles for acceptance by all States :-

- i) there should be a three-tier structure from the village to the district level, each tier linked to the other;
- ii) there should be adequate transfer of powers and responsibilities to these bodies
- iii) keeping in view the transfer of powers and responsibilities, adequate resources should be placed at their disposal ;
- iv) all development programmes at each level should be entrusted to these bodies ;
- v) the system ultimately evolved should be such that further devolution of powers could be facilitated.

3.7 By the year 1964-65, Panchayati Raj Institutions began to function in 12 out of the then 15 States in India. The lead in establishing Panchayati Raj was taken by Rajasthan, Andhra Pradesh and Tamil Nadu in 1959. In Punjab, the Panchayati Raj was introduced in 1961 under the Punjab Panchayat Samitis and Zila Parishad Act, 1961. By and large, a three-tier Panchayati Raj system was established in most of the states but the composition of these institutions varied from State to State and so did the devolution of powers, functions and resources devolved upon them.

3.8 Earlier in 1977, the Central Government had appointed a high level committee under the chairmanship of Shri Ashoka Mehta to enquire into the causes of decline in the working of Panchayati Raj system and to suggest measures for strengthening them effectively. The Ashok Mehta Committee broadly suggested the following steps:-

- (a) more genuine and effective devolution of powers to Panchayati Raj should take place;
- (b) the primary unit in Panchayati Raj system should be the Zila Parishad and not the Panchayat Samiti ;
- (c) the Mandal Panchayat with appropriate powers and resources and covering a smaller area than development block and larger one than village Panchayat, should replace the Panchayat Samiti and the Panchayat ;
- (d) municipal bodies should have representation in Zila Parishad and Mandal Panchayat ;
- (e) political parties should take part in elections to Panchayati Raj Institutions and participate in their working ;

3.9 These recommendations, although not accepted by Government of India due to the changed political set up, exercised varying influences upon the working of the Panchayati Raj system in the country, particularly in States like Karnataka and Andhra Pradesh. All the same, the Planning Commission continued to lay emphasis in the Seventh and Eighth Plans towards expanding and energising the role of the PRIs and rural development and this period also saw the constitution of two more committees namely G.V.R. Rao Committee (1985) and L.M.Singhvi Committee to suggest further measures for strengthening the Panchayati Raj Institutions.

3.10 The presence of State legislators in Zila Parishads and Panchayat Samitis in most of the States provided a linkage between the Panchayati Raj Institutions and the State Legislatures which served a useful purpose. State Governments also made increasing allocation of funds to Panchayati Raj Institutions over the years to augment their finances, which were, in actual fact, found to be inadequate. During the next two decades, the Panchayati Raj Institutions began to stagnate and started on a declining curve in most of the States which continued till 1985. A number of developments had

conspired to undermine the Panchayati Raj structure and made them ineffective. Very few items of work were handed over to the newly elected Panchayati Raj Institutions. Barring a few States like Maharashtra and Gujarat, the Panchayati Raj Institutions were not given the work of planning or implementation on a sizeable scale. The essential idea that all developmental activities should flow only through block level organisation remained largely illusory.

3.11 Taking the broad picture as a whole, it may be stated that despite structural in-adequacies, local factionalism and at times undue governmental interference, the Panchayati Raj Institutions have many achievements to their credit. While politically, they ushered in a process of democratic seed-drilling on the Indian soil making an average citizen more conscious of his rights and duties than ever before, from the development angle, they also helped in inculcating a developmental psyche and a thirst for community progress so essential for the overall socio-economic growth in the rural country side.

3.12 Around the mid-seventies, a realisation started gaining strength that the various developmental programmes were not spreading down to the lowest strata of the rural society and there was need to promulgate beneficiary oriented schemes to tackle this disconcerting situation. At the same time, it was felt that no amount of development could have any visible effect unless the level of infrastructure in the entire area as such was raised. It was also felt that employment avenues in some areas were so meagre that an employment assurance system was called for. This is the broad genesis of beneficiary oriented schemes like Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojna (JRY) and Employment Assurance Scheme (EAS) and such areas development programmes as Desert Development Programme (DDP) and Drought Prone Area Development Programme (DPAP). These are centrally sponsored schemes with their own set of guidelines and sharing pattern and by now a major portion of the local development activity in the entire rural country-side is channalised through this source. A single co-ordinating agency called the District Rural Development Agency (DRDA) has been established to oversee the implementation of the beneficiary and area oriented schemes. The Commission feels that in order to ensure the fullest possible participation of the rural community, there is a need for a close liaison between District Rural Development Agency and Zila Parishad.

CHAPTER -IV

PROFILE OF PANCHAYATI RAJ INSTITUTIONS IN HARYANA

4.1. The population of Haryana as per 1991 census is 164.64 lakhs of which 75.37% i.e. 124.09 lakhs is the rural population. Amongst the districts, Hisar has the largest population forming 11.20% of the total population whereas Rewari is at the tail end with only 3.79% of total State population. The entire State for administrative purposes, has been divided into 4 Divisions which oversee the functioning of 17 districts. There are 6759 inhabited villages grouped into 111 development blocks, (one block has recently been created and hence most of the information is for 110 blocks). The average population per village comes to 1836 persons. The number of villages as per population ranges is set out in the table below:-

TABLE 4.1

VILLAGES AS PER POPULATION RANGES (1991 CENSUS)

Sr. No.	Range	No. (Villages)	%age	Population (in lakhs)	%age
1.	(a) less than 200	358	5.3	0.34	0.3
	(b) 200-499	725	10.7	2.59	2.1
	(c) 500-999	1544	22.8	11.54	9.3
	(d) 1000-1999	2021	29.9	28.87	23.3
	Sub Total	4648	68.7	43.34	35.0
2.	2000-4999	1708	25.3	51.40	41.4
3.	5000-9999	359	5.3	23.75	19.1
4.	10000 & above	44	0.7	5.60	4.5
	Total	6759	100.0	124.09	100.0

It will be seen that 4648 villages have a population of less than 2000, their total population being 43.34 lakhs. They constitute 68.7% of the total number of villages and 35% of the total rural population. In other words, about 1/3rd of the rural population lives in approximately 2/3rd of the

villages. Another 41.4% or 2/5 of the population lives in villages within the population range of 2000 to 5000. There are 359 villages within the population range of 5000 to 10000 and 44 villages have a population of 10000 and above. Against 6759 villages, the number of Gram Panchayats at present is 5958.

STRUCTURAL ARRANGEMENT PRIOR TO 73rd AMENDMENT

4.2. It would be useful to have a brief idea regarding the status of Panchayati Raj Institutions before the promulgation of the Haryana Panchayati Raj Act, 1994, which incorporates all the essential features of the 73rd Constitutional Amendment. The Gram Panchayat Act was initially passed as far as 1952 in the erstwhile State of Punjab and the Panchayats at the village level have been functioning since then under the provisions of this Act. The other two tiers of Panchayat Samitis and Zila Parishads were formed under the Punjab Panchayat Samitis and Zila Parishad Act, 1961, and this structure inherited by the Haryana State continued to function till the year 1973, when on the recommendations of an Adhoc Committee, the Zila Parishads were abolished in Haryana. Elections even to the Panchayat Samitis were not held regularly and continued to be postponed frequently and only the institution of Gram Panchayat continued to be more or less intact throughout this period.

4.3. While the Zila Parishad stood abolished, the Panchayat Samitis also functioned at a low key under the 1961 Act. The Samitis consisted of 16 members elected by Panches and Sarpanches of Gram Panchayats in the Block, 2 members representing cooperative societies, 1 member representing the Market Committees in the block and had a provision for having another 6 co-opted members, in addition to MLAs who were "Associate" members, without any voting rights. The Sub Divisional Magistrate and the Block Development Officers were also co-opted as ex-officio members.

The Gram Panchayat at village level consisted of 4 to 10 members and a Sarpanch was elected directly from amongst its members. Reservation for women and Scheduled Castes was provided in the Panchayats.

4.4. On the financial side, the Panchayat Samitis largely confined themselves to disbursement of grants both Plan and Non-plan which ranged between Rs. 2.50 to Rs. 3.00 crores for the State as a whole which they received from the Government as community development grants or grants in lieu

of ferry tax, abolition of land holding tax and professional tax etc. The Panchayat Samitis did not raise any resources of their own. The total expenditure on the staff in the State on the Panchayat Samitis was of the order of Rs. 9.92 crores (1994-95) and the staff, besides the Block Development and Panchayat Officer, consisted of 1 Junior Engineer and other accountancy and ministerial staff. Apart from this, additional technical staff like Junior Engineers, Sub Divisional Engineers and Executive Engineers were posted at the district level on which an expenditure of Rs. 1.19 crores was being incurred.

4.5 The Panchayati Raj Institutions which were brought into existence with much fanfare in early sixties, went through a period of stagnation (1965-69) and relative decline (1969-85) except for a few States like Maharashtra, Gujarat, Karnataka and West Bengal where considerable powers were devolved on them and where they continued to play an effective role in decision making and implementation of developmental programmes. In Haryana, which otherwise successfully embarked on a programme of economic growth and development during this period, somehow these institutions rapidly declined in their importance, As already stated the role of Panchayat Samitis was largely confined to channelising a few meagre grants and giving some technical support in the field. While the Gram Panchayat's structure was more or less intact, the resources at its disposal were quite meagre. Of late, a major part thereof has been coming from the Poverty Alleviation Programmes, and the discretionary grants from the Haryana Rural Development Fund (HRDF) along with certain carry-over remnants of grants inherited from the past.

4.6 Another factor which needs pointed reference is the growth of departmental hierarchies particularly in the fields like Education, Health and Public Health, which earlier fell in the domain of the Local Bodies. Primary and Middle Schools which fell in the domain of the Local District Boards prior to 1957, were provincialised and hence the entire burden of expanding educational facilities at these levels was taken over by the State Government. Similar is the position in respect of Health and by now the State Government has got 67 Community Health Centres (CHCs), 200 Primary Health Centres (PHCs) with 1385 sub centres, which are all manned and funded by the State Government. In respect of water supply, the entire programme of providing piped drinking water facilities not only in rural areas but even in municipal areas, barring Faridabad Municipal Corporation, has been taken over by the State Public Health Department.

AFTER SEVENTY THIRD CONSTITUTIONAL AMENDMENT

4.7 In order to significantly change the course and give new direction and strength to the Panchayati Raj Institutions, the 73rd Constitutional amendment was passed by Parliament in 1992. The Constitutional amendment uniformly provided for a 3 tier system from the village to the sub-district and to the district level. Seats are required to be reserved for Scheduled Castes and Scheduled Tribes in every Panchayat in proportion to their population and one third of these reserved seats are meant for SC/ST women. At least one-third of the total seats are required to be reserved for women, including seats reserved for Scheduled Castes women as mentioned above. Seats on similar basis are also required to be reserved in respect of Chairpersons at each of these levels.

4.8 Attention needs to be drawn to two other major provisions, one relating to elections and the other relating to the constitution of a Finance Commission. As regard the first, it has been provided that the new Panchayati Raj at all the three levels must be constituted before the expiry of a period of 6 months from the date of its dissolution, if and when it occurs. The other provides for the constitution of a Finance Commission within one year of the commencement of the 73rd Constitutional amendment, and thereafter at the expiration of every fifth year. These two provisions are the cornerstone of the new and re-vitalised Panchayati Raj system, which has been heralded with new hopes and aspirations.

4.9 In pursuance of the 73rd Constitutional amendment, the Haryana Government enacted the Haryana Panchayati Raj Act, 1994, and it will be worthwhile to take note of some of its salient features. The Act provides for a three tier system as in the rest of the country, with the result that the Zila Parishads have been constituted afresh in the State after a lapse of more than 2 decades. While the earlier Act provided for indirect elections at the Zila Parishad and Panchayat Samiti level, under the new Act, the members of the Zila Parishad are to be elected directly from the wards to be constituted in the district for this purpose. It further provides for the co-option of Chairmen of all Panchayat Samitis within the district as ex-officio members and the members of House of People and Haryana Legislative Assembly are to be associated as ex-officio members, who have a right to vote in the meetings except for election and removal of the President and Vice-President. Likewise, while the members of the Panchayat Samiti are to be elected directly from territorial constituencies within the

Panchayat Samiti area, the Haryana MLAs representing constituencies which comprise wholly or partly in the Panchayat Samiti, as well as the Sarpanches of Gram Panchayats are to be co-opted as Members. In so far as Gram Panchayats are concerned, it has been provided the besides the Sarpanch they shall have 6 to 20 Panches to be elected from wards in a Panchayat area.

4.10. While the Chairman and the Vice-Chairman in the Zila Parishad and Panchayat Samiti are to be elected indirectly by and from amongst its elected members, in the case of a Gram Panchayat, the Sarpanch is also directly elected by the Gram Sabha. In order to ensure continuity, there is also a provision for an Up-Sarpanch, who shall be elected by the Panches from amongst themselves.

4.11. A special feature of the new enactment, which has the seeds of a major socio-cultural revolution in the State, is the reservation for women and scheduled castes, not only in respect of election of Panches and members of Panchayat Samitis/Zila Parishads, but also with regard to the election of Sarpanches and Chairpersons of Panchayat Samitis and Zila Parishads. It may be stated that in the historic elections to these bodies which were held in Haryana in December, 1994 under the supervision and control of the State Election Commission, more than 50% of the Sarpanches, and Chairpersons at the Zila Parishad and Panchayat Samiti level who got elected, belonged to these reserved categories, as would be clear from the details given below:-

	<u>No.</u>	<u>%age</u>
A. <u>PANCHAYATS</u>		
i) Panches		
a) Total No. of Panchayats	5958	—
b) Total No. of Panches	54159	—
c) Total No. of Women Panches	17928	33.10
d) Total No. of SC Panches	11793	21.77
e) Total No. of B.C. Panches	5648	10.43
Total (c+d+e)	35369	65.30
ii) Sarpanches		
a) Total No. of Sarpanches	5958	—
b) Total No. of Women Sarpanches	1994	33.47
c) Total No. of SC Sarpanches	1199	20.12
Total (b+c)	3193	53.59

	<u>No.</u>	<u>%age</u>
B. <u>PANCHAYAT SAMITIES</u>		
i) Members		
a) Total No. of Panchayat Samitis	110	—
b) Total No. of Members	2418	—
c) Total No. of Women Members	807	33.37
d) Total No. of S.C. Members	519	21.46
e) Total No. of B.C. Members	110	4.55
Total (c+d+e)	1436	59.38
ii) Chairpersons (PS)		
a) Total No. of Chairmen	110	—
b) Total No. of Women Chairperson	38	34.55
c) Total No. of S.C. Chairperson	21	19.09
Total (b+c)	59	53.64

C. ZILA PARISHADS

i) Member		
a) Total No. of Member	303	—
b) Total No. of Women Member	101	33.33
c) Total No. S.C. Members	64	21.12
d) Total No. of B.C. Members	16	5.28
Total (b+c+d)	181	59.73
ii) Chairpersons (ZI)		
a) Total No. of Chairpersons	16	—
b) Total No. of Women Chairpersons	5	31.25
c) Total No. of S.C. Chairperson	3	18.75
Total (b+c)	8	50.00

4.12. There is no denying the fact that the pace of progress in the social and cultural side must necessarily go hand in hand with the strides to be made for the upliftment and empowerment of women. Here it is to be brought out that while the male literacy in the State is 69.10% the female

literacy is as low as 40.47% and in respect of the latter, we are in the lower rung in the all India context. There is no doubt that given effective training and encouragement, the representation given to women in the Panchayati Raj bodies should help in creating a momentum in the direction of improving the percentage of female literacy in the State.

POWER OF TAXATION AND FEES

4.13. In so far as taxing powers of the Panchayati Raj Institutions are concerned, it has been made obligatory on the Gram Panchayats in Section 41 of the 1994 Act to impose a house tax within their jurisdiction. It is also within their discretion to levy fee on:-

- i) teh bazari from the shopkeepers in fairs other than cattle fairs;
- ii) service fee including fee on cleaning of streets and lighting of streets and sanitation;
- iii) fees for registration of animals sold in the sabha area; and
- iv) water rates where it is supplied by the Gram Panchayat.

The Gram Panchayats are also empowered to levy duty on transfer of property in the form of surcharge on the stamp duty, not exceeding two percentum, if so authorised by the State Government.

4.14 As regard Panchayat Samitis, Section 88 of the new Act provides that they can, with the permission of the Chief Executive Officer, impose any tax which the Legislature of State has power to impose under the Constitution, of course subject to general direction and control of the State Government. Section 91 of the Act provides for levy of fees by the Panchayat Samitis on similar lines. Sections 147 and 149 gives similar powers to the Zila Parishads for the imposition of taxes and fees respectively.

CHAPTER - V

FINANCIAL POSITION OF PANCHAYATS-GROWTH TRENDS

5.1. The main hindrance in the effective functioning of Panchayats in Haryana is the non-availability of adequate financial resources for discharging the functions assigned to them. Looking at the present picture, we find that by far the largest part of funds comes from various Poverty Alleviation Programmes and the Haryana Rural Development Fund (HRDF), though the Panchayats have their own sources of income as well and comparatively lesser funds flow to the Panchayats by way of grants and subsidies from the State Government.

I. OWN SOURCES

5.2. The existing sources of income of Gram Panchayats broadly include income from shamlat land, house tax, and income through auction of trees/ponds etc. For the sake of convenience, panchayats share of sale of country liquor has also been included under this head, though strictly speaking, it is a devolution from the State Government. However, with the closing of rural vends w.e.f. 1.4.96 and subsequent enforcement of total prohibition w.e.f. 1.7.1996, this devolution will cease to exist in future. The position over the last five years is indicated on next page.

TABLE 5.1**INCOME FROM OWN SOURCES OF PANCHAYATS**

(Rs. in crores)

Year	Lease money (Shamalat Land)	House tax	Share in sales of country liquor	Other income (trees/ ponds etc.)	Total	Per capital income (Rs.)
1	2	3	4	5	6	7
1990-91	23.28 (79.21)	0.98 (3.33)	2.63 (8.95)	2.50 (8.51)	29.39 (100.00)	23.68
1991-92	21.87 (75.60)	2.08 (7.19)	1.98 (6.84)	3.00 (10.37)	28.93 (100.00)	22.99
1992-93	30.67 (75.39)	2.64 (6.49)	3.22 (7.92)	4.15 (10.20)	40.68 (100.00)	31.55
1993-94	28.67 (72.27)	2.60 (6.55)	3.41 (8.60)	4.99 (12.58)	39.67 (100.00)	30.03
1994-95	31.31 (73.29)	2.66 (6.23)	3.74 (8.75)	5.01 (11.73)	42.72 (100.00)	31.57

5.3 The major source of income is lease money from shamlat land (common land) which constituted 73.29 per cent of the income in 1994-95. There is considerable scope for increase in income from this source and this aspect of the case has been examined separately. The income from house Tax, the only tax being imposed by the Gram Panchayats, constituted only 6.23 per cent. The contribution from tax revenue as share in the sales of country liquor formed 8.75 per cent of the total income in 1994-95.

5.4. The position of income from lease money differs widely from district to district, depending upon the extent of shamlat land, the extent of encroachments and various other factors such as the availability of irrigation facilities and soil fertility. The income from house tax is Rs. 2.66 crores per annum for the entire State. The prevalent house tax rate is Rs. 5/-, Rs.8/- and Rs.11/- per household which is by no means burdensome but the panchayats find it difficult to recover even these

small amounts. The realisations very often are made by tagging the recovery of House Tax to the distribution of essential commodities like sugar and kerosene and at the time of preparation of new ration cards periodically.

II. GRANTS

5.5. The Panchayati Raj Institutions have been provided grants (both Plan and Non-Plan) over the years by the State Government. These grants can be basically classified into three groups- (i) grants compensating loss of revenue due to abolition of certain levies which were earlier being collected by Panchayati Raj Institutions; (ii) conditional grants; (iii) unconditional grants for Community Development and grants through miscellaneous schemes. The table 5.2 indicates the extent of funds flow to the Panchayati Raj Institutions in this regard since 1990-91. The per capita amount on this account was about Rs. 3.80 in 1994-95. The flow of funds has by and large, remained stagnant and does not indicate either the increase in population, the rising GDP of the State or the projected needs of the rural areas as reflected in the demands of the Panchayati Raj Institutions. The compensatory grants have remained static, though all revenue receipts of the government have registered progressive growth over the years. Therefore, in real terms, after taking the inflationary factor, the funds flow from this source seems to have actually gone down in real terms.

The yearwise details of these grants are set out in the table below:-

TABLE 5.2
AVAILABILITY OF PLAN/NON-PLAN GRANTS

(Rs. in lakhs)

S.No.	Classification of Grants	1990-91	1991-92	1992-93	1993-94	1994-95
1.	Community Development Grant (Plan & Non-Plan)	159.80	157.91	147.55	175.48	175.92
2.	Ferry Ghat Grant	14.40	14.40	14.40	14.40	15.22
3.	Grant in lieu of abolition of Land Holding Tax	20.00	20.00	20.00	20.00	20.00
4.	Grant in lieu of abolition of Professional Tax	12.00	12.00	12.00	12.00	12.00
5.	Conditional and Unconditional grants	8.64	8.64	8.64	8.72	8.72
6.	Cattle Fair Grants	67.51	67.79	72.78	65.25	72.76
7.	Revenue Earning Scheme Loan	15.00	14.44	5.50	5.00	1.28
8.	Pilot Project Grant	-	-	-	12.00	209.00
Total		297.35	294.18	280.87	312.85	514.90
9.	Per capita (Rs.)	2.39	2.33	2.18	2.37	3.80

The grant -in-aid so provided by the Government is very meagre indeed. In the case of small villages the grant given amounted only to Rs. 1000 to 2000.

III. SUBSIDIES AND MATCHING GRANTS

5.6. The State Government provides subsidy and matching grants to Panchayats under various schemes. The yearwise disbursement of subsidies/matching grant is set out below:-

TABLE 5.3
SUBSIDIES & MATCHING GRANTS

(Rs. In lakhs)

Year	Subsidy for the Harijan Chopal	Subsidy for the Backward Classes Chopals	Matching grants	Model village /focal Village scheme	Total	Per capita (Rs.)
1	2	3	4	5	6	7
1990-91	22.00	11.00	341.99	38.99	413.98	3.34
1991-92	23.00	12.00	211.47	35.99	282.46	2.24
1992-93	86.50	19.00	115.72	22.66	243.88	1.89
1993-94	25.00	5.00	163.77	11.28	205.05	1.55
1994-95	21.70	8.20	119.01	8.28	157.19	1.16

Subsidy is provided for the construction of Harijan and Backward Classes Chopals. Matching grant is provided for the construction of public utility buildings and various other development schemes undertaken by the Panchayats. In case of construction of school buildings for girls, it is provided in double the ratio of the contributions made by the villagers. The expenditure under the Model Village/Focal Village scheme has also diminished as it came down from Rs. 38.99 lakhs in 1990-91 to Rs. 8.28 lakh in 1994-95.

HARYANA RURAL DEVELOPMENT FUND (HRDF) / DECENTRALISED PLANNING/LOCAL AREA DEVELOPMENT SCHEME

5.7. For the purpose of present examination, the funds released under HRDF and Decentralised Planning/MLA Area Development Scheme may be clubbed together. The funds available under HRDF are required to be spent for the development of roads, establishment of dispensaries, provision of sanitation and other public facilities for the welfare of village community. Under "Decentralised Planning", untied funds are made available to the district authorities for financing schemes of local importance such as pavement of streets, construction of dispensaries, Panchayat Ghars and Community Centres, arrangement for drinking water, digging of ponds, repair of wells and street lights etc.

The release of funds under these two heads in the last five years can be gauged from the following data:-

TABLE 5.4
AMOUNT SPENT UNDER HRDF & DECENTRALISED PLANNING
(Rs in crores)

Year	HRDF	Decentralised Planning/MLA Area Dev.Scheme	Total	Per capita (Rs.)
1990-91	17.22	3.82	21.04	16.96
1991-92	11.83	11.59	23.42	18.61
1992-93	28.15	7.50	35.65	27.65
1993-94	39.17	5.95	45.12	34.16
1994-95	44.51	9.64	54.15	40.01

From the year 1994-95, the entire provision under the decentralised planning scheme and a part of the provision under HRDF was diverted to the MLA Local Area Development Scheme. Each MLA was authorised to sanction expenditure upto Rs 40.00 lakh in a year. The total provision under this scheme in 1994-95 was Rs. 12.19 crores. Detailed instructions exist for the allocation and

disbursement of funds available under the MLA Scheme. The amount of allocation under this scheme was subsequently enhanced to Rs. 50.00 lakh per year for each MLA. The Central Government also implements the local area development scheme and an amount of Rs. 1.00 crore is made available to each member of Parliament under this scheme. The HRD funds are also distributed and spent in the rural areas for rural upliftment, notably for the pavement of streets, construction of school buildings, veterinary dispensaries, chopals, link roads, rural sanitation etc. The amount spent from this fund has substantially increased from Rs. 17.22 crores in 1990-91 to Rs. 44.51 crores in 1994-95.

V. POVERTY ALLEVIATION PROGRAMMES

5.8. By far the largest single sector providing funds for the development of rural areas is comprised of centrally sponsored programmes like Desert Development Programme (DDP), Drought-Prone Area Programme (DPAP), Integrated Rural Development Programme (IRDP), Development of Women and Child in Rural Areas (DWCRA) and Employment Assurance Scheme (EAS) and various schemes of JRY (Jawahar Rojgar Yojna). Each of these schemes operates under a number of set guidelines. While some of these schemes like DDP and DPAP are area development programmes and accordingly these are in operation in selected districts, the other programmes like JRY and EAS largely follow the criteria of rural population below the poverty line. The amount provided under these programmes including the State share was as high as Rs. 84.11 crores in 1994-95. Its major components are EAS (Rs. 29.02 crores) JRY (Rs. 24.51 crores), IRDP (Rs. 13.51 crores). The two districts of Mohindergarh and Rewari which are covered under DPAP accounted for Rs. 2.24 crores and the five districts of Hissar, Sirsa, Bhiwani, Rohtak and Rewari accounted for another Rs. 7.26 crores during 1994-95.

OVERALL POSITION OF FUNDS AVAILABLE TO PANCHAYATS

5.9. The overall position regarding availability of funds to Panchayats from its own sources and various grants, subsidies, under the centrally sponsored poverty alleviation programmes and allocation of funds under HRDF and decentralised planning is indicated below:-

TABLE 5.5.

FLOW OF FUNDS UNDER VARIOUS SCHEMES

Rs. in crores

Scheme	1990-91	1991-92	1992-93	1993-94	1994-95
i) Gram Panchayats own sources	29.39 (30.67)	28.93 (30.05)	40.68 (33.93)	39.67 (26.04)	42.72 (22.76)
ii) Plan & Non-Plan Grants	2.97 (3.10)	2.94 (3.05)	2.81 (2.34)	3.13 (2.05)	5.15 (2.74)
iii) Subsidy and Matching Grants	4.14 (4.32)	2.82 (2.93)	2.44 (2.03)	2.05 (1.35)	1.57 (0.84)
iv) HRDF	17.22 (17.97)	11.83 (12.29)	28.15 (23.48)	39.17 (25.71)	44.51 (23.71)
v) Decentralised Planning	3.82 (3.99)	11.59 (12.04)	7.50 (6.26)	5.95 (3.91)	9.64 (5.14)
vi) Poverty Alleviation Programmes	38.29 (39.95)	38.17 (39.64)	38.32 (31.96)	62.38 (40.94)	84.11 (44.81)
Total	95.83 (100.00)	96.28 (100.00)	119.90 (100.00)	152.35 (100.00)	187.70 (100.00)
vii) Per Capita (Rs.)	77.23	76.50	92.99	115.33	138.69

Evidently the total amount available to PRIs including the Poverty Alleviation and Area Development Programmes was Rs. 95.83 crores in 1990-91 and it increased in 1994-95 to Rs. 187.70 crores. During 1994-95, the amount under Poverty Alleviation Programme formed 44.81 percent followed by HRDF (23.71 percent), Panchayats own sources (22.76 percent), and decentralised planning/local area development scheme (5.14 percent). The share of grants formed 2.74 percent and subsidies and matching grant were only 0.84 percent. In terms of per capita provision, it works out to Rs. 77.23 in 1990-91 which increased to Rs. 138.69 during 1994-95.

EXPENDITURE ON STAFF

5.10. The expenditure on staff for PRIs is fully met by the State Government and it would be worthwhile to have an idea of the same alongwith other expenditure. The expenditure so incurred in the year 1994-95 is set out below:-

		<u>(Rs. in crores)</u>
<u>EXPENDITURE ON STAFF (1994-95)</u>		
1.	Zila Parishads	2.77
2.	Panchayat Samitis	9.92
3.	Existing Technical Staff	1.19
4.	New Technical Staff	1.26
5.	Other Ministerial Staff	1.42
6.	Gram Sachivs (existing)	4.10
	Total	20.66
7.	Per capita cost (Rs.)	15.26

5.11. The present position with regard to the staff provided may be briefly touched upon. Since the Zila Parishads have been constituted anew, they have been given the minimal staff required consisting of an Accounts Officer, Superintendent and other ministerial staff for which a provision of Rs. 2.77 crores has been made during the year 1995-96. The staff provided at the Panchayat Samiti level accounts for another Rs. 9.92 crores. Apart from this, technical staff like Junior Engineers, SDOs, XENs stand posted in the district at a cost of Rs. 1.19 crores.

Some more technical staff consisting of a Superintending Engineer, 11 Executive Engineers and large number of SDOs, JEs involving an expenditure of Rs. 1.26 crores has been provided in 1995-96. An additional expenditure of Rs. 1.42 crores has also been provided for ministerial staff.

CHAPTER -VI

FUNCTIONS AND FUNDS REQUIREMENTS OF PRIs

6.1. The scope of functions which are proposed to be devolved on the PRIs under the new setup is indeed very wide. The Constitutional amendment lists 29 items under the Eleventh Schedule which fall under the purview of the Panchayati Raj Institutions. The Haryana Panchayati Raj Act, 1994, broadly enumerates these items and Section 21 of the Act specifically provides for sub items under each of these broad heads which have been made the responsibility of the Gram Panchayats. In order to clearly indicate the thrust proposed to be given, the functions so incorporated in the Act have been broadly listed below by us under various heads. A perusal of this list would indicate that apart from regulatory, maintenance and civic functions, the Panchayats are required to play an effective role in the spheres of agriculture, animal husbandry, rural and cottage industry, education, health and social and cultural upliftment of their areas.

FUNCTIONS & DUTIES OF GRAM PANCHAYAT

i) General Functions

- Preparation of annual plan/budget for Panchayat area
- mobilisation of voluntary labour for community works
- maintenance of essential statistics of village(s)
- distribution of house-sites
- selection of beneficiaries for various welfare and poverty alleviation programmes
- organising awareness camps, seminars, exhibitions etc.

ii) Monitoring Functions

- monitoring of old age and widow pension schemes
- monitoring of public distribution system
- monitoring of poverty alleviation programmes

iii) Regulatory Functions

- regulation of sale of meat, fish etc.
- regulation of offensive and dangerous trades
- licensing of eating and entertainment establishments
- regulation of manure pits in public places
- removal of encroachments on public place

iv) Maintenance Functions

- maintenance of:
 - grazing lands, cremation grounds, slaughter houses, public parks
 - records of public and private properties
 - rural water supply schemes
 - community assets, buildings, boats, ferries and waterways

v) Civic Functions

- construction, repair and maintenance of drinking water wells, tanks and ponds.
- lighting for streets and public places
- rural sanitation
- prevention of epidemics
- family welfare schemes
- public latrines

vi) Development and Promotional Functions

- development of agriculture, waste lands, livestock, fisheries, fuel plantation.
- promotion of:
 - farm & social forestry, dairy farming, poultry and piggery
 - rural and cottage industries
 - non-conventional sources of energy
 - adult literacy, social and cultural activities, libraries, to ensure enrolment and attendance in educational institutions
 - child health and nutrition programmes

6.2. Likewise, a similar list has been provided under Section 75 of the Haryana Act under each of these broad heads, which further contains provisions for the preparation and consolidation of annual plans and performance of such other functions by Panchayat Samiti, as may be entrusted to it by the Government or the Zila Parishad. The Zila Parishad has been largely given a supervisory and coordinational role and Section 137(I) of the Act provides that the Zila Parishad shall advise, supervise and co-ordinate the functioning of the Panchayat Samitis in the district.

DELEGATION OF FUNCTIONS & DUTIES TO PRIs

6.3. The State Government in the Development and Panchayat Department vide Memo No. DPN-PA-95/23517-726; dated 23.05.95 has delegated certain duties and functions to the three levels of PRIs with regard to 16 important departments (Annexure IX). An analysis of the delegation order reveals that functions, as broadly enumerated hereunder, have been delegated by these Departments to the Panchayats:-

1. Development & Panchayats

- i) Planning & preparation of proposals under Community Development Programme/ Haryana Rural Development Fund (HRDF) and Revenue Earning Schemes
- ii) Supervision of works under matching grant scheme
- iii) Maintenance of accounts of above schemes.

2. Food & Supplies

- i) Constitution of village level vigilance committees for supervision of fair price shops under the Public Distribution System and elimination of bogus ration cards.
- ii) Inspection & monitoring of Public Distribution System
- iii) Making recommendations for appointment of depot holders.

3. Welfare of Scheduled Castes & Backward Class

- i) Identification of the Scheduled Castes bastis for pavement
- ii) Rehabilitation of liberated scavengers
- iii) Identification of Harijan widows for tailoring training
- iv) Identification of beneficiaries for legal assistance
- v) Certification of inter-caste marriages.

4. Public Health

- i) Planning, construction & maintenance of open drains for disposal of waste water.
- ii) Constructions & maintenance of handpumps, water troughs and soakage pits.
- iii) Maintenance/repair of public stand posts.

5. Forest.

- i) Selection of sites for afforestation
- ii) Identification of beneficiaries for raising nurseries/farm forestry/social forestry
- iii) Planning/implementation of social forestry schemes
- iv) Sending of reports/returns to Range Officers
- v) Recommending daily wage workers for afforestation works
- vi) Enquiring into complaints against forest guards & sending reports to Deptt.

6. Social Defence & Security

- i) Providing assistance to the Patwari in identification of beneficiaries under various schemes

7. Horticulture

- i) Planning & execution of horticulture development plans/demonstration plots.
- ii) Monitoring of input requirements, situations relating to pests & disease etc.

8. Ayurveda

- i) Inspection & supervision of dispensaries/ PHCs
- ii) Construction & maintenance of buildings of Ayurvedic dispensaries/PHCs/
Hospitals

9. Education

- i) Inspection of schools
- ii) Nodal agency to keep a watch over the activities in the field of education and ensuring punctuality of teachers/students enrolment/school welfare etc.
- iii) Setting up of village education committees
- iv) Construction and repair of primary school buildings.

10. Health

- i) Promotion of health and family welfare programmes, control of epidemics and environmental sanitation
- ii) Maintenance of health centres and sub-centres
- iii) Supervision and selective controls over the officials posted in sub centres
- iv) Submission of periodical reports to Panchayat Samiti.

11. Irrigation

- i) Desilting, deweeding and maintenance of water courses, distributries etc.
- ii) To be associated with planning for water requirements, filling of ponds, storing of rain water, checking of thefts, revenue assessment, monitoring of dewatering arrangements during floods
- iii) Providing assistance for better water management in panchayat areas, recovery of revenue
- iv) extension and construction of new minors
- v) keeping vigil during floods etc.

12. Women and Child Development

- i) Selection of locations for Anganwari centres, assisting in selection of beneficiaries and enlisting community participation
- ii) Inspection of Anganwari Centres.

13. Rural Development Deptt.

- i) Planning and implementation of Jawahar Rozgar Yogna (JRY).
- ii) Supervision and monitoring of poverty alleviation schemes.
- iii) To assist District Rural Development Agency (DRDA)/Block agency in identification of beneficiaries under various programmes
- iv) To assist the Banks/revenue authorities in recovery of IRDP loans.

14. Agriculture

- i) To prepare action plans for development of agriculture, soil conservation, water management, seed treatment and pest-control programmes in villages
- ii) To implement training & visit programmes
- iii) To plan and execute relief measures during natural calamity.

15. Animal Husbandry

- i) Supervision of construction and maintenance of buildings and working of rural stockman centres
- ii) Promotion of animal health, breeding, and nutrition programmes.

16. Power Deptt.

- i) Supervision and inspection of complaint centres and selective checks on staff.

6.4. The delegation order mainly indicates the broad areas where further action needs to be taken and its implications in terms of transference of schemes and resources have yet to be worked out in many cases so as to issue operational instructions. It is necessary that each department concerned issues such instructions to the subordinate offices clarifying the funds/schemes placed at the disposal of the Panchayati Raj Institutions and the role assigned to them. In the absence of such guidelines, neither the departmental officers nor the elected representatives are likely to understand their precise

role in the new set up of delegations resulting in a lot of confusion all around. We would, therefore, urge the State Government in the different departments to issue detailed guidelines and instructions clearly setting out the role of the Panchayati Raj Institutions in the context of the delegation of functions which has been made to them.

The Commission would like to observe that the process of devolution of functions and responsibilities would have to be a continuous one keeping in view the new role assigned to the PRIs under the Constitutional Amendment. The District Planning Committees are in the process of being established in the State and with delegation of more functions of different departments to the PRIs, and formulation of schemes at the grass root level, the Panchayati Raj Institutions are expected to make a larger contribution towards the upliftment of the rural areas.

6.5. After a perusal of this 'Delegation Order', the Commission strongly feels that these delegations do not go far enough and many more responsibilities need to be devolved on the PRIs if these have to become truly units of self-government as envisaged in the 73rd Amendment to the Constitution. Instead of full scale delegations, the role envisaged is essentially that of a participatory nature. What is further required is that a number of schemes within easy implementational capacity of the Panchayats should be wholly transferred to them. Education and health are two vital sectors where a more meaningful and thorough-going involvement of the PRIs is amply justified. Apart from identification of beneficiaries, it would be appropriate if the beneficiary oriented schemes such as distribution of uniforms, stipends and incentives of various kinds to school children are squarely transferred to the PRIs, of course, alongwith clearly set-out guidelines. The Commission also feels that in addition to repairs, the construction of small buildings like schools, dispensaries, staff quarters should be transferred to the PRIs alongwith the funds earmarked for this purpose. These small works are distributed all over the district and the Panchayati Raj Engineering Unit, which is being presently strengthened, can be more cost-effective than the PWD. The Commission feels that a much more comprehensive exercise could be carried out on these lines and a number of schemes of local relevance alongwith the allocations earmarked for them could with advantage be transferred to the PRIs.

6.6 In the light of discussions held at the district level and experience of some of the other States, the Commission would particularly like to stress that Primary Education is one of the subjects which squarely and legitimately falls within the purview of the PRIs. There are about 4,795 Primary Schools (other than those attached with Middle/High Schools) which could as well be placed under the control of PRIs along with the budget. A similar dispensation could be provided in respect of 1,600 stockmen centres/dispensaries of Animal Husbandry Department and Anganwaries functioning at the village level. Once a decision is taken in principle, the question of delegation of financial authority, control over staff, future recruitment, etc. would have to be sorted out by the State Government so as to ensure smooth functioning under the new system.

FUNDS REQUIREMENTS

6.7 In accordance with this "Delegation Order", apart from the regulatory functions and the general functions such as identification of beneficiaries and association with the planning, implementation and monitoring of the various programmes undertaken by the departments, certain other functions have been demarcated for being devolved to the Panchayati Raj Institutions. One of these functions is the maintenance of assets already created like schools, community health centres and sub-centres, animal husbandry stockman centres, maintenance of water course, distributaries and public standposts. Village sanitation and environmental up-keep is another clearly demarcated function which must come within the purview of the PRIs. Although a number of functions are being discharged by the various departments who no doubt have to transfer the necessary funds with the transference of any other function but even as it is, the panchayats should have certain discretionary funds, so as to render assistance on the spot wherever urgently called for such as provision of consumables for schools, health sub-centres and animal husbandry stockman centres. There are number of local development works which are required to be taken up at the village level including pavement of streets, construction of culverts, Panchayat ghars and up keep of village ponds etc. regarding which either the funds do not get provided or even if provided, are quite inadequate. Panchayats also require considerable resources for generating additional income for the best utilisation of available resources and all these activities are being clubbed together as developmental activities. It is thus proposed to

consider the requirements of funds for the PRIs under the following three broad categories:-

- (i) maintenance & repairs
- (ii) sanitation and environmental improvement
- (iii) developmental activities

I. MAINTENANCE & REPAIRS

6.8. With a view to assessing the financial requirements for the maintenance of assets created, the Commission would like to refer to the requirements of a few departments for which a broad assessment is available. These are as follows:-

(a) Education Department

6.9. On the Primary education side, the State Government makes a provision of Rs. 2.00 crores for construction on the plan side and gets another Rs. 3.00 crores on matching basis under the JRY schemes, so that a total allocation of Rs. 5.00 crores is available for constructing new primary school buildings. There is a provision of Rs. 40 lakhs for the maintenance of primary school buildings on the non-plan side.

For the construction and maintenance of middle and high schools, there is a provision of Rs. 75 lakhs on the plan side and Rs. 1.00 crore on the non-plan side for construction as well as maintenance. Broadly speaking, roughly half of it, that is an amount of about Rs. 85 lakhs is available for the repairs and maintenance of high and middle schools. As such the total annual for maintenance including Rs. 40 lakhs under primary education, works out to Rs. 1.25 crore per annum which is quite insufficient when compared to the actual requirements.

There are 4795 primary schools (other than those attached with middle/high schools) and at the nominal rate of Rs. 5000 per school for maintenance/minor repair, an amount of Rs. 2.40 crores would be required annually. The fund requirements for the 1200 middle schools at the rate of Rs. 8000 per school would work out to Rs. 0.96 crores and for the 2300 high/senior secondary schools

@ Rs. 12000 per school work out to Rs. 2.76 crores. The total requirements would thus be as follows:-

		(Rs. in crores)
-Primary schools (4795x5000)	=	2.40
-Middle Schools (1200x8000)	=	0.96
-High/Senior Secondary Schools (2300x12000)	=	2.76
Total :		6.12

It will thus be seen that the minimum annual requirement of funds for the maintenance of school buildings would be as high as Rs. 6.12 crores against which very insufficient funds are being presently provided. The Commission also feels that there is no reason why the maintenance of high/senior secondary schools should also be not entrusted to the PRIs.

(b) Health Department.

6.10. The State Government has delegated maintenance of Sub-Centres, Primary Health Centres (PHCs) and Community Health Centres (CHCs) to the PRIs with effect from 1.4.1996. The Health Department has intimated that 1385 Sub-Centres are functioning in Government buildings in addition to 200 PHCs and 67 CHCs. It has been intimated that the expenditure on maintenance is incurred by the PWD (B&R) Department and the Health Department does not have much say in the matter. The figures supplied further indicate that in the last 2-3 years a paltry sum of between Rs. 20-25 lakhs has been spent annually on maintenance of all these buildings by the PWD Department which is wholly inadequate. With a minimum provision of Rs. 5000 for sub-centre, Rs. 10000 for PHCs and Rs. 15000 for CHCs, the amount required for annual maintenance would be Rs. 1.00 crore as follows:-

		(Rs. in crores)
- Sub Centres (1385x 5000)	=	0.69
- PHCs (200x 10000)	=	0.20
- CHCs (67x 15000)	=	0.10
Total :		0.99

(c) Animal Husbandry Department.

6.11. According to the department, there are 546 veterinary hospital and 1610 dispensaries/ stockman centres in the State. It has also been stated that about 10% of the dispensaries are required to be built afresh and another 30% require renovation and repair. The department has accordingly asked for considerable funds for the upkeep of the hospitals as well as dispensaries and stockman centres. Even if we take the essential requirements of repair and maintenance of dispensaries/stockman centres at the rate of Rs. 5000/6000 per annum, a total amount of about Rs. 1.00 crore would be the very minimum required for the upkeep of these centres alone. At present the provision in the budget both on the plan and non-plan side is only Rs. 6.50 lakhs.

(d) Ayurveda Department

6.12. Out of 553 dispensaries, about 440 dispensaries are located in the rural areas. Even @ of about Rs. 5000/6000 per dispensary the maintenance requirement for all these dispensaries works out to a figure of Rs. 25 lakhs. Actually 40 of these dispensaries have staff quarters attached to them and they would require a larger amount for their annual maintenance.

(e) Maintenance of assets by Zila Parishads & Panchayat Samitis

6.13. As per the provisions under section 144(1) of the Haryana Panchayati Raj Act, 1994, the assets, which belonged to the erstwhile Zila Parishads and which had been handed over to other agencies/departments, are now in the process of reverting back to the Zila Parishads. We are given to understand that many of these assets are in a poor condition and would need extensive repairs. The Commission has been intimated that the total covered area of these assets comes to 2.76 lakhs sq. ft. It has been estimated that a sum of Rs. 40 lakhs will be required to bring these assets to a reasonable condition and subsequent annual repair will cost about Rs. 13 lakh per annum. Likewise funds would also be required for the maintenance of Panchayats Samitis buildings and certain other assets.

MAINTENANCE GRANT

6.14. From what has been stated above, it will be seen that the total minimum annual requirement for maintenance and repairs even with regard to a few departments like Education, Health, Animal Husbandry and Ayurveda Departments alone works out to about Rs. 8.36 crores. We have only

taken a few areas but there are a large number of community assets such as Chopals, Panchayat Ghars, Patwar Khanas, roads, culverts, village ponds, water-tanks, khals etc. which require maintenance on an urgent basis. The PRIs also require some funds for the maintenance of their own building at the district and Panchayat Samiti level. Taking all these factors into account as well as the constraint of resources, the Commission recommends that a sum of atleast Rs. 10 lakhs per block should be provided annually for the maintenance of community assets and another Rs. 1 lakh for the maintenance of PRI buildings. With 111 blocks in the State, the total amount thus required would work out to about Rs. 12.21 crores.

The Commission also recommends a grant of Rs. 25 lakhs for the repair of Zila Parishad/ Panchayat Samiti buildings as a one time measure.

It goes without saying that the department should at any rate continue to provide for repair and maintenance from their budgets at the existing level in addition to what is being now proposed.

The Commission would also like to observe that over a period of time, the rural community should itself strive to raise contributions at their own level for the maintenance of assets like school buildings, stockmen centres, Ayurveda Dispensaries etc. so that PRIs are not wholly dependent on the State Government for maintenance of such rural assets, which are of vital importance for their own welfare.

II. SANITATION & ENVIRONMENTAL IMPROVEMENT

6.15. Under the provisions of the Panchayati Raj Act, Gram Panchayats have been made responsible for maintenance of general sanitation in the panchayat's area, besides cleaning of public roads, drains, tanks, wells as well as other public places but they have no resources worth the name to meet their obligations in this regard. The Panchayats generally confine themselves to the cleaning of villages periodically on special occasions by engaging persons on daily wages but this is quite apparently not enough. The disposal of household waste water is becoming a matter of concern particularly because of increasing consumption of water in the individual household. Added to it is the problem of draining of storm water during the rainy season. The insanitary conditions in the villages

are a real health hazard and are responsible for the periodic out break of epidemics. The problem is really a serious one and we hope that the Panchayat and Development Department would take steps for village level drainage planning, atleast in bigger villagers.

6.16. Under the circumstances, the Commission is strongly of the view that a stage has been reached where separate earmarked funds should be provided to the Gram Panchayats to enable them to discharge their responsibility adequately. It is accordingly proposed to provide Rs. 2.19 crores as follows:-

		(Rs. in lakhs)
-	Panchayats with population of @ 2400/- less than 2000	111.55
-	Panchayats with population @ 4800/- between 2000-5000	81.98
-	Panchayats with population @ 6000/- between 5000-10000	21.54
-	Panchayat with population @ 8400/- of 10000 & above	3.67
	Total	218.74

III. DEVELOPMENTAL ACTIVITIES

6.17. The developmental activities which are required to be undertaken by the Panchayats are innumerable and they cover a very broad spectrum. Even after taking into account the amount being provided by the various departments for this purpose at the village level, both on the plan and non-plan side, there is a large area of local developmental works for which either the provision is not made or the provision so made is wholly inadequate. Reference in this connection may be made to some of the priority areas, which are relevant to the State as a whole, as for instance, pavement of streets, construction of panchayat ghars and chopals, construction of dry latrines and drainage of household waste and rain water, etc. In this connection, it should be worthwhile to refer to some of the financial parameters. As for instance, the total length of village streets in Haryana is approx. 20,000 kms. and till now about 8000 kms. of these streets have been paved. During the last five years, additional 350/375 kms. of village streets have been added annually, involving an expenditure of

Rs. 15.00 crores. Considering the pressing demand, if an another additional 400 kms. (in addition to normal programme) is taken up annually for pavement, the additional requirement of funds would be Rs. 18.00 crores. Another priority areas is construction of dry latrines as we are committed to providing sanitation facilities to atleast 75% of the rural population. The cost of one unit is Rs. 3400/- with an element of subsidy to the extent of 90% for Scheduled Castes beneficiaries and 50% in case of other beneficiaries. There is a provision of around Rs. 10 crores for subsidy element alone (55000 units) in the current year and it may be necessary to enhance the funds substantially if the target of 75% coverage (19 lakh units) is to be achieved in the foreseeable future. There is a pressing need for more chopals and panchayat ghars for which substantial funds will be required.

6.18. Apart from these or similar schemes with statewide relevance, the PRIs would no doubt like to give particular emphasis to certain felt needs of their areas in accordance with their own priorities. While the pressing problem in one area may be that of upgrading the educational facilities, in another it may be health and family planning and in still another it may be harvesting of rain water, reclamation of saline and alkaline lands, protection against floods, soil conservation, social forestry or horticultural development. The Commission, accordingly, feels that there is no getting away from the fact that if the rural areas have to be developed in an integrated and comprehensive manner, sufficient scope must be left for the Panchayats themselves to cater to the felt needs of the area under their jurisdiction for undertaking works of an essentially local nature which are not covered under schemes like JRY, Employment Assurance Schemes (EAS), Minimum Needs Programme or any other set departmental schemes. The funds hitherto provided under 'Decentralised Planning Schemes' are also wholly inadequate.

6.19. The Commission, having taken into account these requirements as well as the constraint of resources, recommends that it would be appropriate if an untied grand-in-aid to the extent of Rs. 50 per capita (1991 Census) is given only for this purpose. This would work out to Rs. 62.00 crores. It would be worth mentioning that even the 10th Finance Commission has recommended a per capita devolution of Rs. 25 per annum on the basis of 1971 census which works out to about 16 per capita on the present population and another additionality of Rs. 50 per capita on the part of the State would be appropriate under the circumstances without imposing any undue burden on the State.

A part of this devolution (Rs. 50/- per capita), could as well be made from Haryana Rural Development Fund wherein we have recommended an increase in fee from 1% to 2%.

INTER-SE DISTRIBUTION OF DEVELOPMENT GRANT

6.20. The Commission has also considered the question whether some differential should be taken into account while recommending this grant-in-aid to various districts and to the various comparatively forward and backward areas of the State. The figures of own income of the Panchayats (House Tax and shamlat land lease money) cannot obviously be the basis of their comparative economic position unless the various underlying factors are more clearly brought out and understood. The Commission, therefore, recommends that while the total amount of grant-in-aid required for the PRIs in the State may be worked out on the basis of an over all per capita devolution (Rs. 50 per capita in the present case), its further distribution to the various districts should be linked with the formula adopted for decentralised planning as it fully takes into account the relative economic level of the various districts. The annual districtwise distribution on this basis is given in the statement at Appendix 'A'. The districtwise allocation in the year 1997-98 would accordingly be as follows:

Sr.No.	Name of District	(Rs. in crores)
		Total Development grant
1.	Ambala	3.90
2.	Yamuna Nagar	3.00
3.	Bhiwani	4.33
4.	Faridabad	4.36
5.	Gurgaon	4.16
6.	Hisar	6.45
7.	Jind	3.94
8.	Karnal	3.39
9.	Panipat	2.75
10.	Kurukshetra	3.27
11.	Kaithal	4.22
12.	Mohindergarh	3.32
13.	Rewari	2.78
14.	Rohtak	4.93
15.	Sirsa	3.78
16.	Sonapat	3.42
Total		62.00

(The allocation for district Ambala will be further sub-divided between Ambala and Panchkula districts by the Department on the basis of their respective rural population)

Within the district, the further distribution to the 3 levels i.e. Zila Parishads, Panchayat Samitis and the Gram Panchayats, would be in the ratio of 10:15:75. Further distribution to the Panchayat Samitis and Gram Panchayats in the district would have to be on the population basis. The release of the share of each the Panchayats would be regulated as follows:-

- a) 75% of the grant will be released to the Gram panchayats straightway on the basis of population
- b) 25% of the grant will be released on the basis of equivalent matching contribution by the Gram Panchayat concerned.
- c) Guidelines would be laid down by the State Government prescribing certain performance criteria in matter such as enrolment at the primary level, small family norms, raising of local resources and detection of power thefts.
- d) The share of the Gram Panchayats would not be given to them directly but shall be placed at the disposal of the concerned Panchayat Samiti with a view to exercise better monitoring and control over the Panchayats. The Samitis should, however, not be permitted to divert the share of the Panchayats for any other purpose.

IV. INCENTIVE GRANT

6.21. Apart from considering the needs of the Panchayats for its maintenance, sanitation and developmental responsibilities, the Commission feels that there should be an inbuilt system for better performance by the PRIs and accordingly recommends introduction of a system of incentive grant as indicated below:-

a) AWARD FOR ZILA PARISHADS

6.22. It is necessary to create a spirit of competition amongst the Zila Parishads in the State with a view to improve their efficiency and performance level in all aspects of their functioning. It is also necessary to distinguish and appreciate those Zila Parishads who have consistently performed better over a period of time. We, therefore, recommend institution of a cash award amounting to Rs. 8 lakhs, Rs. 5 lakhs and Rs. 3 lakhs for the first, second and third Zila Parishad at the State level. The selection for this purpose should be made by a Committee appointed by the State Government and

headed by the Secretary, Development and Panchayats. The various parameters for assessing the performance of the Zila Parishads in the previous year will be laid down by the Government and the Zila Parishads will be suitably notified in advance. This would entail an expenditure of Rs. 16 lakhs.

b) AWARD FOR PANCHAYAT SAMITIS

6.23. It is proposed to provide for similar incentives at the Panchayat Samiti level. With this end in view, it is proposed that the three best Panchayat Samitis in every Revenue Division (4 in number) should be given cash awards to the tune of Rs. 5 lakh for the first, Rs. 3 lakhs for the second and Rs. 2 lakhs for the third ranking Samiti. This would entail an annual expenditure of Rs. 40 lakhs. The selection of the Panchayat Samitis in each Division will be made by a Committee appointed by the State Government and headed by the Divisional Commissioner. The criteria for selection of the awards should be decided by the State Government and also communicated to the Panchayat Samitis in advance so that they are well aware of the various provisions and the process of selection is made transparent. The money given as award can be spent by the Samiti concerned on schemes of its choice within its jurisdiction.

c) AWARD FOR PANCHAYATS

6.24. Likewise it is proposed to provide for award for three best Panchayats in every Panchayat Samiti area. The cash awards will be Rs. 50,000/-, Rs. 30,000/- and Rs. 20,000/- respectively (Rs. 1 lakh per Panchayat Samiti) and thus an expenditure of Rs. 111 lakhs would have to be incurred annually.

6.25. The annual requirement of funds for the entire "incentive" scheme, would accordingly, be Rs. 1.67 crore as follows:-

	(Rs. in lakhs)
i) Awards at Zila Parishad level	16.00
ii) Awards at Panchayat Samiti level	40.00
iii) Awards at Gram Panchayat level	111.00
Total	167.00

6.26. While the question of laying down the parameters for assessing the performance of the PRIs could at best be left to the Development and Panchayat Department, the broad thrust proposed to be given could be indicated. One major criteria could be the degree of success attained by the PRIs in successfully implementing the national & State programmes and achieving the targets in programmes like family planning, immunization, small savings, enrolment of children in schools etc. Another yardstick could be the success achieved in maintaining the community assets and affecting environmental improvement. A third parameter could be the efforts made by the community to ensure the best utilisation of the available resources at their disposal. The Commission feels that a comprehensive scheme should be worked out by the department while keeping these broad considerations in view.

Total Devolution

6.27. (i) The total requirement of funds, as recommended in foregoing paragraphs, works out to Rs. 78.07 crores per annum as under:-

	(Rs. in crores)
i) Maintenance & Repair grant	12.21
ii) Sanitation & Environmental Improvement grant	2.19
iii) Development grant	62.00
iv) Incentive grant	1.67
Total	78.07

(ii) Besides, a one time grant of Rs. 25.00 lakhs for repair of assets of Zila Parishads and Panchayat Sanities is also recommended.

6.28. An annual escalation of 10% is recommended with regard to the maintenance grant, sanitation and environmental improvement grant and development grant during 1998-2001 (3 years) to compensate for rising costs and increase in population. The overall picture regarding grants

recommended by us under various heads during the period 1997-98 to 2000-2001, is as follows :-

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
i) Maintenance grants	12.21	13.43	14.77	16.25	56.66
ii) One-time grant	0.25	-	-	-	0.25
iii) Sanitation grants	2.19	2.41	2.65	2.92	10.17
iv) Development grants	62.00	68.20	75.02	82.57	287.74
v) Incentive grants	1.67	1.67	1.67	1.67	6.68
Total	78.32	85.71	94.11	103.36	361.50

Appendix 'A'

CHAPTER-VI

Districtwise Distribution of Block Grant-on-Decentralised Planning Pattern

(Rs. in Crores)

S. Districts No.	Popula- -tion (40%)	Popula- -tion of S.C (10%)	uncem- -Rural ploym ent (5%)	Rural Popul ation (5%)	Backward ness in agr. + irigation (10%)	Backw- ness in Ind. (10%)	Backward ness in Hospital Vet. facility (10%)	Backward ness in Elementry Education (10%)	Total (100%)
1.Ambala	1.68	0.49	0.31	0.18	0.39	0.18	0.28	0.39	3.90
2.Yamuna Nagar	1.23	0.39	0.18	0.13	0.25	0.09	0.34	0.39	3.00
3.Bhiwani	1.59	0.37	0.27	0.22	0.94	0.34	0.26	0.34	4.33
4.Faridabad	2.23	0.45	0.28	0.18	0.38	0.03	0.38	0.43	4.36
5.Gurgaon	1.72	0.30	0.18	0.23	0.69	0.15	0.47	0.42	4.16
6.Hissar	2.91	0.86	0.35	0.38	0.67	0.53	0.31	0.44	6.45
7.Jind	1.49	0.36	0.17	0.21	0.26	0.70	0.36	0.39	3.94
8.Karnal	1.57	0.41	0.23	0.20	0.11	0.13	0.34	0.40	3.39
9.Panipat	1.03	0.22	0.09	0.12	0.15	0.14	0.50	0.50	2.75
10.Kurukshetra	0.97	0.24	0.12	0.12	0.16	0.89	0.42	0.35	3.27
11.Kaithal	1.24	0.34	0.11	0.17	0.18	1.17	0.54	0.47	4.22
12.Mahendargarh	1.03	0.20	0.12	0.15	0.58	0.50	0.42	0.32	3.32
13.Rewari	0.94	0.23	0.11	0.13	0.35	0.29	0.43	0.30	2.78
14.Rohtak	2.24	0.52	0.30	0.29	0.59	0.37	0.27	0.33	4.93
15.Sirsa	1.36	0.46	0.10	0.18	0.28	0.53	0.43	0.44	3.78
16.Sonepat	1.57	0.36	0.18	0.21	0.22	0.16	0.43	0.29	3.42
TOTAL	24.80	6.20	3.10	3.10	6.20	6.20	6.20	6.20	62.00

The respective rural population of the newly created districts of Ambala and panchkula:-

Population (1991 Census)	
- New Ambala District	511671
- Panchkula District	208213
Total (i.e. old Ambala District)	719884

On this basis their respective annual share would work out as follows:-

(Rs. in crores)

- Panchkula	1.13
- New Ambala District	2.77
Total	3.90

CHAPTER-VII

RESOURCE MOBILIZATION FOR PRIs

7.1. As per the terms of reference of the Commission, it has also to make recommendations with regard to measures needed to improve the financial position of the Gram Panchayats, Panchayat Samitis and Zila Parishads in the State. As already pointed out earlier, the Panchayati Raj Institutions are exploiting the various sources of revenue to a very limited extent at present. They have not been able to recover even certain obligatory taxes and there is also a marked reluctance on the part of elected representatives to impose additional levies on their constituents. However, with a view to make these organisations viable institutions of self-governance, it is very essential to place their finances on a sound footing.

(A) OWN RESOURCES

7.2. At this stage, it is necessary to take cognizance of the fact the State's finances have been under considerable strain for quite sometime particularly after the introduction of total prohibition in the State w.e.f 1.7.1996. The loss on this account in the year 1996-97 is over Rs. 400 crores and no such receipts will be available in the year 1997-98. Furthermore, the year 1996-97 is the last year of the Eighth Five Year Plan (1992-97) and the committed liability on this account which will become a part of the non-plan expenditure during 1997-98 will be upward of Rs. 100 crores per annum. The report of the Fifth Pay Commission stands submitted to the Central Government and is presently a matter of intense debate. The Haryana Government is committed to apply the recommendations of the Fifth Pay Commission to its own employees. of course, with such modifications and changes as would be considered necessary, and this together with Bonus and additional DA instalment, would entail a major burden on the next year's budget. In fact the budget for 1997-98 provides for a sum of Rs. 628 crores for this purpose, though a part of this will be deposited in the GPF. A conclusion is, therefore, inescapable that the PRIs must make serious and consistent efforts to mobilise resources at their own level so as to discharge the responsibilities entrusted to them under the new dispensation.

7.3 During discussions held with FRs in various districts, it was time and again stressed that while there could be an understandable reluctance to accept the imposition of certain taxes at the level of the State Government, the rural community should be able to work out a consensus for imposing certain levies in the agricultural sector with the clear understanding that the entire proceeds from such levies would be directly available to them for their own use and welfare. Here it would bear repetition that the Panchayati Raj Act provides that Zila Parishads and Panchayat Samitis can, with the approval of Government, impose any tax which the legislature of the State has the power to impose. We have no doubt that Panchayati Raj Bodies would make a concerted assessment as to what can be done in the field of resource mobilization at their own level and would also think of some innovative measures as well.

7.4 While this is a matter which is squarely for the constituents of each and every Panchayat Samiti/Zila Parishad for being considered in depth, a few concrete suggestions came up during discussions which could be cited as a reference point. In this connection it may be stated that there are in all 15.30 lakhs land holdings in the State covering an area of about 37.11 lakhs hectares, nearly 60% holdings belong to small and marginal farmers (upto 2 hectares) constituting only 20% of the total area. 74% of the cropped area is receiving irrigation facilities and it has been suggested to us that the rural community could, even after exempting holdings upto 2 hectares, generate considerable resources for its own use by imposing a suitable levy either on irrigated holdings only or a different levy which could be different for irrigated and un-irrigated holdings. Likewise, in order to identify those who have a better paying capacity, a levy could be imposed by Zila Parishads/Panchayat Samitis on the basis of ownership of pumping sets or tractors. There are nearly 1.5 lakh tractors registered in the State of Haryana and unlike scooters, motor cycles and cars, they are not required to pay any tax under the provisions of the Motor Vehicle Act. Some of these suggestions are only illustrative and the Commission trusts that the Zila Parishads/Panchayat Samitis in the State would take concrete steps to initiate a process of larger mobilisation of resources at their own level than what is being attempted at present.

7.5. Coming to concrete measures, we have suggested several steps for increasing the income from Shamlat land by putting it to more productive use and by a more systematic leasing of such lands (Chapter IX). The other main suggestion which we wish to make is with regard to House

Tax, the details of which have been given in the succeeding paragraphs.

(i) **HOUSE TAX**

7.6. Section 41(i) (a) of the Haryana Panchayati Raj Act, 1994 provides for the levy of house tax by the Gram Panchayat which is payable by the occupier or where a house is vacant, by the owner. The rules were earlier framed under the Punjab Gram Panchayat Act, 1952 and the relevant provisions are reproduced as under:-

Power of Taxation:- (1) A Panchayat shall pass a resolution for the imposition of a house tax under Section 82(i) at such rates as it may deem proper but not exceeding the following rates:-

	<u>Per annum</u>
(i) Where the occupier or owner of a house is a land owner or shopkeeper,	Rs. 15
(ii) Where the occupier or owner of a house is a tenant of land or an artisan;	Rs. 11
(iii) Where the occupier or owner of a house is an unskilled labourer;	Rs. 8
(iv) Other occupiers or owners may be bracketed with the above classes as may be determined by the Panchayat for the purpose of imposition of tax.	

7.7. The house tax which is being imposed in the village is Rs. 11, Rs. 8 and Rs. 5 respectively per annum, depending on the category of occupier or the owner. The rate of this tax has remained practically unchanged ever since the formation of the State. In various discussions held with elected representatives of the PRIs, a near unanimous view has been expressed that these rates are rather low and there is every justification for its revision. The consensus was in favour of enhancing it at least by 4-5 times immediately.

7.8. The Rules are in the process of being framed under the Haryana Panchayati Raj Act, 1994 and it is understood that the Government is proposing to increase the house tax substantially. In our view the house tax should be increased and instead of Rs. 11, Rs. 8, Rs. 5, respectively for the three categories, they may be increased to Rs. 30, Rs. 25 and Rs. 10 respectively.

7.9. The position regarding assessment and recoveries during the three year period i.e. 1992-1995 is indicated below:-

TABLE 7.1

HOUSE TAX

(Rs. in lakhs)

Year	Assessment	Recovery	Percentage
1992-93	301.51	264.00	87.56%
1993-94	314.36	260.03	82.72%
1994-95	353.26	265.56	75.17%

7.10. In case the house tax is increased as envisaged above the total assessment on this account will be of the order of Rs. 10 crores. There is no gain saying the fact that strenuous efforts will have to be made to ensure recoveries, if necessary by resorting to the provisions of Section 201 of the Act under which the arrears can be recovered as "arrears of the land revenue".

7.11. The corresponding provisions in similar Acts/regulations in other States provide for the imposition of house tax on commercial establishments, nursing homes, institutions, brick kilns, industrial units etc. as well. In this connection it has to be borne in mind that there are at least 400 villages with a population of 5000 and above and many of them for all practical purposes are well established and prosperous small towns. If these non-residential establishments have to be taxed it would be necessary to either amend section 41(1)(a) of the Panchayati Raj Act under which the Panchayats are empowered to tax residential house alone or to have recourse to section 41 (c) of the

Act which is reproduced below:-

41 (c) - If so authorised by the Government, any other tax, duty or cess which the Legislature of the State has power to impose.

Provided that if the Gram Panchayat fails to impose the tax, duty or cess, the Government may take necessary steps to impose it and the tax, duty or cess so imposed shall be deemed to have been imposed by the Gram Panchayat :

Provided further that the Government may at any time which draw the authorisation under clause (b) or clause (c) where-upon the tax, duty or cess to be levied. "

7.12. The Commission accordingly suggests for further consideration that house tax on such establishments may be imposed on the following basis:-

- (i) for shops and commercial establishments whose turnover is small and do not come under the purview of the State's Sales Tax Act, the amount to be imposed may be Rs. 100 per annum;
- (ii) for shops and commercial establishments which are registered under the State's Sales Tax Act on account of higher turnover should be required to pay Rs. 200 per annum;
- (iii) likewise criteria may be laid down for various private institutions, nursing homes, privately managed schools, marriage halls, eating and lodging establishments etc. and the rate can vary depending on further consideration between Rs. 100 to Rs. 200 per annum. In respect of industries, we can categorize them into tiny, small and large scale industries and prescribe different rates for each of the three categories.

7.13. The Commission further recommends that the rates of house tax should be revised every five years to make it relevant in the context of rising costs. We are not in favour of granting any exemption even for Katcha dwellings since even a small levy imparts a sense of dignity and participation to the residents, apart from a stake in the performance of the Panchayats. It is essential that we inculcate a sense of belonging as well as a tradition to contribute for common causes pertaining to the village amongst the citizens and lessens the tendency to expect the Government to do each and everything for

the community.

(B) SHARE IN TAXES

7.14. The Commission has considered in depth the question of devolution of State resources to the Panchayati Raj Institutions and feels that the bulk of the resources so required for the strengthening of these Institutions at the present stage must come in the form of grants. There is, however, scope for sharing of the taxes/levies in a limited way and in this connection the Commission recommends the following:-

- i) Share in minor minerals
- ii) Share in conversion charges involving change of land use in controlled areas
- iii) Share in revenue from cattle fairs
- iv) Share in Stamp Duty and Registration Fee
- v) Share in Haryana Rural Development Fund

(i) SHARE IN MINOR MINERALS

7.15. Mines and Minerals (Regulation and Development) Act, 1957, a Central Act, enacted by Parliament governs the mineral administration throughout the country. Under Section 13 of this Act, Central Government has framed Mineral Concession Rules, 1960 for regulating the major minerals. Under Section 15 of this Act, Central Government has authorised all the State Governments to frame their own rules for the regulation of minor minerals. Rates of royalty on major minerals are also fixed by the Central Government. Rates of royalty on minor minerals are fixed by the State Government.

7.16. Mineral rights of the State Government are derived from entry No. 10 of the Wajib-ul-Arz (Record of Rights) of any revenue estate read with Section 42 of the Land Revenue Act. Some of the Gram Panchayats and land owners in the year 1969-70 challenged the minor minerals rights of the State Government in respect of saltpetre, brick earth, stone and sand on the ground that there are no specific entries regarding these minerals in the Wajib-ul-Arz. In order to meet this situation and to vest these rights unequivocally with the State Government, the State Legislature enacted the

Haryana Minerals (Vesting of Rights) Act, 1973. Section 3 of this Act authorises the State Government to acquire the mineral rights where it does not vest with it by issuing a notification. Section 4 provides that land owners or occupiers of the land shall get 10% of the annual income from the State Government in lieu of acquired mineral rights for a period of 10 years.

7.17. While the income from major mineral is more or less static, the income derived from the minor minerals has been steadily growing. The income from major minerals, which was Rs. 1.10 crore in 1990-91 has gone up to only Rs. 1.45 crore but the income from minor minerals has gone up from Rs. 8.05 crores in the year 1990-91 to Rs. 21.26 crores in 1994-95. The major districts involved in respect of minor minerals are Faridabad (Rs. 11.15 crores) Gurgaon (Rs.2.19 crores), Ambala (Rs. 2.89 crores), Sonapat (Rs. 2.39 crores).

7.18. The extraction of minor minerals is regulated under Rule 61 of the Punjab Minor Minerals Concesssion Rules, 1964. Under these Rules, as applicable to Haryana, the mining contractor/ lessee obtaining a contract or lease for the extraction of minerals from the State Government is under obligation to pay compensation to the surface right holder including the Gram Panchayat as mutually agreed between him and the contractor. In case of any dispute, the contractor is required to deposit 10% of the annual contract money as tentative compensation and the matter is referred to the Deputy Commissioner Collector of the district for fixing of final compensation under the provision of the Land Acquisition Act. In a majority of cases, particularly concerning individual owners, compensation is settled between the land owner and the contractor mutually and the Department does not come into the picture.

7.19. Certain problems arise when it comes to the question of payment of compensation for surface rights to the Gram Panchayats and other Urban Local Bodies. About 25% of the land leased annually belongs to them. While occasionally the representative of the BDPO is present at the auctions and efforts are made to pay 10% of the contract money as compensation to the Panchayats on the spot, but very often this is not the case and in number of cases the payments are considerably delayed.

7.20. A glaring case is that of the Faridabad Municipal Corporation, which owns about 863 hectares of hilly land in villages Badkhal, Pali and Godhara Mohabtabad. Since the minerals rights belong to the State Government, most of these hilly areas have been leased out to various parties by the State Department of Mines & Geology for extraction of minor minerals. Under the provisions of the Minerals Concession Rules, 1964, the lessees are supposed to pay 10% of the lease money to the land-owners (in this case Faridabad Municipal Corporation) as tentative compensation and in case of dispute between the owners and the lessees, the matter has to be adjudicated upon by the Collector/Deputy Commissioner of the District. It was brought to our notice that the lease-holders are not paying the due share of the Municipal Corporation as compensation for surface rights and a sum of Rs. 1.87 crore was due against various lease-holders for the period 1990-91 to 1993-94. According to the Corporation, an amount of Rs. 18.76 crores has been collected by the State Government by way of income from the grant of lease to various persons during this period. The Corporation is now finding it difficult to collect its legitimate dues from the lessees.

7.21. After carefully considering the matter, the Commission is of the view that in respect of leased land belonging to the Urban Local Bodies/Gram Panchayats, 10% of the bid amount may be straightway collected at the time of auction for compensation in lieu of surface rights and the same should be passed on to the Local Bodies/Gram Panchayats concerned. To this end, if an amendment of the Rule 61 of the Punjab Minor Minerals Concession Rules, 1964 is required, the same should be carried out. This measure would ensure that the Panchayat is not deprived of its due amount and no misappropriation of this amount takes place because of irregularities at the level of the Sarpanch or other officials of the Gram Panchayat. Since this amount is in lieu of the damage caused to the land and has to be finally adjudicated upon by the Collector in the case of dispute, the lessee can if he so desires, agitate the case before the concerned Deputy Commissioner/Collector. Likewise the local body concerned/Gram Panchayat would also have a right to ask for enhancement before the Collector, if they deem it to be necessary.

7.22. We have been informed that the income on account of royalty both in respect of major and minor minerals during the year 1995-96 was Rs.22.89 crores. By far the major portion i.e. about Rs.20.00 crores is on account of minor minerals. The State Government has recently taken a decision to increase royalty on building stone and masonry stone by about 3 times and on the rest of minor

minerals the royalty will be doubled. The total amount of royalty realisable on account of minor minerals will be Rs. 44.00 crores. Government has also taken a decision to generally discontinue the practice of giving mines on mining lease and switch over to the system of granting contracts by public auction. The annual income from royalty is accordingly expected to touch a figure of Rs. 50.00 crores in the year 1996-97.

7.23. The other question considered by the Commission was whether it would be appropriate to share a part of the receipts on account of minor minerals with the Gram Panchayat/Local Body concerned. The minor minerals as noticed earlier are mainly saltpetre, brick earth, stone and there is no denying the fact that their extraction does involve considerable damage to ecology and environment. Since no procedure for calculating the quantity of minerals extracted can be fool proof there is also the need for creating a vested interest or an incentive for the local people to be quite vigilant in this regard. After carefully considering the matter, the Commission recommends that 20% of the income from this source may be shared with the Gram Panchayat/urban local bodies. This 20% would work out to Rs. 10.00 crores and 50% of this devolution would mainly go to Faridabad Municipal Corporation and the rest of the 50% share of the PRIs amounting to Rs. 5.00 crores will be shared among the Gram Panchayats. As regards Panchayats share it is recommended that this may form a pool of resource at State level for further disbursement to the Panchayats in accordance with set guidelines which may be issued by the Development and Panchayats Department. In order to ensure equitable distribution it could well be provided that the share of the various Panchayats could be worked out partly on the basis of origin and partly on the basis of other suitable criteria to be evolved by the State Government.

(ii) CONVERSION CHARGES IN CASES INVOLVING CHANGE OF LAND USE IN CONTROLLED AREAS

7.24. Under the "Punjab Roads and Areas Restriction on Unregulated Areas Act, 1963", the department of Town and Country Planning allows change of land use from agriculture to residential, industrial or commercial use and a fee is charged from the owner of the land for allowing this conversion. At present, this income is credited to the State exchequer. The department of Town and Country Planning prepares a master plan applicable for a period of 15 to 20 years under the above Act laying down specified land uses for the area declared as controlled area under the Act. Normally, an area up to a

distance of 8 kms. beyond municipal limits is declared as the controlled area and the master plan specifying land use for this controlled area is finalised by having discussions with the respective departments first at the district level and subsequently at the State level before the development plan is published and objections invited from all concerned. After considering the objections, a final decision is taken and the plan is published which remains valid unless subsequently modified by another plan. The idea behind formulation of such a plan is for regulating urban activity in a proper manner and to prevent haphazard development. Normally, a limited area is earmarked for urbanisation for future and the rest of the area is declared as rural zone. In case the owner of the land wants to utilise the land earmarked under the rural zone, he has to obtain the approval of Director Town and Country Planning for change of land use. The department as per present policy is charging a fee ranging from Rs. 1/- to Rs. 4/- per sq. yard for such conversion depending upon the location of the area proposed to be converted, its nearness to a link road or State Highway, its potential for development and factors like location in the National Capital Region or otherwise. The Commission has been informed that the present annual income from this source ranges between Rs. 50 to 60 lakhs. The rates of conversion charges for change of land use presently applicable are as under :-

1.	Areas falling in the National Capitals Region	:	Rs.2/- per sq. yard.
2.	Areas falling outside the National Capital Region	:	Rs.1/- per sq.yard.
3.	Areas falling on scheduled roads	:	Additional 50% over the above rates.
4.	Areas falling on National Highways	:	100% additional charges over and above mentioned at Sr.No. 1 & 2.
5.	Composition charges of unauthorised construction	:	Rs. 2/- per sq. ft. uniformly throughout the State.

7.25. The above rates were fixed by the Government sometime in the year 1974 and had not been revised since then. Urbanisation has been taking place all over Haryana at a tremendous pace, leading to phenomenal increase in land values especially in the areas adjoining Delhi forming the National Capital Region. Keeping the steep rise in land prices and the rapid pace of urbanisation in view, the State Government has recently taken a decision to revise these rates substantially with the

quantum of increase ranging between ten to thirty times depending upon factors like its location in the N.C.R. or otherwise, proximity to a national highway, scheduled road or any other road. However to give effect to the decision for increasing the rates, the State Government is in the process of making certain changes in the relevant Act/Rules concerning levy of these charges. Once the revision is effected, as per the estimates of the department, the income from this source is likely to reach the figure of Rs. 2.50 crores per annum.

7.26. In the State of Maharashtra, the power to levy conversion charges has been given to the Zila Parishad. The Commission feels that it would be appropriate that some percentage (if not the full amount) of this income is devolved to the Gram Panchayats so that it proves to be a good and regular source of income to the Panchayats. In view of the fact that in Haryana, there is already an enactment covering the subject which is being administered by the department of Town and Country Planning, we feel that the system of transfer of a part of these charges to the Panchayats will be much simpler with the collecting agency continuing to be the State Government instead of empowering the Zila Parishads to levy these charges. We have considered the matter and recommend that 10% of income from this source may be devolved on the Panchayats. This would also form a part of pool of resources at the State level as envisage under para 7.23.

(iii) REVENUE FROM CATTLE FAIRS

7.27. Cattle Fairs are conducted in the State under the provisions of the Cattle Fair Act of 1970. Prior to the enactment, the fairs were being held at the level of Panchayat Samitis. With the State Government taking over the management and responsibility of conducting these fairs, the income has been improving over the years. As per the provisions of the Cattle Fair Act, 80% of the net income from the cattle fairs held in a district is allocated to the Panchayat Samitis of that district and 20% of the net income is retained by the State Headquarters of the Panchayat Department. The net amount is arrived at by deducting the establishment expenses as well as 5% of gross income for maintenance of the cattle fair grounds. 80% of the net collection of every district is equally distributed to the Panchayat

Samitis of that district. The details of gross income and net income from cattle fairs in the 3 years are as below:-

<u>Year</u>	<u>Gross Income (Rs.)</u>	<u>Net Income(Rs.)</u>
1992-93	1,28,85,433	90,97,521
1993-94	1,23,17,577	81,56,336
1994-95	1,36,55,564	90,95,009

The main income in the cattle fairs is derived by way of registration fee of 4% of the sale price paid by the purchaser and Rs. 2/- per cattle charged from the seller. We have been informed that the above rates were fixed in the early seventies when the cattle prices and the quantum of transactions were very low. Keeping in view the present day cost and sale price of cattle, there is a strong case for revising this rate immediately. We would, therefore, recommend that the registration fee may be increased from 4% to 6% of the sale price and the fee per cattle to Rs. 10/- against the existing Rs. 2/-. On a conservative estimate the net income is bound to go up at least by 50% and reach a figure of Rs. 1.50 crores to Rs. 1.60 crores straightway. Cattle fairs have a basically local character and in all fairness these should be allowed to be organised and managed by the Panchayati Raj Institutions themselves. However, keeping in view the State level apparatus existing for this purpose we do not think it will be wise to disturb the existing arrangement. Moreover, holding of fairs individually at every district by the Zila Parishad concerned is bound to increase the establishment cost and other management expenses. At the same time we strongly feel that the Panchayati Raj Institutions are justifiably entitled to get the entire proceeds from this sources. It is accordingly recommended that the entire net receipts (as against the existing 80%) may be transferred to the Panchayat Samitis concerned. The projected additional receipts by the Panchayats on account of higher share and enhanced levies would be of the order of Rs. 1 crore in the year 1997-98.

(iv) STAMP DUTY AND REGISTRATION FEE

7.28. Stamp duty which is imposed on transfer of immovable property both in urban and rural areas in the State is an important source of revenue to the State Government. Figures obtained from the State Government show that income from stamp duty/registration fee has gone up considerably.

The accounts for 1995-96 show an income of Rs. 244.63 crores, the revised estimates for the year 1996-97 are at Rs. 290.00 crores and the budgetted amount for the year 1997-98 in Rs. 330.50 crores. This is an elastic source of revenue and because of Haryana's proximity to the National Capital Delhi, property/land values particularly in areas around Delhi like Faridabad, Gurgaon, Rohtak, Sonapat and Panipat are very high and same is the case for areas around Chandigarh.

7.29. At present the stamp duty is charged at the rate of 12½% in rural areas and 15½% in municipal areas of the State. In the case of municipal areas the local bodies are empowered to impose an additional duty on the transfer of immovable property within the limits of the municipalities in addition to the duty imposed under the Indian Stamp Act, 1899. The relevant provision under section 69 (c) of the Haryana Municipal Act, 1973, reads as under:-

“a duty on the transfer of immovable properties situated within the limits of the municipality in addition to the duty imposed under the Indian Stamp Act, 1899, as in force for the time being in the State of Haryana, on every instrument of the description specified below and at such rate, as the State Government may, by notification, direct, which shall not be less than one per centum and more than three per centum on the amount specified below against instruments.”

7.30. Under the above provisions an additional stamp duty 2% was fixed in July, 1973 as the share of municipalities and in January, 1989, this share was increased to 3% which was the maximum provided under the Act. Thus, in municipal areas, the total stamp duty works out to 15½%. The rural local bodies do not get any share of revenue from stamp duty/registration fee. Many States in the country give a share to the urban as well as rural local bodies either by way of surcharge or additional stamp duty. In the neighbouring State of Punjab, the State Finance Commission has recently recommended share of 20% of revenue from this source to the urban and rural local bodies in the State, and there is thus, every justification for giving a share of this elastic source of revenue to the rural local bodies in the State of Haryana as well.

7.31. The department has not been able to furnish details of stamp duty/registration fee collected in urban and rural areas separately. The accounts for the year 1994-95 show a receipt of Rs. 163.81 crores. The Commission has tried to make an assessment on the basis of income figures supplied by the municipalities through the questionnaire circulated by us. Based on these figures around

Rs. 29.96 crores was collected as stamp duty/registration fee in the municipal areas during the year 1994-95 which works out to 18.29% of the total collection. In other words, according to these figures, roughly about 80% was the realisation from this source during the year 1994-95 from the rural area.

7.32. Considering the precarious financial position of the PRIs and the need to provide them some elastic source of revenue, it is considered appropriate that they are provided with a share out of the Stamp Duty realisations from the rural areas. Here it may be stated that 3% additional stamp duty is already being charged in Haryana for the benefit of the municipal areas and the Punjab Government, it is reported, have accepted the recommendations of the Punjab Finance Commission to share 20% of the net proceeds of stamp duty as a whole for the benefit of rural and urban local bodies. Considering this and various other relevant factors, the Commission is of the view that atleast 10% of the income from stamp duty/registration fee emanating from the rural areas of the State should be devolved to the Panchayati Raj Institutions. Since the realisation from the rural areas is about 80% of the total realisation, 10% realisation from rural areas would work out to 8% of the total receipts under the budget head "Stamp duty & Registration". As it may not be easy every time to work out the figures of income on this account from the rural areas separately, it is felt that a better option would be to suggest a percentage figure out of the total receipts from this source.

7.33. With this background and after fully considering the matter, the Commission recommends that 7½% of the total receipts under the head 'Stamp duty & Registration Fee' be transferred to Panchayati Raj Institutions. The budgetted figures under the head for the year 1997-98 is Rs. 330.50 crores and 7½% share would work out to approximately Rs. 25.00 crores. It is further recommended that the amount so realised be placed at the disposal of the Development and Panchayats Department who would in turn allocate the share of the districts on the basis of the "decentralised planning formula". The further devolution between the PRIs would be in the ration of 10:15:75 to Zila Parishads, Panchayat Samitis and Panchayats, respectively. The share of the Panchayat Samitis and the Gram Panchayats within the district, will be on a population basis.

(v) **HARYANA RURAL DEVELOPMENT FUND**

7.34 Under the provision of the Section 8 of the Haryana Rural development Act, 1986, a fee on advalorem basis @ 1% of the sale proceeds of agricultural produce bought or sold or bought for processing in the notified market area is charged from the dealers which is collected by the Market Committees along with market fee payable @ 2%. The amount of fee so collected @ 1% is credited to the account of the Rural Development Board constituted under the provisions of the Act. The Market Committees/Marketing Board are paid 3% of the amount collected as collection charges by the Rural Development Board administering the Fund. Sub Section 5 of Section 6 of the Act specifies the purpose for which the rural development fund can be spent and these include development of roads, establishment of dispensaries, making arrangements of water supply, sanitation and other public facilities, welfare of agricultural labourers, construction of godowns, construction of rest houses and a host of other items of development pertaining to rural areas. It may also be spent for any other purpose which may be considered by the Board to be appropriate for the benefit of persons paying the fee.

7.35 From the figures made available to us, we find that the annual realisations for this Fund during the year 1994-95 were of the order of Rs. 40 crores. In any case, since the levy for the fund is half the quantum of the market fee (1% advalorem against 2% market fee) and is also collected by a common agency, the projections made in the case of market fee would ipso-facto, apply to the Rural Development Fund. On this basis, it can be safely assumed that there will be markedly upward trend in the income in the coming years, which will be in the region of Rs. 85-90 crores per annum by the year 2000 AD. Figures intimated by the Department also show that since the inception of scheme upto the end of the year 1994-95, a total of Rs. 142.85 crores has been released to the various districts. From the year 1994-95, a major portion of the Fund is being earmarked towards the MLA Local Area Development Scheme, the expenditure on which has to be decided by the concerned MLA. This scheme has since been discontinued with effect from 1996-97.

7.36 Even with regard to the other investments from this Fund, it has been found in practice that decisions have been by and large taken on an adhoc basis with the result that while some areas

may have been unduly benefitted, others have failed to get their due from this source. The representatives of the PRIs stressed that they should now be actively involved in the process of selecting the schemes and their implementation and this could best be done by placing the funds squarely at their disposal for the earmarked purposes. Some representatives also stressed that specific amounts should be earmarked for every area, depending upon the resources generated in that area by way of this Fund.

7.37 The Commission is of the view that, taking stock of the situation as a whole and the dire need for expanding the pool of available resources, it would be appropriate if an additional avalorem levy of 1% is imposed for the Rural Development Fund on the sale proceeds of agricultural produce coming to the regulated markets. In other words, it is proposed that the levy for the H.R.D.F may be increased from 1% to 2%, as is the case in the neighbouring State of Punjab. Since the projected realisation during 1996-97 are placed at Rs. 45.00 crores, the additional levy of 1% would result in an accrual of a similar amount as and when such a decision is taken. Together with the anticipated normal increases, the realisation could straightway be of the order of Rs. 100.00 crores per annum once the enhanced levy is brought into effect.

7.38 The Commission is fully cognizant of the fact that the H.R.D.F. does not form a part of the Consolidated Fund of the State and that the question of augmentation of State resources also does not, strictly speaking, fall within its terms of reference. All the same, it is also to be borne in mind that the Commission is charged with the responsibility of suggesting ways and means of strengthening the financial viability of PRIs and it is in this context that the Commission has deemed it fit to make a pointed reference to this readily available, attractive and expanding source of revenue which calls for serious consideration at the level of the State Government.

CHAPTER VIII

GRANT-IN-AID BY THE TENTH FINANCE COMMISSION- CRITERIA FOR DISTRIBUTION AMONG PANCHAYATI RAJ INSTITUTIONS

8.1 The Tenth Finance Commission has allocated an amount of Rs. 99.22 crores as adhoc grant to the State of Haryana out of which Rs. 82.64 crores is meant for Panchayati Raj Institutions and Rs.16.58 crores is meant for urban local bodies. This grant is to be spread over a period of 4 years namely 1996-2000, which works out to Rs. 20.66 crores per annum for the rural local bodies and Rs. 4.15 crores per annum for the urban local bodies. The provisions for the Panchayati Raj Institutions have been worked out on the basis of Rs.100/- per capita of rural population for the four year period 1996-2000, and 1971 census figures have been taken into consideration for this purpose. While making these recommendations, the Tenth Finance Commission has observed that these amounts will be an additionality over and above the amount flowing to the local bodies from the State Government. It has further been laid down that suitable schemes with detailed guidelines for utilisation of this grant should be drawn up and the local bodies should be required to provide matching contribution by raising resources and the grant is not intended for expenditure on salaries and wages. The Tenth Finance Commission has further left the task of making recommendations regarding district-wise allocation of grant-in-aid to the Panchayati Raj/Municipal Bodies to the State Finance Commissions.

8.2 We have considered the question of district-wise allocation of this grant for PRIs very carefully and have also discussed the matter with the officers of the Development and Panchayats Department. Under the scheme of de-centralized planning covered in the State Annual Plan, due weightage is given to the various factors namely; population 40%, population of Scheduled Castes 10%, un-employment 5%, rural population 5%, backwardness in agriculture and irrigation 10%, backwardness in industries 10%, backwardness in hospitals and veterinary facilities 10%, and backwardness in elementary education 10%. This principle can be followed for distribution of central grant-in-aid recommended by the Tenth Finance Commission between the various districts of Haryana. Another option could be to distribute this amount among the districts based on the rural population of the respective districts. In this case, there is a possibility of the developed districts getting more than their legitimate share.

8.3 After carefully considering the matter, the Commission is inclined to recommend the first option namely, distribution based on the principles adopted in the case of decentralized planning since these are more equitable giving due weightage to various indicators of development. The Statement at Appendix 'A' indicates the manner in which the districtwise allocation has been worked out accordingly. The annual devolution of grant-in-aid districtwise during the period 1997-98 to 1999-2000 (3 years) has also been indicated in the statement at Appendix 'B'. Since district Panchkula has been carved out of the Ambala district, the provision given for district Ambala would have to be further divided between Ambala and Panchkula on the basis of their respective rural population.

8.4 It may be mentioned that in so far as the utilisation of the Tenth Finance Commission grant for the year 1996-97 is concerned, the Government of India had issued detailed instructions which inter-alia provided that it was not necessary for the State Government to await the recommendations of the State Finance Commission for such utilisation. We have been given to understand that further action has been taken by the State Government accordingly.

8.5 The utilisation of the annual grant during the period 1997-98, 1998-99 and 1999-2000 will be regulated as follows:-

- i) The districtwise allocation as at Appendix 'B', shall be allocated further inter-se between the Zila Parishads, Panchayat Samitis and Gram Panchayats within the district in the ratio of 10:15:75.
- ii) The share of the Panchayat Samitis and Gram Panchayats, so worked out for each district will be further transferred to each of the Panchayat Samiti and Gram panchayat on the basis of their respective population.
- iii) The allocation of the Gram Panchayats will not be given directly but would be placed at the disposal of the respective Panchayat Samitis, with a view to exercising better monitoring and control. The Samitis, however, will not be entitled to divert the share of the Panchayats for any other purpose.
- iv) The grant provided by the Tenth Finance Commission would not be utilised for the payment of salaries and wages.

Detailed guidelines would be issued by the Development & Panchayats Department on the above basis which would also lay down the quantum of matching contribution to be provided by the PRIs. The scheme of devolution suggested by us would leave enough resources in the hands of the PRIs to provide their share of the matching contribution. The guidelines to be issued by the State Government may also provide for giving a part of the matching contribution by way of cash, kind or labour at the level of PRIs.

Appendix 'A'

Chapter VIII

Criteria for Distribution of Annual Grant by Tenth Finance Commission among Districts on Decentralised Planning pattern. (PRIs)

									(Rs. in lakhs)
S. District No.	Popula- tion (40%)	Popula- tion of S.Cs (10%)	unem- ploy- ment (5%)	Rural Popu- lation (5%)	Backward ness in agr. + irrigation (10%)	Backw- ness in Ind (10%)	Backward ness in Hospital & Vet. facility (10%)	Backward ness in Elementry Education (10%)	Total (100%)
1.Ambala	56.00	16.25	10.50	6.00	13.00	6.00	9.25	13.00	130.00
2.Yamuna Nagar	41.25	13.00	6.00	4.50	8.50	3.00	11.25	13.00	100.50
3.Bhiwani	53.00	12.50	9.00	7.25	31.50	11.25	8.75	11.25	144.50
4.Faridabad	74.25	15.00	9.25	6.25	12.75	1.00	12.75	14.25	145.50
5.Gurgaon	57.50	10.00	6.00	7.50	23.00	5.00	15.50	13.75	138.25
6.Hissar	97.00	28.50	11.75	12.75	22.25	17.75	10.25	14.50	214.25
7.Jind	49.75	12.25	5.75	7.00	8.75	23.25	12.00	13.00	131.75
8.Karnal	52.25	13.75	7.50	6.50	8.75	4.25	11.25	13.25	112.50
9.Panipat	34.25	7.25	3.00	4.00	5.00	4.75	16.50	16.75	91.50
10.Kurukshetra	32.25	8.00	4.00	4.00	5.25	29.50	14.00	11.75	108.75
11.Kaithal	41.25	11.25	3.25	5.75	6.00	39.00	18.00	15.75	140.25
12.Mahendargarh	34.25	6.50	4.00	5.00	19.25	16.50	14.00	10.75	110.25
13.Rewari	31.25	7.75	3.50	4.50	11.75	9.75	14.50	10.00	93.00
14.Rohtak	74.50	17.25	10.00	9.50	19.50	12.25	9.50	11.00	163.50
15.Sirsa	45.25	15.25	3.50	6.00	9.50	17.75	14.50	14.75	126.50
16.Sonepat	52.25	12.00	6.25	7.00	7.25	5.50	14.50	9.75	114.50
TOTAL	826.25	206.50	103.25	103.50	207.00	206.50	206.50	206.50	2066.00

Appendix 'B'

(CHAPTER - VIII)

Annual districtwise share of Tenth Finance Commission Grant on Decentralised Planning pattern (1997-2000) (PRIs)

(Rs. in lakhs)

Sr.No.	Districts	1997-98	1998-99	1999-2000	Total(3 years)
1	Ambala	130.00	130.00	130.00	390.00
2.	Yamuna Nagar	100.50	100.50	100.50	301.50
3.	Bhiwani	144.50	144.50	144.50	433.50
4.	Faridabad	145.50	145.50	145.50	436.50
5.	Gurgaon	138.25	138.25	138.25	414.75
6.	Hissar	214.75	214.75	214.75	644.25
7.	Jind	131.75	131.75	131.75	395.25
8.	Karnal	112.50	112.50	112.50	337.50
9.	Panipat	91.50	91.50	91.50	274.50
10.	Kurukshetra	108.75	108.75	108.75	326.25
11.	Kaithal	140.25	140.25	140.25	420.75
12.	Mahendargarh	110.25	110.25	110.25	330.75
13.	Rewari	93.00	93.00	93.00	279.00
14.	Rohtak	163.50	163.50	163.50	490.50
15.	Sirsa	126.50	126.50	126.50	379.50
16.	Sonepat	114.50	114.50	114.50	343.50
TOTAL		2066.00	2066.00	2066.00	6198.00

The respective rural population of the newly created districts of Ambala and Panchkula :-

	<u>Population (1991 Census)</u>
- New Ambala District	511671
- Panchkula District	208213
Total (i.e. old Ambala District)	719884

On this basis, their respective annual share would work out as follows:

	(Rs. in lakhs)
- Panchkula	37.60
- New Ambala District	92.40
Total	130.00

CHAPTER IX

COMMON LAND ENCROACHMENT AND PANCHAYAT FINANCES

9.1 The term "Shamlat" with regard to a Gram Panchayat signifies that it is the property of the body of proprietors of land in the village. "Malkan Deh" were entitled to the share of this land called "Shamlat Deh". It was generally felt that these areas remained comparatively neglected and were not put to optimum use. With the enactment of the Panchayat Village Common Lands (Regulation) Act, 1961 the Panchayats were conferred proprietary rights on common lands, which also conferred upon them an effective role in the management of such land. Apart from "Shamlat Deh", there is "Abadi Deh" i.e. land covering the village site and another third category known as "Gora Deh" which refers to lands adjoining and surrounding the "Abadi Deh", which is reserved for extension of the village dwellings so as to meet the pressure of increasing population. Common lands in Haryana are a major source of income to the panchayats.

9.2 In order to have an in-depth idea of the problem of unauthorised encroachments on panchayat lands, the Commission entrusted a study to the Haryana Institute of Rural Development, Nilokheri. The report submitted to the Commission gives an overview of the problem as it exists in the entire State. The study also focuses on two districts, namely, Kurukshetra and Karnal for a more closer study. The broad objectives of the study were as under:-

- i. to study the causes of un-authorized occupation of panchayat lands and the extent of the problem;
- ii. to examine the existing legal provisions and their effectiveness in meeting the situation;
- iii. to suggest measures for removing the illegal possessions so as to secure additional resources for the benefit of the rural community.

9.3 According to the study so conducted, the over all picture for the State as a whole is as follows:-

	(in 000 acres)
1. Total village common land in the State	824.66
2. Cultivable land	197.31
3. Land on lease	137.03
4. Land under encroachment	28.50(14.51 % of the cultivable area)

It will be seen that about 8 lakh acres or about 8% of the total area according to the village papers is village common land area. Out of this, about 2 lakhs i.e. 1/4 is under the cultivable category and the rest is uncultivable, though some reports do indicate that a part of land shown as uncultivable is also being unauthorisedly cultivated. Out of a total of about 2 lakh acres of cultivable land thus made available, the area of the land on actual lease is about 1.37 lakh acres. The land under encroachment as shown above is 28.50 thousand acres or 14.51% of the cultivable land but in line with the common perception, the study itself indicates that this seems to be an under estimate and the extent of land under actual encroachment is likely to be much more than what has been so indicated.

9.4 The leasing of the cultivable common land is a major source of income for the Panchayats and in the year 1994-95, the total income from this source was of the order of Rs.31.31 crores, against their very meagre income of less than Rs.3.00 crores from House tax, which is the other main source of Panchayat revenues. The position regarding the actual money realised varies from district to district, this being as high as Rs.5.38 crores in Karnal, Rs.4.27 crores in Hissar, followed by Rs.2.20 crores in Kaithal and Rs 2.10 crores in Sirsa. In terms of per capita income Karnal is the highest (Rs 83.70), followed by Kurukshetra (Rs 57.29), Kaithal (Rs 33.30), Hissar (Rs.29.33), Panipat (Rs.27.39) and Sonipat (Rs.23.27). The per capita income in Gurgaon is as low as Rs 10.36 because of less cultivable area and in Rohtak it is Rs. 11.23 due to lesser area and higher population density.

The district-wise position can be more clearly seen from the following table:-

TABLE 9.1

LEASE MONEY - DISTRICTWISE

SNo.	District	Lease money (1994-95) (Rs.in lakhs)	Lease money per capita (1991 census population) (Rs.)
1	2	3	4
1.	Ambala	110.50	15.35
2.	Yamuna Nagar	130.80	24.00
3.	Kurukshetra	279.47	57.29
4.	Kaithal	219.11	31.30
5.	Karnal	537.78	83.70
6.	Panipat	166.31	27.37
7.	Sonipat	145.79	25.27
8.	Rohtak	159.75	11.23
9.	Faridabad	102.83	13.54
10.	Gurgaon	94.66	10.36
11.	Rewari	139.95	26.50
12.	Mohindergarh	150.51	25.20
13.	Bhiwani	131.12	13.90
14.	Jind	125.56	15.74
15.	Hisar	426.79	29.33
16.	Sirsa	209.74	29.44
Total State		3130.67	25.23

9.5 An idea of the district-wise area under illegal possession, and the cases which have been filed and are yet to be filed along with acreage involved till the end of financial year 1994-95, can be had from the following :-

1.	Area under illegal cultivation for which cases have been filed	21138 acres
2.	Number of cases filed in courts	8387 (No)
3.	Area under illegal cultivation for which cases have yet to be filed	2264 acres
4.	Number of cases yet to be filed	1200 (No)
5.	Total area under litigation	23402 acres
6.	Total cases under litigation	9587 (No)

9.6 As on March 1995, a total of 8,387 cases involving an area of more than 21,000 acres have been filed in different courts in the State and nearly 1,200 cases involving 2264 acres were yet to be filed. The major problem is in the district of Kurukshetra, Kaithal, Karnal & Hisar as would be clear from the following :-

TABLE 9.2
COURT CASES

District	Filed		To be filed		Total	Total
	Area (acres)	No. of cases	Area (acres)	No. of cases	Area (acres)	No. of cases
1. Kurukshetra	6000	1157	-	-	6000	1157
2. Kaithal	4157	1277	-	-	4157	1277
3. Karnal	1609	781	1642	828	3251	1609
4. Hisar	2892	579	89	331	2981	910

9.7 All these figures clearly indicate that the follow up of cases and decisions by courts is rather slow and admits of considerable improvement. Instead of deciding these cases in a summary manner, they are dragged on for years with many of the officials, Panchayats and the Law Officers not taking any real interest in getting the cases completed. Section 7 of the Common Land Act which deals with illegal occupation of common land gives powers to the Assistant Collector Ist Grade for ejection of an un-authorized occupant and also putting the Panchayats in possession of this land. Section 7 of the Act is quite unambiguous on the subject and it specifically provides that the designated officer "after making such summary inquiry as he may deem fit, and in accordance with procedure as may be prescribed, eject any such person who is in wrongful or unauthorised possession". In many cases, it was found that along with ejection orders by the Revenue Courts, warrant of possession is not issued thereby causing a further delay of three to four months, even though the spirit of the Act clearly is that the Assistant Collector Ist Grade shall put the Panchayat in possession without any loss of time.

9.8 As a further deterrent, the amendments to the Punjab Village Common Lands (Regulation) Act carried out in 1992 also provide that the Assistant Collector Ist Grade shall, after due inquiry, require any person to pay penalty for any such unauthorised possession "at a rate not less than five thousand and not more than ten thousand rupees per hectare per annum, having regard to the benefit which could be derived from the land or other immovable property". In other words, if an unauthorised

person is in illegal possession for, say, three years, he can be required to pay as much as Rs. 30,000/- per hectare. In actual practice, the provisions of Section 8(1) of the Act have proved to be of considerable hindrance, as even the person in un-authorised occupation cannot be dispossessed unless the uncut crops have been reaped and he has been allowed a reasonable time to harvest them. It is a moot point whether such a userper should be allowed this facility. Further, Section 7 (5) of the amended Act is even more stringent as it provides as under :-

“Any person who is found in wrongful or unauthorised possession of the land or other immovable property in Shamlat deh and is ordered to be ejected under sub-Section (1), shall be punishable with imprisonment for a term which may extend to two years”.

9.9 There is no reason why the above provisions should not be vigorously enforced if the circumstances so warrant, particularly in respect of persons who continue to resort to illegal occupation year after year. It will thus be seen that there are enough enabling provisions in the existing law to take care of all situations and to take commensurate action against persons illegally occupying or cultivating the village common land and the question is essentially one of strict enforcement of the existing legal provisions by the officials concerned.

9.10 While legal action has to be taken against the defaulters on the above lines, there is no gain saying the fact that the Panchayat must rise above party factionalism and exercise due vigilance. This question assumes particular importance because, even as it is, the money realised from village common land is the main source of income to the Panchayats and if deterrent action is not taken it is apprehended that less and less area would be available to the Panchayat for leasing. On the other hand if the Panchayats are able to secure back the possession of the encroached areas there is a distinct possibility of the Panchayats increasing their income by at least about Rs.5 to 6 crores per annum. This will go a long way in augmenting their resources particularly in districts having larger chunks of more fertile land where the amount likely to be realised from such land is quite substantial. Action on these lines would also reverse the present tendency towards encroachment of village common land by influential people.

9.11 The question of encroachment of common Panchayat land and public streets in the 'Abadi Deh' is even more serious though not strictly from a 'resource' angle. Section 24 (1) of the Haryana Panchayati Raj Act, 1994 empowers the Panchayats to remove any encroachment on a public place or a drain. One of the main hindrances coming in the way of taking legal action against such encroachments is the nonexistence of maps of abadi deh duly prepared in accordance with law. Even where the Gram Panchayat takes action for removal of the said encroachments by resorting to section 7 of the Punjab Village Common Lands (Regulation) Act, 1961, the case of the Gram Panchayat often fails because of lack of proof to the effect that the land under encroachment does in fact legally vests in the Panchayat.

9.12 Section 26 of the Haryana Panchayati Raj Act makes the preparation of the maps of abadi deh in Sabha area on the part of the Gram Panchayat as mandatory. The said maps are to be prepared after following the procedure laid down in rule 14 of the Haryana Panchayati Raj Rule, 1995. While this is a larger administrative issue, inter alia, involving considerable technical support, the Commission feels that such maps must at least be prepared for the bigger villages. The four hundred and odd villages in the State with a population of more than 5,000 each specially qualify for this dispensation and this is all the more necessary because of rising prices of land and also the fact that many of them would require to be municipalised in the next decade or so.

9.13 There is a general practice to give Panchayat lands on lease by conducting an open auction in the presence of representatives of the Panchayats Department after giving due notice to all concerned. The intention behind this procedure is to ensure maximum participation by all interested persons and get the best possible income per acre for the Gram Panchayat. However, in practice, there have been frequent complaints that in many cases the land is leased out at throwaway prices without following the proper procedure or on the basis of inadequate participation in the open auction. This in many cases is done with the collusion of local officials at the subordinate level as well as the Sarpanch/members of the Panchayat. With a view to minimise such cases it will be better to fix a minimum lease money for shamlat land in various Panchayats by a Committee of officers as well as representatives of the Panchayat Samitis/Panchayats. This procedure would ensure that no panchayat land is leased out at a price lower than that fixed by this Committee and thereby avoiding financial loss to the Panchayats. The Committee could be chaired by the Block Development and Panchayat

Officer and should consist of the representatives of the Revenue and Irrigation Departments apart from representatives of the Panchayat Samiti and the concerned Panchayat. The recommendations of this Committee should be got approved from the Deputy Commissioner of the concerned district before conducting the actual auction.

OTHER SUGGESTIONS

i) AFFORESTATION/FISH FARMING

9.14 In the paragraphs above, we had gone into the question of unauthorised occupation of Panchayat lands and the need to prevent such occurrences in future only in the context of the income which accrues to the Panchayats from the lease of such lands. Since common lands are a very good source of own revenues of Panchayats the need to have an effective control over their management can not be over emphasised. At the same time we find that out of a total common land measuring 8.25 lakh acres, only 1.97 lakh acres are cultivable which means nearly 3 times more area is not being used for agricultural purposes. It may be mostly area under ponds, forests, banjars etc. We have been given to understand that the Forest Department has been obtaining panchayat land for afforestation and regular targets are also fixed for this purpose. A lot, however, still remains to be done. We would, therefore, recommend that out of this nearly 6 lakh acres of uncultivated land, maximum possible area should be utilized for plantation/afforestation which will give income to the Panchayats. Similarly, areas which afford potential for taking up fishing activities should be exploited properly with a view to maximise the income to the Gram Panchayats. We, therefore, recommend that a survey should be undertaken of this vast areas which are not cultivated so as to identify the quantum of additional area which could be put to afforestation, fishing activities etc. and a time bound programme be chalked out to undertake such activities.

(ii) SETTING UP OF COMMERCIAL COMPLEX ON SHAMLAT LAND

9.15 As already pointed out above, cases of un-authorised occupation of Shamlat land are on the increase. This is particularly more where the Shamlat land adjoins a municipal town or an urban area because of the higher potential and value of the land. In such cases there is every possibility

of the land being put to commercial use by the unauthorised occupant to derive higher pecuniary advantage. During our meetings with the elected representatives, there have been some suggestions that the Gram Panchayats in such cases should be allowed to develop shops which could be let out or sold to prospective buyers so as to derive reasonably good income. There is a provision in the budget of Panchayat Department for providing loans to the Panchayats for various Revenue Earning Schemes but very few Panchayats have taken advantage of this scheme since the funds available are not very substantial. We are of the view that in all such cases where Panchayat land adjoins a town or an urban area, its potential for commercial development should be gone into and exploited and a way should be found to provide adequate financial support for this purpose. We are given to understand that there are a few Panchayats who have undertaken such schemes successfully on a limited scale. Similarly, there has been an accent on setting up of rural industries and industrial sheds in rural areas to enable young entrepreneurs to take up activities related to the rural sector. The concept of Udyog Kunj whereby a cluster of sheds are constructed in the rural areas and given to young entrepreneurs, can be adopted by the Gram Panchayats in case suitable Panchayat land is readily available.