PART - II

(URBAN LOCAL BODIES)

CHAPTER X

URBAN LOCAL GOVERNMENT - PROCESS OF EVOLUTION IN HARYANA

URBANISATION PROCESS

10.1 While Haryana gives the impression of being a State with a strong rural bias, there has been all the same a distinct trend towards urbanisation in the State since the beginning of the century, as would be clear from the following :-

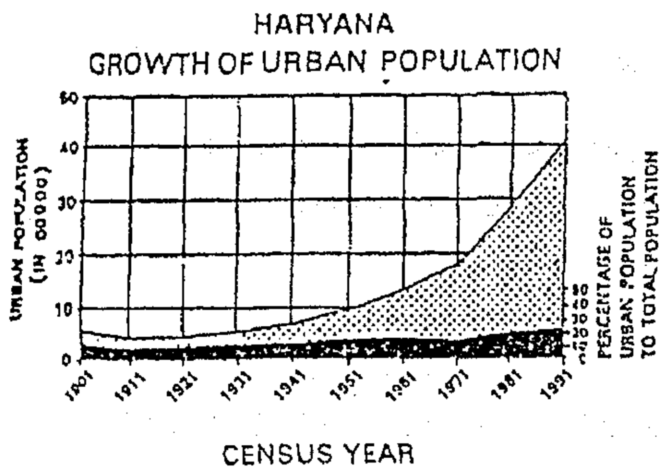
TABLE 10.1

GROWTH OF URBAN POPULATION.

Census Year	Number of Cities/ Towns	Total Population (in lakhs)	Urban Population (in lakhs)	Percentage of urban population to total population
1901	54	46.23	5.74	12.42
1911	36	41.75	4.50	10.78
1921	39	42.56	4.81	11.30
1931	41	45.60	5.65	12.39
1941	45	52.73	7.06	13.39
1951	62	56.74	9.69	17.08
1961	61	75.91	13.08	17.23
1971	65	100.36	17.73	17.67
1981	81	129.22	28.27	21.88
1991	94	164.63	40.54	24.62

It will be seen that the urban population in Haryana was around 12% to 17% till the formation of the State in mid sixties, and coinciding with rapid economic development and the ushering in of the Green Revolution in the State, it has gone upto 24.62% in the year 1991.

10.2 The position in this regard can be more readily comprehended from the following graph :-



10.3 The position regarding the number of towns, the decennial population g owth as well as the corresponding urban population can be seen from the table given below :

TABLE 10.2

DECENNIAL POPULATION GROWTH

Years	No.of Towns	Total Population (in lakhs)	Decennial Growth(%)	Urban Population (in lakhs)	Decennial Growth(%)
1951	62	56.74	—	9.69	—
1961	61	75.91	33.79	13.08	34.98
1971	65	100.36	32.21	17.73	35.55
1981	81	129.22	28.76	28.27	59.45
1991	94	164.63	27.40	40.54	43.40

It will be seen that in the 30 years period (1961-1991) while the total population has a little more than doubled, the urban population has gone up by three times. The maximum growth of urban population was in the period of 1971-1981 when the growth of the urban population over the 10 years was 59.45% against the over all growth of population of only 28.76%. The trend has continued during the period 1981-1991 when in absolute terms the population increased by about 12 lakhs against 11 lakhs during the period 1971-81. The urban population is expected to be of the order of 52.36 lakhs in 2001, 83.39 lakhs in 2011 and 119.59 lakhs in 2021. The total population of the State in the year 2001 is expected to be 207.64 lakhs and thus 28% of the State population will live in the urban areas. This steep increase envisaged in urbanisaticn in the coming years pointedly underscores the need for systematic planning for proper urban growth in all its multifarious aspects right from the present stage.

10.4 At the time of 1991 census, there were 16 districts in the State, and since then another district namely, Panchkula has been added. However, since the comparative picture is available only with regard to 16 districts, the picture with regard to district Panchkula has not been separately indicated.

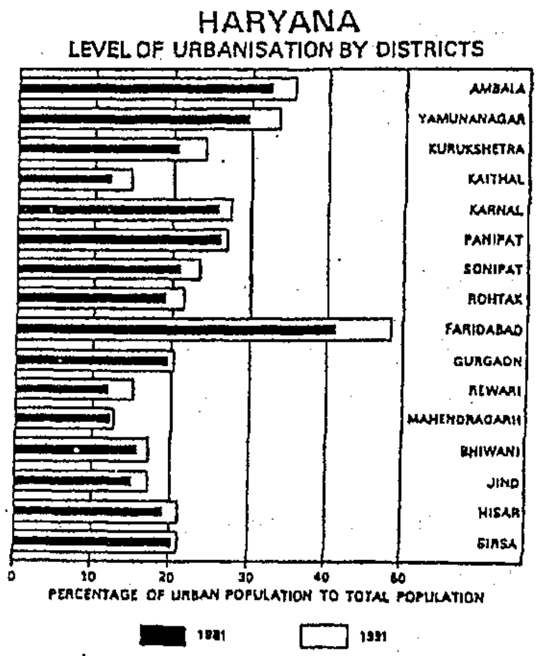
10.5 The decennial growth of urban population during the decade 1981-91 was the maximum in Faridabad and the least in Mahendragarh as would be clear for the following Tabl :-

TABLE 10.3

DECENNIAL GROWTH RATE OF URBAN POPULATION 1981-91

Rank	State/District	Decennial growth rate of urban Population 1981-91
1	2	3
	Haryana	43.40
1.	Faridabad	74.64
2.	Rewari	60.40
3.	Kaithal	48.59
4.	Yamuna Nagar	44.88
5.	Kurukshetra	43.04
6.	Ambala	41.22
7.	Sonepat	40.68
8.	Jind	39.64
9.	Panipat	37.18
10.	Gurgaon	36.85
11.	Hisar	34.66
12.	Karnal	33.77
13.	Bhiwani	33.25
14.	Sirsa	32.08
15.	Rohtak	31.72
16.	Mahendergarh	27.99

10.6 The level of urbanisation in the various districts can be more clearly visualised from the following diagram :



10.7 It may be clarified at this initial stage itself that as per the definition adopted by the Census Commission, there were 94 towns in Haryana in the 1991 Census, with a population of 40.54 lakh. While working out these figures the area conforming to the following standards have been treated as Urban for Census purposes :-

1. All statutory towns i.e. all places with a local authority like municipality, cantonment board, notified area committee, etc;

2. All other places, which satisfy the following requirements;

   (a) A minimum population of 5,000;

   (b) At least 75% of the male working population being engaged in non-agricultural pursuits and

   (c) A density of population of at least 400 persons per square kilometre. Towns are also classified on the basis of their population size for the purpose of Census into the following classes :

Size Class	Population range
I	1,00,000 and above
II	50,000 to 99,999
III	20,000 to 49,999
IV	10,000 to 19,999
V	5,000 to 9,999
VI	upto 4,999

A class I town i.e. a town having a population of 1 lakh and above is termed as a city in Census, irrespective of the fact that the town has a corporation or a municipality.

10.8. The number of Urban Local Bodies in Haryana aggregate to a total of 81 consisting of one Municipal Corporation, 20 Municipal Councils and 60 Municipal Committees.

If this Census classification is adopted, the class-wise position of towns in Haryana would be as under :-

Class	Population Range	No. of Municipal Towns	1991 Population	% to total
I	1 lakh & above (1 Faridabad complex+councils)	11	21.35	55.50
II	50,000 to 99,999	10	6.99	18.17
III	20,000 to 50,000	18	5.07	13.18
IV,V& VI	Less than 20,000	42	5.06	13.15
		81	**38.47**	**100.00**

Actually the number of Municipal towns in Haryana in 1991 was 80 and Municipal Committee of Rania with a population of 23,334 persons was formed in the year 1993-94. Thus for analytical purposes the number of Municipal towns in Haryana have been taken to be 81 which includes one Municipal Corporation. The number of Municipal towns at present is 82 as one more Municipal

Committee of Pinjore has been formed during 1995-96, but the data with regard to this latest addition is not being included in this report for want of reliable factual information.

EVOLUTION OF LOCAL GOVERNMENT

10.9 Punjab, from which the State of Haryana was carved out in 1966, has a long tradition of urban civilisation going back to the hoary past. The beginning of Local Self Government during the British Rule can be traced to the institution of committees (not Municipal Committee) constituted to carry out local improvements under the supervision of the Divisional Commissioners. It was in 1862 that the Municipal Committees with enlarged powers were established at district headquarters. The 1884 Act made provision for people's representation in the Municipal Committees and the number of non official and elected members was also increased. The Punjab Municipal Act of 1911, was further amended in 1929, envisaging the extension of the elected element and introduced the election of non official President and Vice-President. The first Municipal Committee of Gohana in Haryana State was established in the year 1885. In the post-independence period, the Punjab Government passed the East Punjab Local Authorities (Restriction of Functions) Act, 1947 which empowered the State Government to assume functions of a local authority, if it was not capable of discharging the functions duly assigned to it.

OVERALL HARYANA SCENARIO

10.10 A comprehensive Act called " The Haryana Municipal Act, 1973 " was enacted in 1973 to regulate the composition, functions, taxation and allied matters of urban local bodies in Haryana. Besides, a large number of Rules and Bye-laws were framed on various subjects like municipal accounts, delimitation of wards, management of municipal properties and construction of buildings to facilitate the working of the Municipal Committees. At the time of re-organisation of the State on 1.11.1966, there were 56 municipal bodies. Its number is 81 at present with one Municipal Corporation, 20 Municipal Councils and 60 Municipal Committees. Earlier the Municipal Bodies were categorised as A, B & C type of Municipalities. As earlier stated, the present Act Classifies the Municipalities in three classes as specified below:-

(i) " Municipal Committee " for a transitional area with population not exceeding fifty thousand;

(ii) " Municipal Council " for a smaller urban area with population exceeding fifty thousand but not exceeding five lakhs; and

(iii) " Municipal Corporation " for a larger urban area with population exceeding five lakhs, to be governed by a separate Act. (Only Faridabad)

10.11 All the urban areas as per census criteria have not been covered under Municipalisation and a rural area like Rania has been declared municipal area. The factors taken into account for determination of a municipal area are population of the area, the density of population therein, the revenue generated for local administration, the percentage of employment in non agricultural activities, the economic importance or such other factors as the State may deem fit. As already indicated, the total population so covered as per 1991 census is 38.47 lakh with break up as follows :-

ULB's	No.	Population(in lakhs)	%age
i) Faridabad Complex	1	6.18	16.06
ii) Municipal Councils (above 50,000 Populations)	20	22.16	57.60
iii) Municipal Committees (below 50,000 Population)	60	10.13	26.34
TOTAL	**81**	**38.47**	**100.00**

10.12 In orders to have a clearer picture, the number of municipalities, populationwise within the broader categorisation of Municipal Councils and Municipal Committees is given below :-

I) MUNICIPAL COUNCILS

SNo.	Population Ranges	No.
1.	50,000 less than 1,00,000	10
2.	1,00,000 less than 1,50,000	6
3.	1,50,000 less than 2,00,000	3
4.	2,00,000 and above	1
	TOTAL	**20**

II) MUNICIPAL COMMITTEES

SNo.	Population Ranges	No.
1.	less than 5,000	1
2.	5,000 to less than 10,000	13
3.	10,000 to less than 20,000	28
4.	20,000 to less than 30,000	11
5.	30,000 to less than 40,000	6
6.	40,000 to less than 50,000	1
	TOTAL	**60**

Only one Municipal Committee is having a population of less that 5,000. By far the largest number of Municipal Committees (41) are in the range of 5,000. to 20,000.

FUNCTIONS

10.13 The reasons for a clearly visible trend of shift of population from rural to urban areas, particularly in the last 2-3 decades are not for to seek. About 1/3 of the State falls in the National Capital Region (NCR) around Delhi and this area is experiencing a particularly high rate of urbanisation. The recent judicial pronouncements for shifting certain categories of industries from Delhi, though not always palatable for the recipient areas, have given it a further momentum. The increased agricultural prosperity in the rural areas has created a thirst for better educational and health facilities and better housing and other environmental facilities. This accelerating pace of urbanisation expected in the coming years is necessitating provisioning of additional civic amenities and services by the local bodies and much greater responsibility is being thrust on the shoulders of the local bodies. The 74th Amendment confers constitutional status on these urban local authorities and in conformity with this constitutional amendment, the State Government has enacted the Haryana Municipal (Amendment Act) 1994. The amended Act provides for three categories of municipalities based on population, a mix of elected and nominated members, adequate reservation for Scheduled Castes and Backward Classes and Women for their wider and more effective participation. The Amended Act also specifies the areas of responsibility of the Municipalities and their power to raise revenue through obligatory as well as discretionary taxation measures. Provision has been made for delegation of a large number of functions and powers by the State Government including those mentioned in the Twelfth Schedule of the Constitution. These local bodies are required to discharge the following functions as provided in section 66A of the Haryana Municipal Act, 1973 :-

a) the preparation of plans for economic development and social Justice;

b) the performance of functions and implementation of schemes in respect of the following matters, namely;

(i) urban planning including town planning;

(ii) regulation of land use and construction of buildings;

(iii) planning for economic and social development;

(iv) water supply for domestic, industrial and commercial purpose;

(v) public health, sanitation, conservancy and solid waste management;

(vi) fire services;

(vii) urban forestry, protection of the environment and promotion of ecological aspects;

(viii) safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded;

(ix) slum improvement and upgradation;

(x) urban poverty alleviation;

(xi) provision of urban amenities and facililties such as parks, garden, playgrounds;

(xii) promotion of cultural, education and aesthetic aspects;

(xiii) burial grounds, cremations, cremation grounds and electric crematoriums;

(xiv) cattle ponds, prevention of cruelty to animals;

(xv) vital statistics including registration of births and deaths; and

(xvi) public amenities including street lighting, parking lots, bus stops and public conveniences.

10.14 The State Government has overriding powers to take over any of the functions relating to maintenance or construction of water works, sewerage works or roads for a period not exceeding ten years, in case the Government is satisfied that the Committee has neglected to perform its duties. Under such powers provided under Section 67 of the Haryana Municipal Act, 1973 the maintenance and provision of water supply and sewerage was taken over by the State Government from the ULBs and handed over to State Public. Health Department except in case of Faridabad Municipal Corporation. The functioning of the Municipal Councils and Committees is regulated under the Haryana Municipal Act, 1973 whereas the Municipal Corporation Faridabad is being governed by a separate Haryana Municipal Corporation Act, 1994. Accordingly, the functions and duties of the Faridabad Municipal Corporation have been separately dealt with separately.

TAXATION POWER OF ULBs

10.15. The ULBs are empowered to impose both obligatory as well as discretionary taxes. The obligatory functions, as the name suggests, are those which the ULBs shall impose and it is obligatory on the part of the ULBs to impose these taxes as classified in section 69 of the Municipal Act, 1973. The discretionary taxation measures are recommendatory in nature and ULBs may impose these taxes if deemed fit and circumstances so permit to impose these taxes. These taxes are covered under Section 70 of the Municipal Act, 1973. Section 71 of this Act gives over riding powers over section 69 and 70 and it authorises a ULB to levy any tax, toll or fee which the State legislature can levy. The obligatory taxes take precedence over the discretionary taxes and a brief description of these taxes is given below:-

(A) OBLIGATORY TAXES

10.16 (a) A tax payable by the owner on buildings and lands which shall not be less than seven and a half per centum and more than fifteen per centum as the State Government may, by notification, direct, of the annual value of such buildings and lands;

(b) octroi, or in lieu thereof such other tax, at such rates as the State Government may, by notification in each case direct;

(c) 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 :-

(i) sale of immovable property the amount or value of the consideration for the sale as set forth in the instrument

(ii) exchange of immovable property the value of the property of the greater value as set forth in these instruments.

(iii) gift of immovable property the value of the property as set forth in the instrument.

(iv) mortgage with possession the amount secured by the mortgage as set forth in the instrument.

(v) lease in perpetuity of the amount equal to one-sixth immovable property of the whole amount or value of the rent which would be paid or delivered in respect of the first fifty years of the lease, as set forth in the instrument.

The said duty shall be collected by the Registrar or Sub-Registrar in the shape of non-judicial stamp paper at the time of registration of the document and intimation thereof shall be sent to the committee immediately. The amount of the duty so collected shall be paid to the committee concerned.

(B) DISCRETIONARY TAXES

The ULBs may impose in whole or any part of the Municipalities any of the following taxes, tolls and fees namely:-

(i) a tax on professions, trades, callings, and employments;

(ii) a tax on vehicles, other than motor vehicles, plying for hire or kept within the municipality;

(iii) a tax on animals used for riding, draught or burden, kept for use within the municipality, whether they are actually kept within or outside the municipality;

(iv) a tax on dogs kept within the municipality;

(v) a show tax;

(vi) a toll on vehicles, other than motor vehicles, or any other conveyances entering the municipality; (Vide Haryana Act No. 10 of 1991)

(vii) a tax on boats moved within the municipality;

(viii) a tax on the consumption of electricity at the rate of not more than five paise for every unit of electicity consumed by any person within the limits of the municipality;

(ix) a fee with regard to pilgrimages;

(x) a fee with regard to drainage;

(xi) a fee with regard to lighting;

(xii) a fee with regard to scavenging;

(xiii) a fee for cleansing of latrines and privies;

(xiv) a fee in the nature of costs for providing internal services under the scheme framed under section 203;

(xv) with the previous sanction of the State Government, any other tax, toll or fee which the Legislature has power to impose in the State under the Constitution of India.

In practice, the ULB's are only imposing obligatory taxes and out of discretionary taxes, dog tax, show tax, etc. are also being generally imposed by the ULB's.

ADMINISTRATIVE STRUCTURE

10.17 We may now give a broad idea of the administrative structure on the Municipal side. At the Government level the Municipal Administration is headed by a Minister incharge of Local Self Government who is assisted by a senior level I.A.S. officer. At the departmental level it is also headed by a senior I.A.S. Officer as a Director. Down below, at district level, the Deputy Commissioner assisted by a Local Fund Assistant, oversees the functioning of Municipal Administration. At the Municipality level, the administration is headed by President of the Municipality assisted by an Executive Officer in case of a Council and by a Secretary in the case of a Committee.

10.18 Under the Haryana Municipal Act, a large number of powers are vested in the State Government. To quote a few, the authority for the very constitution of Committee, deciding its jurisdiction, nomination of councillors, removal of President/Members, constitution of Municipal Services etc. vest in the State Government. The Directorate of Local Bodies started functioning effectively only in the year, 1982. The Director who is a senior IAS Officer is assited in his work by two Deputy Directors, a Fire Officer, an Acounts Officer and staff consisting of about 128 class II, III and IV Officials.

10.19 Section 38 of the Act empowers the State Government to constitute municipal services including those of Executive Officers, Municipal Engineers, Health Officers and Secretaries at State level and one or more other municipal services at the district level, in connection with the affairs of the municipalities, recruitment to which may be made by either the State Government or the Director Local Bodies or the Deputy Commissioner as provided in the rules.

10.20 In terms of Haryana Municipal Services (Integration, Recruitment and Condition of Service Rules, 1982), the following catagories of posts fall under the State level municipal services :-

Sr No.	Name of Service	Appointting Authority
1.	Executive Officers	Government
2.	Secretaries	- do -
3.	Medical Officers of Health	- do -
4.	Municipal Engineers	- do -
5.	Junior Engineers	Director, Local Bodies
6.	Superintendents (office)	- do -
7.	Superintendents (Tax & Octroi)	- do -
8.	Accountants	- do -
9.	Chief Sanitary Inspectors	- do -
10.	Fire Station Officer	- do -

The approximate number of posts of these categories is 350.

10.21 Besides, there are 68 categories of Haryana Municipal district level services, where the appointing authority is the Deputy Commissioner. Broadly, these categories include medical staff like Assistant Surgeons, Vaidyas, Lady Health Visitors, Dispensers, Vacinators, Inspectors, Foremen, Clerks, Tax Collectors, Supervisors, Peons and other class IV employees and sweepers. The number of posts which fall in this category i.e. district level services is around 14,000 which is inclusive of over 7700 sweepers, 1395 posts of Inspectors, Station Fire Officers, Leading Firemen, Assistant Superintendent, Assistant Accountant etc; 2127 clerks, 1988 peons and 486 mates/collies/malis. Traditionally, the staff in a Municipality is grouped on functional basis with the numerical strength depending on work load.

10.22 Broadly, the functions of the municipalities are being categorised under tax collection, octroi collection, fire management, engineering development works, sanitation, rent collection of municipal property, arrangement for street lighting and gardening and general supervisory roles concerning administration and accounts. The Faridabad Municipal Corporation has a separate entity, its working is governed and regulated under a separate Act, and the administrative structure and employees statistics enumerated above relate to Councils and Committees.

CHAPTER XI

NORMS AND STANDARDS OF EXPENDITURE FOR PUBLIC HEALTH SERVICES - FINANCIAL REQUIREMENTS

11.1 As already indicated, the urban population in Haryana has increased from 28.27 lakhs in 1981 to 40.54 lakhs in 1991 and by the year 2001, it is expected to reach 52.50 lakhs. This is likely to cause heavy strain on urban infrastructure and on services. The municipal bodies are already under severe strain and have not been able to maintain a satisfactory level of infrastructure development and civic services and have been depending on the state Government even for meeting the operational costs and the maintenance of their essential services. With the 74th Constitutional amendment, the ULBs are expected to assume higher responsibilities, so as to effectively function as the third-tier of Government.

The following functions can well be regarded as the core functions of the urban local bodies:-

i) Water supply

ii) Sanitation/sewerage

iii) Solid waste collection and disposal

iv) Primary Education

v) Primary Health

11.2 As far as Haryana is concerned, the responsibility for Primary Education and Health has been taken over largely by the State Government. Presently, the water supply and sewerage schemes are also being looked after by the Public Health Engineering Department (PHED) and the ULBs are essentially concerned with local sanitation and disposal of solid waste and garbage.

11.3 For working out the cost requirements of the local bodies in respect of these core services, certain physical norms in the nature of guidelines have to be taken into account and, over the years, a number of expert committees have gone into this question. This is, no doubt, a difficult task as norms and standards are dependent on a number of factors such as the fiscal capacities of the ULBs, topography of the urban area concerned, existing infrasturcutre, the size of the population and other economic and non-economic factors which vary from one region to another even within the State. The Zakaria Committee, which was one of the first such committee to go into this question, submitted its recommendations as far back as in 1963. This committee classified the cities in 6 categories. Class-AA being the metropolitan cities with a population of above 20 lakhs, Class-A towns with a population of 5 to 20 lakhs, Class-B towns with a population of 1 to 5 lakhs, Class-C towns with a population of 50,000 to 1 lakh, Class-D towns with a population of 20,000 to 50,000 and Class-E towns comprising of cities with a population of 5000 to 20,000. In our case, we divide the urban local bodies only in 3 categories: (i) municipal Committees with a population not exceeding 50,000 (ii) municipal councils with a population exceeding 50,000 and not exceeding 5 lakhs and (iii) municipal corporations with a population of above 5 lakhs.

11.4 The Zakaria Committee also laid down physical norms for services such as water supply and sewerage. In respect of water supply, it suggested a provision of 45 LPCD for small areas, 67.5 - 112.5 LPCD for medium areas, 157.5 to 200.00 LPCD for large areas and 270 LPCD for metropolitan areas. In respect of sewerage, it suggested low cost sanitation methods for small areas, public sewers with partial coverage by septic tanks and partial treatment of sewerage for medium towns and full coverage by sewerage with proper treatment facilities for large urban and other metropolitan cities. The Committee also suggested norms of expenditure for capital costs and for operation and maintenance, which, of course, are subject to wide variation depending upon locational and other factors. These questions have also been gone into by the National Institute of Urban Affairs (NIUA), Ministry of Urban Development, the Planning Commission, and various other expert groups which have been making their recommendations from time to time.

11.5 Against this background, we may consider the question of providing funds for the core services for the urban local bodies in Haryana. Under this head, it is proposed to consider;

(A) Services managed by the PHED i.e. water supply, sewerage and storm water drainage;

(B) Solid waste disposal;

(C) Municipal roads and other works;

The position in this regard is given in the succeeding paragraphs.

WATER SUPPLY, SEWERAGE AND STORM WATER DRAINAGE

11.6 As already indicated, for a variety of reasons, both technical and financial, the responsibility with regard to some of these core services has been entrusted to the Public Health Engineering Department for all the 80 municipal towns, except Faridabad Municipal Corporation and it is assumed that this arrangement would continue in the foreseeable future. The PHED have now drawn out a plan with a design period of 30 years till the year 2024 by examining the actual financial requirement of each of the municipal towns against the broad perspective as deduced from the recommendations of the various expert committee reports. The Commission proposes to formulate its recommendations on the basis of the details so provided by the PHED.

11.7 By way of background information, it may be stated that at the time of formation of the Haryana State as on Ist November, 1966, skeleton water supply was available in only 37 towns and sewerage system in 16 towns. The total investment, which was only Rs.3 crores in 1966 has gone upto Rs.108 crores as on 31st March 1995. All the 80 municipal areas now stand covered by water supply though the general level of satisfaction varies from 60 to 65%. The intention is that the per capita water availability for the various towns should be of the order of 115 to 180 litres per head per day for taking care of their domestic and commercial requirements.

The present day availability of drinking water (LPCD) in various towns is given below :-

TOWNS CLASSIFIED AS PER AVAILABILITY OF WATER SUPPLY (LPCD)

	LPCD RANGES	NO. OF TOWNS
(a)	below 50 LPCD	9
(b)	50 to less than 70 LPCD	15
(c)	70 to less than 100 LPCD	32
(d)	100 to less than 130 LPCD	21
(e)	130 and above LPCD	3
	Total	80

11.8 At the request of the Commission, the PHED provided a list of 36 critical towns where the water supply is far from satisfactory. These are split up into 24 NCR towns and 12 non NCR towns and the water availability in these towns is as follows :-

(I) NCR TOWNS

S.No.	Name of the town	Present water allowance (LPCD)	Norms (LPCD) as per NCR	As per MOU
1.	Gurgaon	86	315	150 to 200
2.	Panipat	123	315	-do-
3.	Rohtak	86	315	-do-
4.	Bahadurgarh	86	315	100 to 150
5.	Gohana	91	225	-do-
6.	Palwal	86	225	-do-
7.	Samalkha	54	225	70 to 100
8.	Ganaur	45	225	100 to 150
9.	Sohana	68	225	70-100
10.	Nuh	82	225	-do-
11.	Haily Mandi	41	225	-do-
S.No.	Name of the town	Present water allowance (LPCD)	Norms (LPCD) as per NCR	As per MOU
12.	Firozpur Jhirka	68	225	-do-
13.	Pataudi	32	225	-do-
14.	Taoru	64	225	-do-
15.	Farukh Nagar	45	225	-do-
16.	Hodel	91	225	100 to 150
17.	Jhajjar	77	225	-do-
18.	Beri	41	225	70 to 100
19.	Meham	73	225	-do-
20.	Kalanaur	64	225	-do-
21.	Sonepat	150	315	150 to 200
22.	Hassanpur	114	225	70 to 100
23.	Hathin	96	225	-do-
24.	Rewari	95	225	100 to 150

(II) NON-NCR TOWNS (MINIMUM DESIRABLE 115 LPCD)

Sr. No.	Name of the town	Present water allowance (LPCD)
1.	Kalka	64
2.	Sadhaura	59
3.	Loharu	41
4.	Kanina	44
5.	Punahana	36
6.	Kharkhoda	45
7.	Asandh	45
8.	Julana	45
9.	Siwani	36
10.	Narnaund	41
11.	Ellenabad	45
12.	Rania	41

11.9 The Government of India have recently started a programme under the name of "Accelerated Urban Water Supply Programme" where it is going to share 50% of the cost of the projects cleared by it for towns with a population of less than 20,000. The balance 50% will have to be made available by the State Government from its Plan allocations. This programme has been started during 1994-95 and four projects have been cleared by Government of India for Narnaund (District Hisar), Kanina (District Morindergarh), Sohna and Pataudi (District Gurgaon).

11.10 The position of estimated funds provided by the Government of India and the State Government in the last two years is as follows:

TABLE 11.1

ACCELERATED URBAN WATER SUPPLY PROGRAMME

(Rs. in Lakhs)

Sr. No.	Name of town	Present Water allowance	Estimated cost	GOIs Assistance 1994-95	GOIs Assistance 1995-96	State Plan Allocation 94-95	State Plan Allocation 95-96	State Plan Allocation 96-97
1	2	3	4	5	6	7	8	9
1.	Sohana	68	77.50	9.20	29.45	9.20	9.20	20.25
2.	Pataudi	32	62.50	6.35	24.90	6.35	7.30	17.60
3.	Narnaund	41	93.00	9.60	36.90	9.60	11.30	25.60
4.	Kanina	44	51.00	5.20	20.40	5.20	6.20	14.20
	Total		**284.00**	**30.35**	**111.65**	**30.35**	**34.00**	**77.65**

The Government of India plans to take up more towns for this purpose in future also. Schemes for augmentation of Water Supply in two towns - Assandh (Rs. 291 lakhs) and Beri (Rs. 203.90 lakhs) have recently been sanctioned by the Government of India but funds are awaited.

SEWERAGE SYSTEM

11.11 Out of 80 municipalities, skeleton sewerage system is operative in 40 towns only, and the waste water is being used for irrigating agricultural land or is being discharged into natural drains. None of these towns have any sewerage treatment facility. The service level in various towns varies from 15% to 85%.

The detailed position regarding sewerage system in these 40 towns is indicated below:-

	NAME OF TOWN	AREA COVERED %
A) UPTO	**30%**	
1.	Ambala	30%
2.	Nilokheri	30%
3.	Shahabad	15%
4.	Gohana	25%
5.	Gharaunda	25%
6.	Pehowa	15%
(B) 30% TO 50%		
1.	Ambala Cantt.	40%
2.	Jagadhari	50%
3.	Panipat	50%
4.	Narwana	50%
5.	Thanesar	50%
6.	Kaithal	50%
7.	Palwal	42%
(C) ABOVE 50%		
1.	Kalka	55%
2.	Naraingarh	75%
3.	Yamunanagar	67%
4.	Bhiwani	70%
5.	Charkhi Dadri	62%

6.	Narnaul	55%
7.	Rewari	60%
8.	Gurgaon	80%
9.	Sohna	60%
10.	Haily Mandi	80%
11.	Nuh	70%
12.	Hissar	60%
13.	Hansi	60%
14.	Tohana	75%
15.	Uklana	85%
16.	Fatehabad	80%
17.	Sirsa	70%
18.	Dabwali	70%
19.	Karnal	60%
20.	Jind	80%
21.	Ladwa	65%
22.	Rohtak	60%
23.	Bahadurgarh	60%
24.	Jhajjar	65%
25.	Meham	75%
26.	Sonepat	70%
27.	Safidon	60%

11.12 The problem of untreated sewage in six towns, namely, Yamuna Nagar, Jagadhri, Karnal, Panipat, Sonepat, Faridabad and Gurgaon, is being tackled under the Yamuna Action Plan, under which a project costing Rs.133.00 crores has been undertaken with the assistance of Government of India and the Japanese Government.

STORM WATER DRAINAGE

11.13 The topography of the Haryana State is fairly flat and many of its towns have been located in areas which are more like a saucer and for its proper drainage, extra efforts are required to be made. This has become necessary with the disappearance of normal outlets like ponds, which have been encroached upon with the pressure of population. Drainage in municipal areas is basically the responsibility of the municipalities and no extra funds had been provided upto Seventh Plan. Even during the Eighth Plan period, only a sum of Rs.1.00 crore has been provided, out of which Rs.0.75 crore has been released upto 31.3.1995. 17 Schemes sanctioned at a cost of Rs.3.90 crores have been funded through the Natural Calamity Relief Fund and the Schemes have been made functional by 1.7.1995. The PHED has estimated an investment of Rs.108.54 crores for providing this facility in all the towns in the State and has proposed that major towns could be covered in the next few years. Against this broad perspective, the PHED have prepared two schemes with a design period of 30 years for all its components for full coverage for the rising population till the year 2024 and these are : (1) one scheme for 22 towns involving water supply, sewerage, storm water drainage and solid waste management involving a cost of Rs.501.11 crores which has been addressed to the Asian Development Bank (ADB), (2) a similar scheme for the rest of the 58 towns involving additional cost of Rs.536.13 crores covering the aforesaid four aspects.

The overall position is as follows:-

TABLE 11.2

ESTIMATED COST - WATER SUPPLY SEWERAGE / DRAINAGE

(Population in Lakhs)

(Amount in crores)

S.No.	No. of Towns Covered	Population 1991 Census	Projected Population 2024	Water Supply	Sewerage	Storm water Drainage	Solid waste	Total	No.
1.	22	15.85	30.25	265.55	132.21	53.02	50.33	501.11	
2.	58	16.41	31.73	278.67	150.79	55.52	51.15	536.13	
Total	**80**	**32.26**	**61.98**	**544.22**	**283.00**	**108.54**	**101.48**	**1037.24**	

11.14 It may be stated that almost 1/3rd of the State falls in the National Capital Region (NCR) around Delhi where the recommended water allowance is between 225 to 315 litres per head per day against 115 to 180 for the State as a whole and if this were to be attempted, it would require an additional expenditure of Rs. 276.27 crores, which could be taken up at a later stage.

11.15 The Commission requested the PHED to give a breakup of the expenditure envisaged in the 30 year perspective into at least three periods of 10 years each i.e. for 2004, 2014, 2024. The Commission was informed that while designing water supply systems for the towns, certain facilities like pump houses, pipe connections to several treatment units and distribution connections have to be planned ab-initio for the entire 30 years design period as per guidelines of the Ministry of Urban Development and as such bulk of the investment has to come necessarily in the initial 10 years period.

11.16 The split up of the total expenditure on water supply as suggested by the PHED, periodwise is as follows :

TABLE : 11.3

COST OF WATER SUPPLY (10 year-wise break-up)

(Population in lakhs)

(Cost Rs. in crores)

S. No.	No. of Towns	2004 Population	Cost	2014 Population	Cost	2024 Population	Cost	Total
1.	22	20.44	208.19	24.87	26.70	28.25	30.65	265.55
2.	58	21.46	241.73	29.72	16.76	31.76	20.18	278.67
3.	60	41.90	449.92	54.59	43.46	60.01	50.84	544.22
			(81.5%)		(9.00%)		(9.5%)	(100%)

11.17 The expenditure incurred by the PHED during the five years 1992-93 to 1996-97 is as follows:-

TABLE 11.4

LEVEL OF EXPENDITURE (1992-97)

(Rs. In lakhs)

Year	Water Supply	Sewerage	Storm Water drainage	Total
1992-93	570.00	250.00	35.00	855.00
1993-94	623.00	210.00	10.00	843.00
1994-95	863.00	400.00	10.00	1273.00
1995-96	970.00	380.00	80.00	1430.00
1996-97	930.00	410.00	35.00	1375.00
Total	**3956.00**	**1650.00**	**170.00**	**5776.00**
Average Per Yr.	**791.20**	**330.00**	**34.00**	**1155.20**

11.18 It was expected that matching funds would be raised by the respective Municipal Committees either from their own resources or by borrowing from various financial institutions but it seems that no worthwhile effort has been forthcoming in this direction. We have been informed by the PHED that from the year 1971-72 to 1984-85, i.e. over a period of 14 years the LIC loan drawn was only Rs.16.42 crores which comes to a meagre Rs. 1.17 crores per annum as detailed below:-

TABLE 11.5

INSTITUTIONAL FUNDS (LIC)

(Rs. in lakhs)

Sr. No.	Year	Urban Water Supply	Urban Sewerage	Total
1.	1971-72	91.33	51.00	142.33
2.	1972-73	-	-	-
3.	1973-74	71.40	64.20	135.60
4.	1974-75	9.30	9.90	19.20
5.	1975-76	90.00	56.00	146.00
6.	1976-77	138.00	90.00	228.00
7.	1977-78	78.00	50.00	128.00
8.	1978-79	9.00	33.00	42.00
9.	1979-80	43.00	82.00	125.00
10.	1980-81	118.00	80.00	198.00
11.	1981-82	-	-	-
12.	1982-83	201.75	32.00	233.75
13.	1983-84	66.50	72.50	139.00
14.	1984-85	90.50	14.50	105.00
	Total	**1006.78**	**635.10**	**1641.88**
Average per year		**7.19**	**45.36**	**117.28**

11.19 The question of level of investment to be attempted in the four year period i.e. 1997-2001 has to be considered in the light of this background. As already stated, PHED has envisaged an expenditure of Rs. 1037.24 crores over a 30 years design period upto the year 2024 and feels that since the various components of the scheme have to be designed with the ultimate capacity in view, the bulk of the expenditure is required to be provided in the first ten years.

11.20 While this is a perspective plan, the department is also in the process of formulating the 9th Five Year Plan 1997-2002 and has had several discussions in Working Groups in the Planning

Commission for this purpose. On a very realistic basis they are now assuming an expenditure of only 211 crores during the 9th Plan period. The amount thus proposed to be provided is far less than what is envisaged in the perspective plan but considering that the expenditure during the year 1995-96 and 1996-97 is of the order of about Rs. 14 crores, even this downgraded level of expenditure would be possible only if institutional finance is available. It is against this background that the creation of a "State Water Supply and Sewerage Board" assumes utmost urgency and this issue has been discussed in detail in a separate Chapter.

CHAPTER XII

FINANCES OF URBAN LOCAL BODIES AND PROJECTIONS (1997-98 TO 2000-2001)

12.1 In this Chapter, it is proposed to indicate the financial position of the municipal Councils/committees other than Faridabad municipal corporation in the state. Their relative population is reproduced below :

TABLE 12.1

MUNICIPAL POPULATION (1991)

	No.	Population (lakh persons)	% age to total
(A) Municipal Councils (above 50,000 population)	20	22.16	68.63
(B) Municipal Committees	60	10.13	31.37
Total (A+B)	80	32.29	100.00
(C) Municipal Corporation Faridabad	1	6.18	
Total (A+B+C)	81	38.47	

12.2 Out of a total municipal population of 38.47 lakhs, the municipal population of councils/committees is 32.29 lakhs. The population of 20 municipal councils is 22.16 lakhs or 68.63% of the total 32.29 lakhs and that of municipal committees is 10.13 lakhs or 31.37% of the total municipal population other than municipal corporation Faridabad.

12.3 With a view to indicating the broad overall picture, it may be stated that the main source of municipal revenue is income from its own sources which includes tax and non-tax revenue. The other components of income are grants & contributions and loans from State Government and other financial institutions.

The pattern of growth of revenue of ULBs during the last four years is given below :-

TABLE 12.2

OVERALL FINANCIAL POSITION

(Rs. in crores)

S.No. Source	1992-93	1993-94	1994-95	1995-96
(A) TAX REVENUE	35.37	28.74	30.03	40.88
	(50.36)	(44.92)	(41.06)	(42.87)
(B) NON TAX REVENUE	26.88	25.45	29.80	29.14
	(38.28)	(39.77)	(40.75)	(30.56)
Total (A+B)	62.25	54.19	59.83	70.02
	(88.64)	(84.69)	(81.81)	(73.43)
(C) LOANS/GRANTS	7.98	9.80	13.30	25.33
	(11.36)	(15.31)	(18.19)	(26.57)
Total (A+B+C)	70.23	63.99	73.13	95.35
	(100.00)	(100.00)	(100.00)	(100.00)

12.4 It will be seen that the tax revenue which formed 50.36 per cent of the total income in the year 1992-93 has come down to 42.87 per cent in the year 1995-96 This perceptible downward trend is on acccount of the fact that the income from property tax and octroi, which are the main constituents of the tax revenue, has remained more or less stagnant because of large scale exemptions and evasions. In the case of octroi, the Schedule has not been revised in the last few decades although there have been several revisions of octroi schedules and rates in the adjoining States. On the other hand the non tax revenue which formed 38.28 percent of the total revenue of the U.L.B's in the year 1992-93 increased to 40.75 percent of the total income in the year 1994-95 and dipped to 30.56 percent in 1995-96. The non-tax revenue includes income from sale of lands and buildings, sale of sewage and night soil, recoveries on account of public works, income from removal of dead animals, income from road side trees, income from dak bunglows and sarais, fees and fines etc.

12.5 The receipts on account of loans/grants have been showing a steady increase and there is a sharp increase during 1995-96. This loan/grant component has increased from 11.36% to 18.19% in 1994-95 and 26.57% in 1995-96.

12.6 Before undertaking a further analysis of these figures it is necessary to make a few preliminary observations. Unlike the Sate Government for which we have audited accounts for the various years on the basis of uniform classification and set accounting procedures, the figures given above are on the basis of computation made by the Local Bodies Department from the data collected by them which is not subjected to any rigorous cross checking nor is the data always on a comparable basis. As for instance, the water tax (water charges) get reflected in tax receipts relating to the municipal corporation Faridabad, as the water supply for the corporation area is managed by them but in the case of municipal councils and committees, all the receipts (since 1993) accrue to the Public Health Department who are managing the water supply to these areas. Since the water supply and sewerage is being looked after by the State Government Public Health Department, relevant funds are provided to the them directly by the State Government and this is not reflected in the budget of the U.L.Bs. For meeting a part of the expenditure incurred by the State Public Health Department, the share of excise duty, for which the U.L.Bs are entitled, is also diverted to the Public Health Department and as such these are not reflected in the municpal accounts. Similarly, the electricity cess which is also collected at the rate of one paisa per unit on behalf of the U.L.Bs. is also adjusted directly by the state government towards the dues payable by the municipal bodies in respect of the consumption of electricity for street lights and tubewells etc. and as such this is also not reflected in the municipal accounts. Some of the grants spent in the municipal area and meant for them are also spent directly by the concerned departments and are not reflected in the receipt/expenditure figures of the ULBs. Moreover, the over-all income as well income under several heads differs widely for these three major constituents, namely, the municipal committees, municipal councils and the Faridabad municipal corporation and as such overall picutre for the 81 ULBs as a whole at best indicate the broader overall picture.

TAX REVENUE

12.7. The overall position of municipal councils and municipal committees is as follows :-

TABLE 12.3

DETAILS OF TAX REVENUE

(Rs. in lakhs)

	Years			
M.Councils	1992-93	1993-94	1994-95	1995-96
i) Octroi/Toll tax	1737	1535	1624	2028
ii) House tax	636	678	725	781
iii) Water rates	295	7	3	2
iv) Stamp duty	0	0	0	324
Total	2668 (75.43)	2220 (77.24)	2352 (78.32)	3135 (76.69)
M. COMMITTEES				
i) Octroi/Toll tax	532	454	423	595
ii) House tax	174	185	222	235
iii) Water rates	163	15	6	9
iv) Stamp duty	0	0	0	114
Total	869 (24.57)	654 (22.76)	651 (21.68)	953 (23.31)
M.COUNCILS & M.COMMITTEES				
i) Octroi/Toll tax	2269	1989	2047	2623
ii) House Tax	810	863	947	1016
iii) Water rates	458	22	9	11
iv) Stamp duty	0	0	0	438
Total	3537 (100.00)	2874 (100.00)	3003 (100.00)	4088 (100.00)

12.8 It will be seen that whereas the relative population of the municipal councils is 68.63% their share in the total tax revenue is of the order of 75 to 78%. Correspondingly against 31.37% population of the municipal committees, their share of tax revenues has been varying between 22% to 25%

12.9 While the trend of receipts under house tax and octroi have been dealt with in the succeeding paragraphs, a few remarks may be added regarding water rates and share in stamp duty. It will be seen that the total receipts under water rates for the year 1992-93 are placed at Rs. 4.58 crores, though the receipts shown for the subsequent years are very nominal. This is on account of the fact that the maintenance of water supply in all municipal areas except Faridabad has been taken over by the State Public Health Department.

12.10 In respect of stamp duty no receipts have been indicatd in the years 1992-93, 1993-94, 1994-95 and the receipts for the entire period have been indicated at Rs. 4.38 crores in the year 1995-96. Here it would also be appropriate to make reference to the various shared taxes and duties during this period.

12.11 Excise duty, stamp duty and electricity duty come in the category of taxes where a small percentage is shared with the municipal bodies. In the case of excise duty it is passed on to the urban local bodies in the form of levy per bottle of liquor sold in the jurisdiction of the local bodies. In the last couple of years the amounts due to the municipalities amounting to Rs. 6 crores annually was adjusted against dues payable to the Public Health Department for maintenance of water supply and sewerage in the towns. Similarly, Electricity Duty payable at the rate of 1 paisa per unit of total electricity consumed in the municipal area is also by and large adjusted towards payment of electricity bills towards street lighting. Stamp duty is the only shared tax which is passed on to the municipalities on a regular basis. This is levied at the rate of 3 per cent of the sale amount of property and is collected on behalf of the Committees at the time of registration of sale of the immovable property situated within the municipal limits.

PROPERTY TAX (HOUSE TAX)

12.12 The position of property tax is reflected in table below :-

TABLE 12.4

DETAILS OF PROPERTY TAX OF THE U.L.Bs

(Rs. in crores)

Urban Local Bodies	Years 1992-93	1993-94	1994-95	1995-96	Relative population%
Municipal Councils	6.36 (78.52)	6.78 (78.56)	7.25 (76.56)	7.81 (76.87)	68.63%
Municipal Committees	1.74 (21.48)	1.85 (21.44)	2.22 (23.44)	2.35 (23.13)	31.37%
Total	8.10 (100.00)	8.63 (100.00)	9.47 (100.00)	10.16 (100.00)	100.00%

12.13 The above figures clearly indicate that the receipts from property tax have remained more or less stagnant though the relative position of the municipal committees is worse than the municipal councils. This is inspite of the fact that there is a perceptible increase in urbanisation as well as in house building activity. This clearly indicates that because of malpractices, leakages and exemptions the income from this source has not shown any commensurate increase.

12.14 The fact that this source of tax revenue has not been tapped satisfactorily would be evident if we take the huge arrears which are pending for realisation also into account. Besides, the property tax is not being imposed uniformly and a few municipal committees like Rania & Ellenabad have not imposed this tax at all. As per provisions of the Municipal Act, this is an obligatory tax and municipalities are supposed to levy this tax. In a number of municipal committees the rate of tax is only 10 percent. In case of municipal councils the rate is 12.5 percent in all cases except Jagadhari where it was 10 percent. Apart from the lack of uniformity obtaining between different municipalities, the actual process of assessment and recovery of this tax is highly subjective. The prescribed procedures are not followed and the elected municipal representatives have a tendency to reduce assessment of this tax without any cogent reason as shown by a few studies made in this regard. This leads to discrimination and consequent litigation by the affected persons. In addition various types of exemptions are allowed from property tax which works out to nearly 20%. Arrears of property tax are outstanding against most municipalities as shown by the figures below :-

TABLE 12.5

DETAILS OF PROPERTY (HOUSE) TAX DEMANDED, COLLECTED AND OUT STANDING DURING 1994-95

(Rs. in lakhs)

Municipalities	No. of Properties	No. of Properties exempt	Property tax demanded	Property Tax collected	Property Tax out standing
Municipal Councils	922644	184173	1526.06	801.80	724.26
Municipal Committees	183127	84699	437.62	242.06	195.56
Total	1105771	268872	1963.68	1043.86	919.82

12.15 The arrears of property tax are accumulating for the last so many years and no serious efforts are being made by the U.L.Bs to collect the huge arrears and simultaneously curtail the number of exemptions allowed arbitrarily. Out of the demand of Rs. 1963.68 lakhs for the year 1994-95, the property tax outstanding is Rs.919.82 lakhs. The Commission has examined this issue in detail and has suggested a revised procedure for assessment, which apart from making the process transparent, will also bring about an increase in the income of the U.L.Bs.

OCTROI

12.16 The overall position regarding octroi realisation is as follows :-

TABLE 12.6

DETAILS OF REVENUE FROM OCTROI

(Rs. in crores)

Municipalities	1992-93	1993-94	1994-95	1995-96	Relative Population%
Municipal Councils	17.37 (76.55)	15.35 (77.17)	16.24 (79.34)	20.28 (77.32)	68.63
Municipal Committees	5.32 (23.45)	4.54 (22.83)	4.23 (20.66)	5.95 (22.68)	31.37
Total	22.69 (100.00)	19.89 (100.00)	20.47 (100.00)	26.23 (100.00)	100.00

12.17 The position in respect of octroi is quite alarming. Instead of showing an upward trend, the income from this source went down in 1993-94 and 1994-95 over the previous year i.e. 1992-93, though it has gone up again in 1995-96. This downward trend and fluctuation is mainly attributable to non-revision of the schedule of octroi for more than two decades, apart from leakages during actual collections. A large number of exemptions granted by the Government from time to time unilaterally without consultation with the local bodies have further contributed to the deterioration in realisations.

NON TAX REVENUES

12.18 The broad position regarding non-tax revenues is as follows :

TABLE - 12.7

DETAILS OF NON-TAX REVENUE

(Rs. in lakhs)

ULBs	Years 1992-93	1993-94	1994-95	1995-96	Relative population (%)
A. Municipal Councils					
Rent	289	372	432	433	
Tehbazari	55	53	70	70	
Sale of Land	288	282	430	139	
Misc.	1234	976	1181	1492	
Total (A)	1866	1683	2113	2134	68.63
B. Municipal Committees					
Rent	169	219	231	253	
Tehbazari	26	40	31	29	
Sale of Land	146	122	115	117	
Misc.	481	481	490	381	
Total (B)	822	862	867	780	31.37
C Total Municipal Councils/Committees)					
Rent	458	591	663	686	
Tehbazari	81	93	101	99	
Sale of Land	434	404	545	256	
Misc.	1715	1457	1671	1873	
Total (C)	2688	2545	2980	2914	100.00

12.19 The above table indicates that the non-tax revenues have also remained more or less stagnant. The sale of land is an uncertain factor which is mainly responsible for fluctuations from year to year. The share of the municipal committees remains comparatively smaller as in the case of tax revenues.

FUTURE PROJECTIONS (1996-97 TO 2000-2001)

12.20 The overall position of receipts (Councils and committes) on account of tax and non-tax revenues is as follows :-

(Rs. in crores)

1992-93	1993-94	1994-95	1995-96
62.25	54.19	59.83	70.02

12.21 In the three years period 1992-93 to 1995-96, there is an increase of only Rs. 7.77 crores over the base figure of Rs. 62.25 crores which works out to an increase of 12.48% or an annual increase of about 4%. In fact the income during 1993-94 had gone down when compared to the previous year on account of less receipts on octroi and transfer of water supply in municipalities to the Public Health Department. Even if we assume the lower figure of Rs. 54.19 crores(1992-93) as the base for the three years period, the increase of Rs. 15.83 crores attained over Rs. 70.02 crores (1995-96) works out to 29.21%, or an average of about 10%. Keeping this as well as our general assessment in view, we have made the projections for the five years period (1996-97 to 2000-2001) on the basis of 10% annual increase. Though a part of year 1996-97 has already passed, in the absence of any firm and authentic figures for this year, the method of projecting figures (even for 1996-97) had to be adopted to work-out future projections and the figures so worked out are set out in the table below :-

TABLE 12.8

INCOME PROJECTIONS FOR THE FIVE YEARS PERIOD

(1996-97 TO 2000-2001)

(Rs. in lakhs)

Source of Income	YEARS				
	1996-97	1997-98	1998-99	1999-2000	2000-2001
A. TAX REVENUE					
(i) Octroi/Toll Tax	2885	3173	3490	3839	4222
(ii) House Tax	1117	1228	1350	1485	1633
(iii) Water Rates	12	13	14	15	16
(iv) Stamp Duty	481	529	581	639	702
A Total	4495	4943	5435	5978	6573
B. NON-TAX					
(i) Rent	754	829	911	1002	1102
(ii) Tehbazari	108	118	129	141	155
(iii) Sale of Land	281	309	339	372	409
(v) Misc.	2060	2266	2492	2741	3015
B- Total	3203	3522	3871	4256	4681
Total (Tax & Non-Tax)	7698	8465	9306	10234	11254
C. Grants	613	674	741	815	897
Total (A+B+C)	8311	9139	1 0047	11049	12151

ADDITIONAL RESOURCES MOBILISATION BY ULBs

12.22 In table 12.8 above we have already assumed only normal increase under octroi, house tax and other receipts heads. If the octroi schedule is revised as suggested, it is expected that the income from this source will go up by about 75%. (Refer Chapter XV) An increase of 25% in respect of house tax is also well within reach even under the existing system. Some revision has already taken place in fines and fees and additional income of 25% can well be expected. The figures of additional mobilisation in the year 1997-98 and 1996-97 have been worked out on this basis and for subsequent years an yearly increase of 10% over the previous year is also taken into account. The additional resources mobilisation by the ULBs themselves on account of these three measures would thus be as under :-

(Rs. in crores)

Head	1996-97	1997-98	1998-99	1999-2000	2000-2001	Total (1997-2001)
1. Octroi	28.85	21.64	23.70	26.07	28.68	100.09
2. House Tax	11.17	2.79	3.07	3.38	3.72	12.96
3. Fee/Fines	14.00	3.50	3.85	4.24	4.66	16.25
Total	54.02	27.93	30.62	33.69	37.06	129.30

TOTAL EXPENDITURE OF MUNICIPALITIES (COUNCILS/COMMITTEES)

12.23 The Local Bodies Directorate has furnished the following figures in respect of expenditure on Municipal Councils/Committes from the year 1992-93 to 1995-96 :-

TABLE 12.9

OVER ALL EXPENDITURE POSITION

(Rs. in lakhs)

Head of Exp.	Years			
	1992-93	1993-94	1994-95	1995-96
A. **Expenditure**				
1. Establishment	3749	3596	4240	5262
	(56.30)	(59.17)	(59.53)	(61.05)
2. Development	1979	1702	1923	2267
	(29.72)	(28.01)	(27.00)	(26.30)
3. Others	913	741	865	529
	(13.71)	(12.19)	(12.14)	(6.14)
A. Total	6641	6039	7028	8058
	(99.73)	(99.37)	(98.67)	(93.49)
B. **NON-DEVELOPMENTAL EXPENDITURE**				
1. Audit Fees	4	5	3	4
	(0.06)	(0.08)	(0.04)	(0.05)
2. Grant Library/School	14	33	92	557
	(0.21)	(0.55)	(1.29)	(6.46)
B. Total	18	38	95	561
	(0.27)	(0.63)	(1.33)	(6.51)
Total (A+B)	6659	6077	7123	8619
	(100.00)	(100.00)	(100.00)	(100.00)

12.24 These figures are quite revealing. The expenditure on establishment as %age of total expenditure is of the order 60-61%. Inspite of this high expenditure, there are reports of wide-spread non-payment/arrears of salary and pension/gratuity and threats by municipal employees to go on strike. In fact, a lot of employees are paid their dues only when they take recourse to the courts. In view of this situation, Government in the recent past had no option except to give grants to the municipal committees in order to enable them to discharge their liabilities in this respect. The Government was thus forced to make a grant of Rs. 9.00 crores in Feb. 1996, to clear outstanding liabilities of salary etc. upto 31.12.1995. The liability on this account which stands unpaid by the municipal committees during the nine months period ending 30.9.1996 has been worked out by the Local bodies Directorate and is placed at Rs. 8.04 crores with details as follows :-

Sr.No.	Description	Amount in Lakhs
1.	Gratuity	118.61
2.	Leave encashment	39.59
3.	Ex-Gratia	25.04
4.	Medical	4.29
5.	Pension Share	47.60
6.	Pay	241.66
7.	DA	96.63
8.	Provident Fund	210.09
9.	Misc. (Bank Loan taken by employees)	20.75
		804.26

12.25 Since Rs. 8.04 crores is the liability which remained un-met by the municipal committees during the nine months period ending 30.9.1996 it is safe to presume that the annual un-met liability which does not figure in municipal budget is Rs. 10.00 crores. In other words, the actual liability on expenditure on staff is Rs. 62.62 crores during 1995-96. It may also be mentioned that the state Government during October, 96 made a further grant of Rs. 5.00 crores to clear this outstanding liability.

FUTURE PROJECTIONS (1997-98 to 2000-2001)

12.26 With Rs. 62.62 crores as the expenditure on establishment in the base year 1995-96, we have attempted projections of expenditure on establishment till the year 2000-2001. It has been assumed that there will be an increase of 10% on account of D.A., and other minimum in-escapable expansion, etc. The 5th Pay Commission Report has already been submitted to Government of India, and the State Government is committed to make the same more or less applicable to the State employees. Since, the provision for the municipal employees is likely to be the same, they would have to be given more or less similar benefits. After discussion with all concerned, we feel that an over-all increase of about 20% in the salary and other benefits to the employees would be the minimum additional liability on this account. We have also assumed that this liability would commence with effect from the year 1997-98 though arrears are likely to be claimed from an earlier date. On this basis, the salary bill alone would work out as follows :-

TABLE 12.10

EXPENDITURE ON ESTABLISHMENT

(Rs.in crores)

Head	1995-96 (Base)	1996-97	1997-98	1998-99	1999-2000	2000-2001
i) Actual	52.62					
ii) Unpaid	10.00	75.14	90.17	108.20	129.84	155.81
iii) 20% increase over 1996-97 on account of 5th Pay Commission	-	-	15.03	18.03	21.64	25.97
Total	62.62	75.14	105.20	126.23	151.48	181.78

12.27 The expenditure on development and other municipal works has been very much on the lower side considering the pent up demand and we have accordingly assumed an increase of 20% in each year over the previous year. In other cases, we have assumed an annual increase of 10% per year.

12.28 The State Government provides grants to municipalities under various heads of development. Some of these grants are not reflected in the budget of the ULBs and are channelised through various Heads of Departments. For instance the grants for Public Health, sanitation, conservancy and solid waste management, are directly allocated to the Public Health Department since the requirements of water supply and sewerage in urban areas (except F.M.C.) is the responsibility of the State Public Health Department. Grant for the upgradation of fire services are utilised for purchase of Fire Fighting equipment at the state level, which in turn is given to various municipalities as grant-in-aid. Some of the other grants are for environmental & slum improvement, providing public amenities like street lighting, parking etc. and for adhoc revenue earning schemes.

12.29 In the absence of a proper accounting procedure, the receipts and expenditure on account of "Grants" cannot be properly linked, but in order to work out a concrete picture, the receipts and expenditure on this account has been assumed to be the same in the figures projected by us. (See Table 12.8 and 12.11 for the head grants). The overall picture of expenditure on this basis is set out below :-

TABLE 12.11

EXPEDITURE PROJECTIONS

(Rs. in crores)

Head	YEARS					
	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001
A. Establishment	62.62	75.14	105.20	126.23	151.48	181.78
B. **Others**						
Development	22.67	27.20	32.64	39.17	47.00	56.40
Others	5.29	5.82	6.40	7.04	7.74	8.51
B. Total	27.96	33.02	39.04	46.21	54.74	64.91
C. **Non Developmental Expenditure**						
1. Audit Fee	0.04	0.04	0.04	0.05	0.05	0.06
2. Grant	5.57	6.13	6.74	7.41	8.15	8.97
Total (A+B+C)	96.19	114.33	151.02	179.90	214.42	255.72

OVERALL PICTURE (1997-98 TO 2000-2001)

12.30 In the light of projections given in the proceeding paragraphs, the overall deficit on account of current expenditure on establishment and services on the existing basis would be as under (Table 12.8 and 12.11) :

	1997-98	1998-99	1999-2000	2000-2001	Total
1. Receipts	91.39	100.47	110.49	121.51	423.86
2. Expenditure	151.02	179.90	214.42	255.72	801.06
3. Gap.	(-) 59.63	(-) 79.43	(-) 103.93	(-) 134.21	(-) 377.20

12.31 The very substantial deficit in the normal budget of the ULBs is on account of the fact that while receipts like house tax and octroi have been projected from the current level without taking into account any modifications in the schedule of rates/fees etc., the actual liability, including the deferred /unpaid liability on account of expenditure on staff, salaries, gratuity/pension have been taken into account. This will also go up substantially with the implementation of the recommendations of the 5th pay commission and has been taken care of in the projections made. The picture does not seem to be out of focus and is understandable as the house tax is stagnant , inspite of the clearly visible increased housing activity and the octroi schedule is the same which was being operated when an octroi Moharar used to get Rs. 40-50 per mensum where as he now gets about Rs. 3000-4000 per mensum, apart from the gratuity and pension. The higher receipts in some of the municipal councils do not materially improve the position, as in almost all cases the requirements for sanitation and up-keep of public utilities is much higher. In order to project the correct picture, we have also assumed that the expenditure on development works would also be increased at a reasonable pace.

12.32 The most glaring situation is that concerning expenditure on establishment, which has steeply gone up from 56.30% in 1992-93 to 61.05% in 1995-96 (Table 12.9). As clearly brought out earlier in the report the ULBs require another Rs.10 crores for the year 1995-96 and would thus require to spend Rs. 62.62 crores on establishment and wages against Rs. 52.62 crores in 1995-96. The expenditure of Rs. 62.62 crores on establishment out of a total municipal expenditure of Rs. 86.19 crores in 1995-96 would work out to a whopping 72.65% and this percentage of expenditure on staff would go still higher in the coming years. Even though we may be able to enhance our receipts substantially by revising octroi schedule/rates, fees and levies, house tax, etc. the situation so obtaining is clearly a matter of concern and calls for serious remedial measures. One conclusion which is inescapable is that the staff strength must be frozen at the present level, except where obsolutely necessary, and productivity of the staff must be increased by providing them with modern aids and privatisation should be resorted to, to the maximum extent possible at least in the sphere of sanitation and maintenance of other services. Unless this is done, and an attempt is made to progressively limit the establishment expenditure to about 50% of the total expenditure the local bodies far from being vibrant and self-sustaining "units" of self-governance are in imminent danger of getting swamped under the weight of their own steeply rising establishment costs.

12.33 A reference now may be made to the requirement of funds for the strengthening of the urban Public Health infrastructure. As stated in para 13 of Chapter XI the Public Health Engineering Department has made a perspective plan for water supply, sewerage, storm water drainage and solid waste management with a time frame of 30 years amounting to Rs. 1037.24 crores. The projected expenditure for the ten years period upto the year 2004 was

Rs. 449.90 crores. The Department is also in the process of formulating their 9th plan, 1997-98 to 2001-2002 and had several discussions in working Groups with the Planning Commission. On a very realistic basis, they are assuming a total expenditure of only Rs. 211.00 crores during the ninth five year plan period from 1997-2002.

12.34 With this amount which is far lesser than the requirements, the department will be able to meet the critical needs in various towns and undertake system improvement so that all parts of the towns are properly covered.

12.35 Out of total proposed investment of Rs. 211.00 crores, Rs. 130.00 crores is on water supply, Rs. 70.00 crores on sewerage, Rs. 7.00 crores on storm water drainage and Rs. 4.00 crores on solid Waste Management. 40% i.e. Rs. 84.40 crores is proposed to be provided in the 9th plan and the rest of Rs. 126.60 crores would have to come as institutional finance which could be routed through the proposed Water Supply and Sewerage Board.

12.36 Grant to the extent of 40% by the state has been assumed in accordance with prevailing practice, which will be a part of the Ninth Plan (1997-98 to 2000-2002) and 60% is assumed to be the loan component which will be taken on behalf of the muncipal committees. The overall picture would be as follows :

(Rs. in crores)

Head	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Water Supply						
Loan (60%)	12.00	15.00	21.00	12.00	18.00	78.00
Grant (40%)	8.00	10.00	14.00	8.00	12.00	52.00
Total	20.00	25.00	35.00	20.00	30.00	130.00
Sewerage						
Loan (60%)	6.00	9.00	12.00	6.00	9.00	42.00
Grant (40%)	4.00	6.00	8.00	4.00	6.00	28.00
Total	10.00	15.00	20.00	10.00	15.00	70.00
Storm Water Disposal						
Loan (60%)	0.60	1.20	1.20	0.60	0.60	4.20
Grant (40%)	0.40	0.80	0.80	0.40	0.40	2.80
Total	1.00	2.00	2.00	1.00	1.00	7.00
Solid Waste						
Loan(60%)	0.60	0.60	0.60	0.30	0.30	2.40
Grant (40%)	0.40	0.40	0.40	0.20	0.20	1.60
Total	1.00	1.00	1.00	0.50	0.50	4.00
Grand Total	32.00	43.00	58.00	31.50	46.50	211.00

12.37 Since the Finance Commission is concerned only with the period 1997-98 to 2000-2001, the first four years of the above projections shall have to be taken into account. It will be seen that the total expenditure proposed is Rs. 164.50 crores with the loan and grant component as under for each of the items :

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
Water Supply					
Loan (60%)	12.00	15.00	21.00	12.00	60.00
Grant (40%)	8.00	10.00	14.00	8.00	40.00
Total	20.00	25.00	35.00	20.00	100.00
Sewerge					
Loan (60%)	6.00	9.00	12.00	6.00	33.00
Grant (40%)	4.00	6.00	8.00	4.00	22.00
Total	10.00	15.00	20.00	10.00	55.00
Storm Water Drainage					
Loan (60%)	0.60	1.20	1.20	0.60	3.60
Grânt (40%)	0.40	0.80	0.80	0.40	2.40
Total	1.00	2.00	2.00	1.00	6.00
Solid Waste Disposal					
Loan (60%)	0.60	0.60	0.60	0.30	2.10
Grant (40%)	0.40	0.40	0.40	0.20	1.40
Total	1.00	1.00	1.00	0.50	3.50
Total					
Loan (60%)	19.20	25.80	34.80	18.90	98.70
Grant (40%)	12.80	17.20	23.20	12.60	65.80
Total	32.00	43.00	58.00	31.50	164.50
Abstract					
Water Supply	20.00	25.00	35.00	20.00	100.00
Sewerage	10.00	15.00	20.00	10.00	55.00
Storm Water drainage	1.00	2.00	2.00	1.00	6.00
Solid Waste Disposal	1.00	1.00	1.00	0.50	3.50
Total	32.00	43.00	58.00	31.50	164.50

12.38 The loan is taken for a period of 12 years with 17% P.A. interest from HUDCO. There is also the maintenance component of the new assets created and this is calculated on the basis of 8% of capital cost.

12.39 Based upon this, the total additional municipal liability on account of repayment of loan and maintenance of new assets would be Rs. 62.24 crore with break-up as follows :

Head	1997-98	1998-99	1999-2000	2000-2001	Total
Water Supply					
Payment of loan with interest @ 17% payable in 12 years	0.780	3.91	8.71	12.75	26.15
Maintenance of new assets	-	1.600	3.60	6.40	11.60
Sewerage					
Repayment of loan with interest @ 17% payable in 12 years	0.380	2.080	4.81	6.97	14.24
Maintenance of new assets	-	0.800	2.00	3.60	6.40
Storm Water Disposal					
Repayment of loan with interest @ 17% payable in 12 years	0.036	0.277	0.552	0.778	1.643
Maintenance of - new assests	-	0.080	0.24	0.40	0.72
Solid Waste					
Repayment of loan with interest @ 17% payable in 12 years	0.036	0.179	0.358	0.437	1.01
Maintenance of new assets	-	0.080	0.16	0.24	0.48
Total	1.232	9.006	20.430	31.575	62.243

PROJECTIONS REGARDING CONSTRUCTION/REPAIR OF MUNICIPAL ROADS

12.40 The maintenance of roads can be sub-divided into the following parts :-

i) ordinary repair

ii) periodical repair (renewals)

iii) Special repair

iv) flood damages repair

12.41 By ordinary repair is meant patch work, filling of potholes, maintenance of berms etc. For ensuring that roads do not get worn out by traffic, a renewal coat is required to be provided after every 5 to 7 years. For repair of roads, which are damaged at a particular point due to sub-soil or some other causes, special repairs are to be done. Some provision is also required to be made for repairs due to floods. According to the norms fixed by the Ministry of Surface Transport, which were framed for the use of the Central 10th Finance Commisssion, on an average, taking into consideration the various types of repairs mentioned above, an amount of Rs. 55,000 per km is required to be provided for effective maintenance.

12.42 The details of municipal roads in Haryana are as under :-

(In kms.)

Sr. No. Head	Concrete	Blacktopped	Earthened	Total
1. M.Committees	72.57	264.90	172.20	509.67
2. M.Councils	92.14	1003.56	381.02	1476.72
3 Municipal Corporation	0.68	728.20	271.12	1000.00
Total	165.39	1996.66	824.34	2986.39

12.43 Concrete roads normally do not require much maintenance. At an average of Rs. 55,000 per km, the black topped mileage of 1996 km for the municipalities given above would require an annual maintenance cost of about Rs. 11.00 crores. New colonies would also be coming up in the next 4 years and additional road mileage would have to be constructed. Some of the earthen mileage will have to be changed into metalled roads with black-topping. The average expenditure per km for construction of a new roads is estimated at Rs. 10 lakhs for a 12 feet wide road. Even if we take a modest target of about 200 kms. mileage of additional road construction over a period of four years, the expenditure on this account would work out to Rs. 20 crores.

12.44 Taking all these factors into consideration, we feel that a sum of atleast Rs. 10 crores on an average should be provided in the first year (1997-98) for the maintenance and construction of roads for municipal areas. The Ministry of Surface Transport allows a 7% escalation charges every year on account of increases in cost and inflation. On this basis the liability for construction/repair and maintenance of municipal roads will be as follows :-

(Rs. in crores)

1997-98	1998-99	1999-2000	2000-2001
10.00	10.70	11.45	12.25

TOTAL PROJECTED DEFICITS OF MUNICIPAL COUNCILS/COMMITTEES

12.45 Based on the foregoing estimates, the overall position for the Municipal Councils/Committees is as follows :-

TABLE 12.12

(Rs. in crores)

Sr. No.	Head	YEARS 1997-98	1998-99	1999-2000	2000-2001	Total
1.	Deficit in normal budget	59.63	79.43	103.93	134.21	377.20
2.	Liability on interest/ repayment maintenance of P.H. Services	1.23	9.00	20.43	31.58	62.24
3.	Liability on account of maintenance/ construction of roads.	10.00	10.70	11.45	12.25	44.40
4.	Total Projected	70.86	99.13	135.81	178.04	483.84
5.	Addl. Income from Octroi House Tax, fees & fines	27.93	30.62	33.69	37.06	129.30
6.	Net Deficit (4-5)	42.93	68.51	102.12	140.98	354.54

12.46 OVERALL FINANCIAL POSITION OF ULBs (1997-2001)

In order to incdicate the overall position of all ULBs for ready reference, the resultant position, including that of F.M.C. is set out below (Details of FMC are in Chapter XIII) :-

(Rs. in Crores)

Head	1997-98	1998-99	1999-2000	2000-2001	Total
Municipal Councils/Committees	42.93	68.51	102.12	140.98	354.54
Faridabad Municipal Corporation	8.43	14.17	24.18	34.55	81.33
Total	51.36	82.68	126.30	175.53	435.87

OVERALL POSITION OF MUNICIPAL COUNCILS/COMMITTEES DEFICIT

12.47 The analytical position given in the foregoing paragraphs brings out the following broad overall position :-

(i) There is huge deficit even in the normal budget mainly on account of establishment which works out to about 72.65% of the overall receipts of municipal councils/committees. It is likely to go up very substantially on account of the revision of salaries and other allowances on account of the implementation of the report of the 5th Pay Commission.

(ii) The Public Health System must be built up in the next 4 years and even after provision of substantial grants from the State budget, repayments to financial institutions like HUDCO/LIC will be necessary which will impose heavy burden on ULBs on account of interest/repayment of loans liability and maintenance costs of the services thus created. There will also be heavy burden on account of upgrading and maintenance of municipal roads.

(iii) Faridabad municipal corporation is in somewhat better positon but large investment are required by them for augmenting their water supply on the western side of the town, for slum clearance and for augmentation of services in the 40 regularised colonies.

(iv) We are assuming very substantial additional mobilisation by the ULBs themselves as the schedule of octroi,fees and fines has not been revised for decades and there is considerable scope for improving receipts from these sources.

12.48 The overall financial positon which, thus emerges is far from satisfactory. There is considerable deficit right from the year 1997-98 which keeps on increasing from year to year. This deficit can only be met by Government by way of sharing of taxes and grant-in-aid.

12.49 It has to be noted at this stage that the ULBs (including Faridabad Corporation) will be losing income to the extent of Rs. 9.56 crore on account of Excise duty which would not be forthcoming becasue of the introduction of prohibition w.e.f. 1.7.1996. After considering the matter and its ramifications we have suggested sharing of only the following State taxes, duties, fees etc. :

(i) 20% share of the net receipts from taxes on motor vehicles.

(ii) 50% of the net receipts from entertainment duty levied under the Punjab Entertainments Duty Act 1955and the entire net receipts from the show tax levied under the Punjab Entertainment Tax (Cinematograph Shows) Act 1954.

(iii) 20% of the royalty on minor minerals, the benefit of which is largely derived by the Faridabad in so far as the urban local bodies are concerned.

(iv) Increasing the tax on consumption of electricity in municipal areas from one paisa per unit to five paise per unit.

12.50 We have reviewed the entire position and feel that even after all the resource mobilisation and devolution of taxes the municipal councils/committees will continue to have a high enough deficit which can be abridged and that too partially, only by way of grant-in-aid from the State. It has also to be borne in mind that the ULBs are required to provide matching funds in order to avail of the annual adhoc grant which is being given (Rs. 4.15 crore) in accordance with the recommendations of the 10th Finance Commission. Taking all these factors into account, the Commission is of the view that a grant-in-aid of Rs. 50 per capita (based on 1991 census) should be provided to all the municipal committees as well as the municipal councils. It is worth mentioning that the expenditure to be provided for building the infrastructure in respect of municipal councils is much higher and their overall financial position is not very different from that of the municipal committees. A 10% escalation is also proposed to be provided every year to compensate the rise in costs. The year-wise grant-in-aid for the municipal councils/committees would thus be as follows (Population of Councils/Committes 32.29 lakhs) :-

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001
Grant-in-aid by the State	16.15	17.76	19.53	21.48

12.51 While we have suggested devolution of a per capita grant of Rs. 50/- to Municipal Councils/Committees to meet their fiscal gap, the need to raise resources at the local level need not be over-emphasized. The present system of the State Government periodically coming to the rescue of these bodies cannot be allowed to continue and these bodies will have to make serious efforts to tap resources at the local level. There is also an urgent need to initiate a drive to collect the outstanding arrears of taxes, fees, fines, etc. and the administrative machinery suitably geared up for this purpose. With a view to ensure that the Municipalities make serious efforts in this direction we have decided to recommend that the per capita grant to these bodies will be subject to fulfilment of the following conditions:-

(i) The Municipal Councils and Committees will be required to raise additional resources over the previous year to become eligible for this grant. The quantum (in terms of percentage) of such addditional resources to be generated will be fixed by the State Government

(ii) Targets will be set up by the State Government both with regard to collection of current dues, as well as outstanding arrears of taxes for the year. The sanction of grants will be subject to satisfactory completion of these targets by the Committees/Councils,

(iii) The expenditure on staff as a percentage of income will have to be brought down from the existing level gradually. The State Government will fix norms in this regard for achievement.

12.52 As clearly brought out in the foregoing paragraphs there is a huge deficit which keeps on increasing from year to year. This is inspite of the fact that we have estimated the additional expenditure on building the urban infrastructure on a very conservative basis and have taken into account all possible additional mobilisation. We have tried to make a reasonable package for the devolution of taxes and grant-in-aid by the State Government inspite of the fact that its resources are severely strained because of the introduction of prohibition and large committed expenditure on account of the 8th Five year plan which will come up in the year 1997-98 with the coming into operation of 9th Five year plan. We trust that the gap in the resources which is still subsisting will receive the attention of the next 11th Central Finance Commission. Here it may be noted that it is mandatory in clause 3 and Sub-clause (c) of article 280 of the Constitition of India that the Central Finance Commission should augment the resources of the State Governments to implement the 74th amendment to the Constitution.

LOAN LIABILITIES OF MUNICIPAL COUNCILS/COMMITTEES

12.53 Another outstanding liability of the ULBs is regarding the loans (and Interest thereon) which they have taken from Government and from LIC GIC, HUDCO, Improvement Trusts etc. over the past several years. The ULBs are not in a position to repay these loans because of their poor financial condition and this aspect is being dealt with in the succeeding paragraphs.

12.54 The Department of Local Government has intimated to us the figures of loans outstanding against the municipal committees/municipal councils from the year 1970-71 to 1995-96 which in turn have been indicated to them by the Accountant General, Haryana. It has been indicated that a sum of Rs. 32.50 crores is outstanding against the municipalities as loan and interest. A perusal of the break-up of this amount given below indicates that Rs. 9.48 crores is by way of principal and Rs. 23.02 crores by way of interest.

Government Loan (Period)	Loan	Interest	Total (Rs. in crores)
More than twenty years old.	0.02	0.02	0.04
More than fifteen years old.	0.12	0.30	0.42
More than ten Years old.	0.89	2.23	3.12
More than five years old.	2.72	5.36	8.08
Five years old.	5.73	15.11	20.84
Total	9.48	23.02	32.50

12.55 The loan and interest amount ranges for period from 5 years to more than 20 years and over the years the interest/penal interest has been accumulating since the municipalities are not in a position to discharge this liability. The other major outstanding liabilities with regard to loans are as below :-

Sr.No.	Name of Organisation	Amount (Rs. in crores)
1.	LIC	3.75
2.	GIC	0.51
3.	HUDCO	0.71
4.	Improvement Trusts	3.48 (Taken in 1995-96 for payment of salaries for Municipalities).

12.56 With regard to the LIC loans, we have been given to understand that the repayment till last year was being ensured by the State Government by adjusting a part of the annual instalments payable against the amounts due to the municipalities as their share in the sale of liquor by the Excise and Taxation Department. With the introduction of total prohibition in the State w.e.f. 1-7-96, this source of income has been lost permanently to the municipalities. Adjustment is sometime made against the amount due to the municipal Committees on account of levy of one paisa per unit on the consumption of electricity. As regards HUDCO loan, we are informed that this is actually with regard to the low cost sanitation works where the investment is initially made by the municipal committees by taking loan from HUDCO and which is subsequently reccoverable from the consumers. The liability towards the Improvement Trusts is because of loans which were raised from this organisation for payment of salaries to the municipal staff from time to time. It is a fact that in the recent past, the State Government has been coming to the rescue of the municipalities for payment of salaries of staff by providing adhoc grants. Under these circumstances, it would be too much to accept these financially weak municipal bodies to repay the loans which they have raised from the Improvement Trusts for payment of salaries to their staff.

12.57 The Commission has considered the whole issue very carefully in the context of the general finances of the municipalities and the state of affairs which have been in existence in the past few years. While we have suggested measures to raise additional resources apart from devolution of State finances, it is necessary to start with a clean slate with regard to these outstanding liabilities against the municipal bodies. There does not seem to be any purpose in continuing to keep these liabilites on record when the State Government itself has been repeatedly coming to the rescue of the municipalities in the last few years even for payment of salaries to the staff. We would, therefore, recommend that the liabilites both with regard to the principal as well as interest component of the loans paybale to the State Government need to be waived off by the State Government so that the local bodies can start with a clean slate in future. The same argument applies with regard to loan raised from the Imporvement Trusts and we recommend that the State Government may take over this responsibility of discharging this liability on account of loan taken by the municipalities from the Improvement Trusts.

12.58 In nutshell we recommend as follows :

i) A sum of Rs. 32.50 crores outstanding against the Municipalities as loan and interest due to the Government (Rs. 9.48 crores by way of principal and Rs. 23.02 crores by way of interest) should be waived off as a one time measure.

ii) Government should take over the responsibility of discharging the loan liability of Rs. 3.48 crores which was taken on behalf of the municipalities from the Improvement Trusts for payment of salaries.

OTHER LIABILITIES (1% DIRECTORATE ADMINISTRATIVE SHARE & AUDIT FEE)

12.59 Apart form outstanding loans which have been discussed above, there are two major liabilities amounting to Rs. 5.86 crores as follows :-

(a) Rs. 2.66 crores due as administrtive charges towards the Local Bodies Directorate which is worked out on the basis of 1% income of the Municipal Counicils/ Committees.

(b) Rs. 3.20 due as audit fee from the ULBs.

12.60 Discussions held with the departmental officers reveal that administrative charges as at (a) above have not been paid by the municipalities and this amount is not even budgeted by the Local Bodies Directorate. In the context of the poor financial position of the municiapal bodies where they are unable to even discharge their basic statutory liabilities, it is impracticable to expect them to contribute towards administrative charges of the Local Bodies, Directorate. It is, accordingly, recommended that amount of Rs. 2.66 crores due to Government as administrative charges on account of 1% share of the income of the municipalities should be waived off and this levy should be discontinued for the future.

There is, however, no case for waiving off the audit fee charges and its recovery should be vigorously pursued.

12.61 Strictly speaking, debt relief is not a part of our terms of reference but all the same we are required to suggest measures needed to improve the financial position of the municipalities. We, therefore, feel that these outstandings, which are only on paper with hardly any prospects of recovery in the foreseeable future serve no purpose, need to be formally written of. There also does not seem to be any strong reason for levying 1% charge on Municipal Councils/Committees as administrative charges by the Directorate in view of their weak financial position.

CHAPTER - XIII

FARIDABAD MUNICIPAL CORPORATION (FMC) - BUDGETARY TRENDS AND FINANCIAL PROJECTIONS

13.1 Faridabad-Ballabgarh urban area is situated on Delhi-Mathura road right from Delhi Haryana border and is one of the largest urban agglomeration in Haryana consisting of three towns namely - Faridabad Old, Ballabgarh and NIT Faridabad. Located as it is within 40 k.m. radius of Delhi, this is one of the recommended major ring towns around Delhi as per Delhi Master plan approved by the Government of India in 1962. Keeping in view the objectives of the Delhi Master Plan, the first development plan for Faridabad- Ballabgarh Controlled area was published in 1966 for an urbanisable area of 8810 acres for a population of 3.50 lakhs by 1981 A.D. The emerging population trends necessiated its amendment from time to time and according to the final Development Plan published in December, 1991, it has been planned for a population of 17.5 lakhs by 2011 A.D.

POPULATION

13.2 In the past, the population growth in Faridabad - Ballabgarh urban area has been as under :-

Year	Population	Decinial %age of growth
1961	56000	
1971	1.22 lakhs	117.85
1981	3.27 lakhs	170.00
1991	6.18 lakhs	85.70
1994	8.33 lakhs	

13.3 Keeping in view the trends of growth rate of population, it is assumed that population of this urban area will be around 13 lakhs by 2001 A.D. and shall be around 17.5 lakhs by the year 2011 A.D.

EXTENT OF LAND USE PROPOSALS

13.4 The Development plan of "Faridabad-Ballabgarh Controlled Area" has been designed by keeping in view the over-all town density of 45 persons per acre. In order to accommodate 17.5 lakhs population by 2011 A.D., an urbanisable area of 38743 acres is being planned.

The extent of various land uses is as under :-

EXTENT OF LAND USES

Sr.No. Land uses	Total acres (in acres)	Percentage of total area	No. of sectors
1. Residential	19262	49.71	67
2. Industrial	7749	20.00	21
3. Commercial	1910	4.93	5
4. Transport & Communication	3840	9.91	3
5. Public & Semi Public uses	1310	3.38	3
6. Public Utility	382	0.99	-
7. Open spaces, Parks & Green belts.	3199	8.26	-
8. Special Zone	1091	2.82	1
Total	38743	100.00	

13.5 The overall picture of receipts and expenditure in the FMC area can be clearly visualised from the following :-

TABLE 13.1

INCOME & EXPENDITURE (1991-96)

Year	Income (Rs. in lakhs)	Per Capita (Rs.)	Expenditure (Rs. in Lakhs)	Per Capita (Rs.)
1991-92	1665.45	253.30	1931.31	293.74
1992-93	3109. 64	444.34	3014.20	430.70
1993-94	3787.49	508.45	3724.50	499.99
1994-95	4386.46	553.23	4441.98	560.23
1995-96	4696.07	556.44	4538.81	537.81

13.6 The following table gives the item-wise details of income from the year 1991-92 to 1995-96.

TABLE 13.2

DETAILS OF ANNUAL INCOME DURING LAST FIVE YEARS

(1991-92 TO 1995-96)

(Rs. in Lakhs)

Sr. No.	Name of Head	Years 1991-92	1992-93	1993-94	1994-95	1995-96
CAPITAL INCOME						
(a)	Grant-in-aid under E.I.U.S.	5.00 (0.30)	20.00 (0.64)	- -	30.30 (0.69)	25.00 (0.53)
(b)	Grant-in-aid under Yamuna Action Plan	-	-	87.00 (2.30)	270.00 (6.15)	-
(c)	Loan from HUDCO/ Govt. /LIC	-	-	16.00 (0.42)	13.43 (0.31)	11.29 (0.24)
(d)	Other Grant-in aid (MP/MLA/FLOOD Control/Malaria etc.	23.56 (1.42)	51.83 (1.67)	1.60 (0.04)	30.07 (0.69)	76.77 (1.64)
(2) TAXES						
(a)	House Tax	258.94 (15.55)	343.45 (11.04)	358.23 (9.46)	487.89 (11.12)	527.56 (11.23)
(b)	Octroi	903.52 (54.25)	896.62 (28.83)	878.91 (23.21)	1086.91 (24.78)	1331.14 (28.35)
(c)	Water Rates	41.19 (2.47)	106.82 (3.44)	208.26 (5.50)	263.72 (6.01)	312.29 (6.65)
(d)	Electricity Duty	- -	10.43 (0.34)	0.92 (0.02)	102.34 (2.33)	- -
(e)	Others	1.41 (0.09)	1.30 (0.04)	1.32 (0.03)	1.64 (0.04)	1.09 (0.02)
(3) LICENCES & FEES						
(a)	Stamp Duty	110.10 (6.61)	102.12 (3.28)	147.03 (3.89)	156.25 (3.56)	256.52 (5.46)
(b)	Extension Fee	- -	156.56 (5.04)	177.07 (4.67)	246.70 (5.62)	197.05 (4.19)
(c)	Advertisement Fee	5.23 (0.31)	1.23 (0.04)	- -	3.60 (0.08)	13.93 (0.30)
(d)	Income from Panchayats	105.54 (6.34)	1.95 (0.06)	83.12 (2.20)	74.58 (1.70)	311.67 (6.64)

(e) Dangerous and Offensive Trades U/s128	9.09 (0.54)	7.69 (0.25)	8.10 (0.21)	4.78 (0.11)	12.17 (0.26)
(f) Others	9.61 (0.58)	20.80 (0.67)	36.39 (0.96)	39.32 (0.90)	47.04 (1.00)
4. MISC					
(a) Sale of Municipal Land	83.06 (4.99)	1234.34 (39.69)	1644.50 (43.42)	1375.64 (31.36)	1402.36 (29.86)
(b) Development Charges	11.32 (0.68)	29.64 (0.95)	53.79 (1.42)	96.95 (2.21)	49.31 (1.05)
(c) Removal of Dead Carcases	6.46 (0.39)	9.15 (0.30)	4.00 (0.10)	5.72 (0.13)	10.30 (0.22)
(d) Interest on unear-marked investment	16.36 (0.98)	34.41 (1.11)	12.00 (0.32)	- -	1.76 (0.04)
(e) Advance & Deposits	19.16 (1.15)	2.55 (0.08)	4.80 (0.13)	36.14 (0.83)	33.14 (0.71)
(f) Others	55.90 (3.35)	78.75 (2.53)	64.45 (1.70)	60.48 (1.38)	75.68 (1.61)

NOTE

1. Increase in income during 1992-93 from sale of Municipal land was due to income from stone crushing zone and sale of plots under various Development Schemes of FMC land and Town Planning Schemes.
2. Income from Electricity Duty during 1995-96 has been adjusted by HSEB against outstanding electricity Bills.
3. Increase in income from octroi has been due to effective supervision.

ABSTRACT OF ACTUAL INCOME DURING LAST FIVE YEARS

	1991-92	1992-93	1993-94	1994-95	1995-96
a. Capital Income	28.56 (1.72)	71.83 (2.31)	104.60 (2.76))	343.80 (7.84)	113.06 (2.41)
2. Taxes	1205.06 (72.36)	1358.62 (43.69)	1447.64 (38.22)	1942.50 (44.28)	2172.08 (46.25)
3. Licences & Fees	239.57 (14.38)	290.35 (9.34)	451.71 (11.93)	525.23 (11.97)	838.38 (17.85)
4. Misc.	192.26 (11.54)	1388.84 (44.66)	1783.54 (47.09)	1574.93 (35.91)	1572.55 (33.49)
GRAND TOTAL	1665.45 (100.00)	3109.64 (100.00)	3787.49 (100.00)	4386.46 (100.00)	4696.07 (100.00)

13.7 The following table gives the item wise details of expenditure from the year 1991-92 to 1995-96.

TABLE 13.3

ACTUAL EXPENDITURE DURING THE LAST FIVE YEARS

(1991-92 TO 1995-96)

(Rs. in lakhs)

Sr. No.	Name of Head	1991-92	1992-93	1993-94	1994-95	1995-96
1.	**SALARY**	613.26	737.82	1320.30	1513.36	1731.08
		(31.75)	(24.48)	(35.45)	(34.07)	(38.14)
2.	**CONTINGENCY**					
	Stationery/Furniture Telephone bills Uniform Diesel/Petrol	32.14 (1.67)	34.13 (1.13)	88.75 (2.38)	101.04 (2.27)	112.07 (2.47)
3.	**ORIGINAL WORKS**					
(i)	Roads	288.20	361.63	440.15	449.02	491.90
		(14.92)	(12.00)	(11.82)	(10.11)	(10.84)
(ii)	Drainage & Sewerage	242.83	178.05	272.80	522.31	237.14
		(12.57)	(5.91)	(7.32)	(11.76)	(5.22)
(iii)	Water Supply	422.96	525.83	632.20	1021.00	1263.42
		(21.90)	(17.44)	(16.97)	(22.99)	(27.84)
(iv)	Street Light	135.00	218.34	198.40	337.24	226.46
		(6.99)	(7.24)	(5.33)	(7.59)	(4.99)
(v)	Parks	41.17	67.25	103.80	85.89	106.05
		(2.13)	(2.23)	(2.79)	(1.93)	(2.34)
(vi)	Library	6.76	62.05	145.10	100.77	43.81
		(0.35)	(2.06)	(3.90)	(2.27)	(0.96)
(vii)	Municipal Works	25.16	69.56	103.90	41.95	34.63
		(1.30)	(2.31)	(2.79)	(0.94)	(0.76)
(viii)	Crusher Zone	-	235.41	148.90	46.11	88.92
			(7.81)	(4.00)	(1.04)	(1.96)
(ix)	Site & Services	-	-	45.00	29.81	-
				(1.21)	(0.67)	
(x)	Others	34.86	398.97	40.00	29.68	18.13
		(1.81)	(13.24)	(1.07)	(0.67)	(0.40)
4.	MISC.	88.97	125.16	185.20	163.80	185.20
		(4.61)	(4.15)	(4.97)	(3.69)	(4.08)
	Grand Total	1931.31	3014.20	3724.50	4441.98	4538.81
		(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

ASSTRACT OF EXPENDITURE (1991-92 TO 1995-96)

(Rs. in lakhs)

Sr. No.	Name of Head	Years				
		1991-92	1992-93	1993-94	1994-95	1995-96
1.	General Salary	613.26	737.82	1320.30	1513.36	1731.08
2.	Contingency	32.14	34.13	88.75	101.04	112.07
3.	Original Works	1196.94	2117.09	2130.25	2663.78	2510.46
4.	Misc.	88.97	125.16	185.20	163.80	185.20
		1931.31	3014.20	3724.50	4441.98	4538.81

13.8 We may also have a closer look at the receipts from house-tax and octroi, which are the two main sources of tax revenue. The receipts from these sources are again given below for ready reference:-

TABLE 13.4

DETAILS OF PROPERTY TAX & OCTROI

(Rs. in lakhs)

Head	1991-92	1992-93	1993-94	1994-95	1995-96
Property tax/House tax	258.94	343.45	358.23	487.89	527.56
Octroi	903.52	896.62	878.91	1086.91	1331.14

13.9 It will be seen that the income from these two sources has not gone upto the desired extent in spite of the fact that over the years there has been a perceptible increase in industrial, commercial and housing activity. In fact all the ills afflicting the local bodies in the state get magnified in the FMC area placing them in an even sharper focus. The rate of property tax imposed in FMC area is only 10% against the general rate of 12.5% in most other municipal councils inspite of the fact that rental values in Faridabad are amongst the highest in the State.

13.10 On top of it, even though the assessments are quite low as compared to the potential, there are huge arrears as would be clear from the following table :-

TABLE NO. 13.5

PROPERTY TAX COLLECTED/OUTSTANDING

(Rs. in lakhs)

Year	Property tax demanded (including arrears)	Property tax collected	Outstanding
1991-92	701.00	258.94	442.06
1992-93	785.00	343.45	441.55
1993-94	883.39	358.23	525.16
1994-95	967.43	487.89	479.54
1995-96	1079.21	527.56	551.65

13.11 Likewise, the octroi receipts too are more or less stagnant except for 1995-96, inspite of the heightened industrial and economic activity because of non-revision of octroi schedule and large scale exemptions.

PROJECTED INCOME AND EXPENDITURE BY 2001

13.12 Municipal Corporation Faridabad has worked out the projected income during next four years in their regular budget by taking 10% annual increase in income under each head and by adjusting actual/assured income from sale of land. Details of projected income under various heads are given in the following table :-

TABLE 13.6

INCOME PROJECTIONS DURING THE NEXT FOUR YEARS

(WITH 1996-97 AS THE BASE)

(Rs. in lakhs)

S.No. Name of Head	*1996-97	1997-98	1998-99	1999-2000	2000-2001
1. CAPITAL INCOME					
a) Grant-in-aid under EWS	73.91 (1.43)	50.00 (0.89)	50.00 (0.81)	50.00 (0.73)	50.00 (0.67)
2. TAXES					
a) House Tax	700.00 (13.52)	770.00 (13.66)	847.00 (13.73)	931.70 (13.64)	1024.87 (13.65)
b) Octroi	1600.00 (30.89)	1760.00 (31.23)	1936.00 (31.37)	2129.60 (31.17)	2342.56 (31.19)
c) Water Rates	300.00 (5.79)	330.00 (5.86)	363.00 (5.88)	399.30 (5.84)	439.23 (5.85)
d) Electricity	70.00	77.00	84.70	93.17	102.48

Duty	(1.35)	(1.37)	(1.37)	(1.36)	(1.36)
e) Others	3.00	3.30	3.63	3.99	4.39
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
3. LICENCES & FEES					
a) Stamp Duty	250.00	275.00	302.50	332.75	366.02
	(4.83)	(4.88)	(4.90)	(4.87)	(4.87)
b) Extension Fees	200.00	220.00	242.00	266.20	292.40
	(3.86)	(3.90)	(3.92)	(3.90)	(3.89)
c) Advertisement	50.00	25.00	25.00	55.00	60.50
Fees	(0.96)	(0.44)	(0.41)	(0.80)	(0.81)
d) Others	211.96	233.15	236.47	282.11	310.33
	(4.09)	(4.14)	(3.83)	(4.13)	(4.13)
4. MISC.					
a) Sale of Municipal	1550.00	1705.00	1875.50	2063.05	2269.35
land/EDC	(29.93)	(30.25)	(30.39)	(30.19)	(30.21)
b) Development Charges	50.00	55.00	60.50	66.55	73.20
	(0.97)	(0.98)	(0.98)	(0.97)	(0.97)
c) Others	120.00	132.00	145.20	159.72	175.69
	(2.32)	(2.34)	(2.35)	(2.34)	(2.34)
GRAND TOTAL	5178.87	5635.45	6171.50	6833.14	7511.02
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

*NOTE : Projected on the basis of 6 months actuals.

ABSTRACT OF INCOME DURING THE NEXT FOUR YEARS

(Rs. in lakhs)

S.No.	Name of Head	1996-97	1997-98	1998-99	1999-2000	2000-2001
1.	Capital income	73.91	50.00	50.00	50.00	50.00
		(1.43)	(0.89)	(0.81)	(0.73)	(0.67)
2.	Taxes	2673.00	2940.30	3234.33	3557.76	3913.53
		(51.61)	(52.18)	(52.41)	(52.07)	(52.11)
3.	Licences & fees	711.96	753.15	805.97	936.06	1029.25
		(13.74)	(13.36)	(13.06)	(13.70)	(13.70)
4.	Misc.	1720.00	1892.00	2081.20	2289.32	2518.24
		(33.22)	(33.57)	(33.72)	(33.50)	(33.52)
		5178.87	5635.45	6171.50	6833.14	7511.02
		(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

PROJECTED EXPENDITURE FOR NEXT FOUR YEARS.

13.13 Projections of expenditure for the next four years have been worked out by the corporation by taking 10% normal increase in expenditure against salary, 20% increase on account of increase in salaries and wages on account of 5th. Pay Commission report, 15% increase in contingency and miscellaneous heads and 20% increase in original works. Details of projected expenditure are given in the following table :

TABLE 13.7

PROJECTED EXPENDITURE DURING NEXT FOUR YEARS (WITH 1996-97 AS THE BASE)

Sr.No. Name of Head	*1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Salary	2200.00	2904.00	3195.00	3514.00	3865.00
	(40.61)	(42.34)	(42.26)	(40.33)	(38.45)
2. CONTINGENCY					
(Furniture, Uniform Telephone bills, Diesel /Petrol	125.50 (2.32)	144.32 (2.10)	165.96 (2.20)	190.85 (2.19)	219.47 (2.18)
3. DEVELOPMENT WORKS					
Roads	633.41	760.09	912.11	1094.53	1313.43
	(11.69)	(11.08)	(12.07)	(12.56)	(13.07)
Drainage/Sewerage	237.11	284.53	341.43	409.72	491.67
	(4.38)	(4.15)	(4.52)	(4.70)	(4.89)
Water supply (including Minor augmentation works)	1021.80 (18.86)	1226.16 (17.88)	1471.39 (19.46)	1765.67 (20.27)	2118.80 (21.08)
Street Light	238.35	286.02	343.22	411.86	494.24
	(4.40)	(4.17)	(4.54)	(4.73)	(4.92)
Parks	85.13	102.15	122.58	147.10	176.52
	(1.57)	(1.49)	(1.62)	(1.69)	(1.76)
Library	49.84	59.80	71.76	86.12	103.34
	(0.92)	(0.87)	(0.95)	(0.99)	(1.03)
Municipal Original works (office, octroi, quarters for Employees).	33.98 (0.63)	40.77 (0.60)	48.93 (0.65)	58.71 (0.67)	70.40 (0.70)
Crusher Zone (Basic services crusher Zone)	272.95 (5.04)	321.84 (4.69)	45.84 (0.61)	50.50 (0.58)	55.50 (0.55)
Site & Services (Sector 23/52, 49 Surya Nagar, Pargati Vihar Aravali Vihar)	157.56 (2.91)	436.10 (6.36)	517.48 (6.84)	622.16 (7.14)	737.95 (7.34)
Others	51.54	61.84	74.21	89.06	106.87
	(0.95)	(0.90)	(0.98)	(1.02)	(1.06)
Miscellaneous	310.00	230.80	249.73	272.22	298.70
	(5.72)	(3.37)	(3.30)	(3.13)	(2.97)
Total	5417.17	6858.42	7559.64	8712.50	10051.89
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

*Note : Projected on the basis of 6 months actuals.

ABSTRACT OF EXPENDITURE DURING NEXT FOUR YEARS

(WITH 1996-97 AS THE BASE)

(Rs. in lakhs)

Sr.No.	Name of Head	1996-97	1997-98	1998-99	1999-2000	2000-2001
1.	Salary	2200.00 (40.61)	2904.00 (42.34)	3195.00 (42.26)	3514.00 (40.33)	3865.00 (38.45)
2.	Contingencies	125.50 (2.32)	144.32 (2.10)	165.96 (2.20)	190.85 (2.19)	219.47 (2.18)
3.	Original works	2781.67 (51.35)	3579.30 (52.19)	3948.95 (52.24)	4735.43 (54.35)	5668.72 (56.40)
4.	Miscellaneous	310.00 (5.72)	230.80 (3.37)	249.73 (3.30)	272.22 (3.13)	298.70 (2.97)
	Grand Total	5417.17 (100.00)	6858.42 (100.00)	7559.64 (100.00)	8712.50 (100.00)	10051.89 (100.00)

PROJECTED REQUIREMENTS OF FUNDS FOR ON GOING AND REGULAR SCHEMES OVER THE NEXT FOUR YEARS (1997-2001)

(Rs. in lakhs)

Sr.No.	Name of Head	1997-98	1998-99	1999-2000	2000-2001
1.	Income	5635.45	6171.50	6833.14	7511.02
2.	Expenditure	6858.42	7559.64	8712.50	10051.89
3.	Deficit	(-) 1222.97	(-)1388.14	(-)1879.36	(-) 2540.87

13.14 A few broad observations may be made regarding the financial position as it has emerged for the past period 1991-92 to 1995-96 and the projections which have been worked out till the year 2000-2001. First of all, it may be stated that the per capita figures (para 13.5) give a somewhat rosy picture, in as much as the per capita expenditure in the FMC area in the year 1995-96 was Rs. 537.81 which was much higher than the corresponding figure in other municipal areas in the State. The figures of receipt and expenditure in respect of FMC include figures on account of water charges in accordance with the prevailing practice, whereas the receipt and expenditure on this account are shown separately in the Public Health Department receipts in respect of other 80 municipal towns as water supply in these areas is managed by the PH Department. Moreover, there is a very large income from the sale of land and municipal buildings which has been of the order of Rs. 13.15 crores per annum which is not one of the normal receipts in other municipalities. If we exclude these two items for purposes of comparison, the per capita receipts even in the FMC area as at present would not be materially different from the per capita income of the other municipal councils in the State. All the same the Corporation feels that income from the sale of land will continue in the next 5 years and as such the income from this source and external development charges has been projected to increase from Rs. 15.50 crores in the year 1996-97 to Rs. 22.69 crores in the year 2000-2001.

13.15 While making the projections for the four years period 1997-2001, the overall income is shown to go up to Rs. 75.11 crores in the year 2000-2001 against expenditure of Rs. 100.52 crores there by showing a deficit Rs. 25.41 crores. The major reason for this increase in deficit is much higher expenditure on account of salaries. During the year 1996-97 the salary bill is estimated at Rs. 22 crores which constitutes 40.61% of the total estimated expenditure of Rs. 54.17 crores in that year. The estimated higher expenditure in the subsequent year 1997-98 is due to increase in the wage bill which is likely to arise because of the implementation of the Report of the Fifth pay commission and minimum in-escapable expansion and this is partly responsible for the very high deficit in the subsequent years. The irresistable conclusion is that further expansion of staff would have to be severely restricted, atleast in the services sector, for undertaking any serious attempt at balancing of the budget and there would necessarily have to be a large scale recourse to privatisation in this regard.

13.16 It may be stated that the amount of Rs. 22 crores shown as salary during 1996-97 includes not only expenditure on general administration but also the expenditure on staff engaged on water supply and other municipal works. A large part i.e. Rs. 6.11 crores is on account of staff engaged on water supply alone. In fact the deficit on account of water supply is a matter of considerable concern. The expenditure shown on this account in the budget head "water supply" during 1996-97 is Rs. 10.21 crores which of course includes minor augmentation of lines here and there, and adding another Rs. 6.11 crores on account of salaries, the total expenditure on water supply would be Rs. 16.32 crores against which the realisation during the same year would be only Rs. 3.00 crores This under-scores the need for increasing the water charges on a very urgent basis and the issue is being dealt with separately as well. The part of the town lying on the western side of the Delhi-Mathura road is severely starved of water because the underground water is brackish and as such it has become necessary to take up a major water supply project for lifting water from the bed of the river Yamuna. Accordingly, a major scheme for installing Ranney wells has been proposed and finds a place in the FMC's perspective plan.

13.17 Another serious problem relates to the recovery of external development charges from unauthorised colonies. The government has been approving various unauthorised colonies in earlier Complex areas and the present Corporation areas from time to time. The development charges fixed by the Government are Rs. 60 per sq. yard which are quite low and have become quite irrelevant as the present cost is of the order of Rs.300 per sq. yard. Even with these low development charges fixed by the government, the total amount recoverable as development charges from the unauthorised colonies numbering 33 amounted to Rs. 1663.54 lakhs. The residents of these colonies are reluctant to pay even these charges and recovery upto 30.11.1995 has been only Rs. 230.32 lakhs.

13.18 A distressing fact brought to our notice is that the amounts received as external develpment charges have not been reserved for the development of the areas covered under the schemes but the funds so made available have been spent/diverted to provide services to other developed areas elsewhere. Another major problem which could now be faced while formulating T.P. Schemes is that Section 203(1) of the Haryana Municipal Act, 1973 (comparable to section 267(1) (c) of the Haryana Municipal Corporation Act, 1994) has been struck down by the Supreme Court vide their order of July 15, 1994 and henceforth it would become necessary to pay compensation for land acquired for public purpose including that used for public streets. The other major problem of course is that of realising the external development charges and while these can be realised under section 130 of the Municipal Corporation Act by declaring them as arrears of land revenue, the procedure is quite cumbersome. There are no ready answers or solutions for these problems but a way has to be found out by the FMC adminstration and the Local Government Department so that additional resources are made available for undertaking urgent development works. The Commission feels that the feasibility of promulgating a separate enactment for the recovery of such external development and other charges should be urgently examined.

13.19 Faribaded is facing a very major problem of slums in as much as out of estimated population of 10 lakhs in the yar 1996, about 1.5 lakhs population is comprised in jhuggi clusters. While some of these jhuggi clusters are located on public parks and others on municipal lands, some clusters are either on HUDA land or on the evacuee land which is with the Rehabilitation Department. This problem has to be tackled on an urgent basis if Faridabad is to grow into a model satellite town of Delhi and this would involve considerable expenditure which has not been included in the normal budgetary projections.

A separate scheme for the resettlement of about 10,000 families located on parks/municipal common land called the Bapu Vihar Housing Scheme has been prepared for which projections are being made separately.

PERSEPECTIVE PLAN TILL THE YEAR 2001

13.20 While the FMC has provided for on going municipal services like water-supply, sanitation, solid waste managment, roads, street-lights, parks and play grounds on the present pattern from its regular budgetary provisions, it also proposes to take-up certain major additional schemes like (a) the Ranney-wells scheme, (b) Bapu Vihar resettlement scheme for jhuggi dwellers and (c) development of water-supply, surface drains and roads in recently regularised colonies as special development projects to be undertaken during the next five years. The perspective plan for these proposed new projects by the year 2001 is as under :

RANNEY WELLS SCHEME

13.21 The population of the Faridabad town as per the 1991 census was 6.18 lakhs. The approximate population at present is about 10.5 lakhs. Faridabad is facing severe water scarcity on the western side of Delhi - Mathura road. The only mode of water supply so far has been through tubewells. However, the discharge of tubewells which number around 280 at the moment is going down day by day. Moreover, the quality of water which is being pumped through some of these tubewells on the western side of Delhi-Mathura road has gone down and in some cases it has been even declared unfit for human consumption with the result that these tubewells would have to be abandoned. On the western side of Delhi-Mathura road, in most of the areas like Dabua colony, Jawahar colony, Parvatiya colony, Sanjay colony, the underground water is brackish and it is not possible to provide tubewells in these areas. The present residential/commercial and industrial demand of water is 501.50 lakhs gallons per day whereas the present production of water with the help of 280 tubewells is 380 lakhs gallons per day. The present short-fall is thus 121.5 lakhs gallons per day.

13.22 To over come the shortage of water, specially on the western side of Delhi-Mathura Road, a scheme based on ranney wells has been approved by the Government based on two Ranney wells and 13 deep tubewells to be installed in the Yamuna river Belt.

This scheme will provide 83 lakh gallons of water per day which will cover the shortage of water on the western side of Delhi-Mathura road. The scheme is to be executed by State PHED and Haryana Urban Development Authority. The cost of this scheme will be shared in the ratio of 50:40 and 10 by the FMC, HUDA and the State Government . respectively. The Municipal Corporation has already paid Rs. 4.75 lakhs to the State PHED for carrying out the survey of the aforesaid scheme.

13.23 The approximate cost for providing two ranney wells (cost Rs. 680.00 lakhs) and rising mains and various underground tanks and 13 tubewells (cost Rs. 2600 lakhs) will be Rs. 3280.00 lakhs. 50% of this cost, that is, Rs. 1640.00 lakhs will be borne by the Corporation. 40% cost (Rs. 1312.00 lakhs) by HUDA and 10% cost (Rs. 328.00 lakhs) by the State Government.

13.24 The expenditure of Rs. 1640.00 lakhs as above (that is share of FMC) and expenditure of Rs. 1263.38 lakhs on the distribution lines from various under ground tanks to the present distribution system will be borne by the corporation in five years. 70% of this expenditure of Rs. 2903.38 lakhs would be financed by way of loan from HUDCO to be paid back in fifteen years, as per details give below :

TABLE 13.8

RANNEY WELLS

(Rs. in lakhs)

Sr.No.	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Total Projected Expd.	193.560	580.680	638.740	716.170	774.230
2. Loan from HUDCO	119.550	478.204	478.204	478.204	478.204
3. Contribution of MCF	74.010	102.476	160.536	237.966	296.026
4. Repayment of loan	20.920	216.387	276.362	336.337	396.311
5. MTC. of assets	-	-	-	-	-
Net expenditure (3+4+5)	94.930	318.863	436.898	574.303	692.337

13.25 The instalment of repayment of HUDCO loan have been worked out by taking 17½% annual rate of interest as per terms and conditions of HUDCO. In the first year only interest amount on the loan received in 1st instalment will be paid and in subsequent years the instalment will consist of 1/15th share of principal amount of loan plus interest.

BAPU VIHAR RESETTLEMENT SCHEME

13.26 As already remarked, this scheme has been formulated largely to provide better living conditions to those slum dwellers who are located in green belts, road reservations and project sites and are to be resettled by providing built up houses at suitable locations near to their work place. In the first phase of the project, acquisition and development of land (180 acres) shall be completed for re-settlement of about 10,000 slum families. Financial assistance to the tune of Rs. 13.48 crores shall be obtained from HUDCO for the first phase. Internal development in the form of water supply, drainage and sewerage, roads and street-light shall be provided out of the loan amount and the remaining community facilities like community centres, dispensaries, Health centres, schools etc. shall be got constructed by FMC through public participation and by providing matching grants to various institutions.

13.27 The total project cost is placed at Rs. 87.36 crores, comprising of Rs. 15.86 crores for site development and Rs. 71.50 crores for construction of 10,000 dwelling units. 85% of the project cost i.e. Rs. 7425.60 lakhs will be taken as loan from HUDCO and the remaining 15% cost of the project i.e. Rs. 1310.40 lakhs will be borne by the Corporation. The repayment of loan will be recovered from the beneficiaries in a period of fifteen years in quarterly instalments.

13.28 Total project expenditure, loan from HUDCO, contribution of FMC and repayment of loan instalments during next five years have been worked out as per details given in the following table :-

TABLE 13.9

BAPU VIHAR HOUSING SCHEME

(Rs. in Lakhs)

S.No., Name of Head	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Total projected expd.	582.400	1747.20	1921.92	2154.88	2329.600
2. Loan from HUDCO	436.800	1747.20	1747.20	1747.20	1747.200
3. Contribution of MCF (15%)	145.600	-	174.01	407.68	582.400
4. Repayment of loan	58.968	723.05	892.09	1061.13	1230.174
5. Maintenance of Assets	..	-	-	-	-
Net Expd. (3+4+5)	204.568	723.05	1066.10	1468.81	1812.574

DEVELOPMENT OF WATER-SUPPLY, SURFACE DRAINS AND ROADS IN REGULARISED COLONIES :

13.29 At present nearly 60000 families (3.0 lakhs population) are living in 41 regularised colonies around Ballabgarh, NIT Faridabad and Old Faridabad towns. These colonies are spread over on an area of about 950 acres. These colonies are lacking even basic services like drinking water, surface drains, roads etc. It has been estimated by the corporation that about 250 kms length of roads of average width of 12' are required in these colonies. Similarly requirement of surface drains in these colonies is about 350 kms. To ensure drinking water to the residents of these colonies 120 lakhs gallons of water per day will be required for which approximately 130 tubewells would need to be installed and about 224 kms. of distribution lines will be required.

13.30 The Government has considered the demand of the residents of these colonies for their regularisation in the past. As per decision of the Government, the residents of these colonies are required to pay development charges @ Rs. 60/- per sq. yd. whereas the actual development cost for provision of even basic services comes to nearly Rs. 300/- per sq. yd. Regularisation of these colonies has resulted in heavy additional burden on the budget of the corporation.

13.31 Considering the repeated requests from the residents of these colonies for provision of basic services, municipal corporation Faridabad propose to provide water supply, surface drains and roads in these regularised colonies by 2001, involving an expenditure of Rs. 58 crores as detailed below :-

TABLE 13.10

DETAILS OF SERVICES TO BE PROVIDED IN REGULARISED COLONIES

(Rs. in lakhs)

	Roads	BOE	Water supply	Drainage
N.I.T. Cost	Rs. 591.83	1031.16	935.65	1237.69
Colonies Length	99.806 kms.	91351 sqm	82 Nos. T.W.	266.17 km.
			133.085 km.	
B/Garh Cost Rs	389.39	60.70	477.73	777.97
Colonies Length	65.67kms.	53722 sqm.	38 Nos. T.W.	167.306 km.
			79.953 k.m.	
Old FBD Cost Rs.	39.21	43.98	99.12	115.98
Colonies Length	6.613 kms.	38943 sqm.	10 Nos. T.W.	24.915 km.
			10.075 km.	
Total Rs.	1020.43	1135.84	1512.50	2131.64

Net Total Rs. 5800.41 lakhs

Say 58 crores.

13.32 The year wise projected expenditure for provision of water-supply, surface drains and roads in regularised colonies have been worked-out by the corporation as detailed in the following table :-

TABLE 13.11

PROJECTED COST OF DEVELOPMENT WORKS IN APPROVED COLONIES

(ROADS, WATER SUPPLY AND SURFACE DRAINS)

	Years				(Rs. in lakhs)
	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Total Projected expd	387.00	1160.00	1276.00	1431.00	1546.00
2. Loan from HUDCO	-	-	-	-	-
3 M.C.F. contribution	387.00	1160.00	1276.00	1431.00	1546.00
4. Repayment of Loan	-	-	-	-	-
5. Mtc. of Assets	-	031.00	124.00	226.00	340.00
Total (3+4+5)	387.00	1191.00	1400.00	1657.00	1886.00

13.33 The total expenditure on this project would have to be borne by the corporation as no loan will be available for these works in approved colonies.

NEW PROJECTS-OVERALL ADDITIONAL REQUIREMENTS

The additional expenditure required to be incurred by the FMC during the five years period 1996-2001 is indicated below :-

TABLE 13.12

ADDITIONAL REQUIREMENTS OF NEW PROJECTS

(Rs. in lakhs)

S.No. Name of Scheme			Years		
	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Ranney Wells	94.930	318.863	436.898	574.303	692.337
2. Bapu Vihar Housing Scheme	204.568	723.050	1066.100	1468.810	1812.574
3. Dev. works in approved colonies	387.000	1191.000	1400.000	1657.000	1886.000
Net expenditure (1+2+3)	686.498	2232.913	2902.998	3700.113	4390.911

RESOURCE MOBILISAITON :

13.34 In order to meet the deficit in the regular budget and the expenditure on new schemes incorporated in the perspective plan, the FMC proposes resource mobilisation by revising the rate of house tax from 10% to 12½%, water rates from Rs. 1 per thousand litres to Rs. 3/- per thousand litres and octroi rates on Ad-valorem basis (value of goods instead of weight of goods.)

Water Rates :

13.35 At present municipal corporation, Faridabad is producing 380 lakhs gallons per day from 280 tubewells. Due to decrease in the underground water level the discharge of these tubewells vary from 2500 gallons to 12000 gallons per hour, whereas, the operational costs like salary, energy charges and maintenance etc. remain almost the same for all the tubewells.

The details of maintenance expenditure on existing water-supply is given in the following table :-

TABLE 13.13

MAINTENANCE COST OF WATER SUPPLY (EXISTING)

(Rs. in lakhs)

S.No.	Name of Head	1996-97	1997-98	1998-99	1999-2000	2000-2001
1.	Salary	720.00	945.00	1134.00	1361.00	1633.00
2.	Energy Charges	780.00	858.00	944.00	1038.00	1142.00
3.	Mtc. of existing assets	100.00	110.00	121.00	133.00	147.00
	Total	1600.00	1913.00	2199.00	2532.00	2922.00

Production cost
per thousand
litres of water = Rs. 2.53

13.36 From persual of the above table it will be seen that as on date the cost of production per thousand litres of water comes to Rs. 2.53. The FMC recovers an amount of Rs. 3.00 crores as water charges per year @ Rs. 1 per thousand litres for domestic consumption, whereas the expenditure on maintenance of water supply comes to Rs. 16.00 crores. In order to recover the cost of maintenance of water-supply, municipal corporation, Faridabad proposes to raise the water rates from Rs. 1/- per 1000 litres to Rs. 3/- per 1000 litres during the next 5 years. At present 85% of the consumption is for domestic purpose and only 15% is for commercial/industrial purposes. The latter category are being charged a higher rate and a corressponding increase is envisaged in their case as well. With this enhancement the Corporation will receive 3 times more revenue under this head. Even after this increase, the subsidisation element by the FMC would continue to be quite substantial.

OCTROI

13.37 As per existing octroi schedule the octroi is being collected on the weight of goods on the basis of old octroi schedule. Municipal corporation, Faridabad proposes to charge the octroi on ad-valorem (value basis). With this proposal it is expected that the income from octroi will be doubled in the coming years.

HOUSE TAX

13.38 At present the rate of house tax in FMC area is 10% of rental value of the property, whereas, in case of the municipal councils in the State this rate of house-tax is 12½%. The corporation has sent a case to the Government for final notification in the Government Gazette for revision of the rate of house tax from 10% to 12½%. With this proposal the corporation will be able to mobilise 25% additional revenue from this head. With the implementation of these proposals, the FMC is likely to receive additional income during the next five years as per details given in the following table :

TABLE 13.14

MOBILISATION OF ADDITIONAL RESOURCES

(Rs. in lakhs)

Sr.No. Name of Head	1996-97	1997-98	1998-99	1999-2000	2000-2001
1. Octroi	666.66	1760.00	1936.00	2129.60	2342.56
2. House Tax	72.91	192.50	211.75	232.93	256.22
3. Water Rates	250.00	660.00	726.00	798.60	878.46
	989.57	2612.50	2873.75	3161.13	3477.24

OVERALL PICTURE

13.39 The overall picture for the F.M.C. for the period till the year 2000-2001 including the normal budgetary deficit and the requirement of funds for the three new Projects referred to earlier in this Chapter as well as the additional resource mobilisation is set out in the table below :-

TABLE 13.15

TOTAL PROJECTED DEFICIT OF MUNICIPAL CORPORATION, FARIDABAD (1997-2001)

(Rs. in lakhs)

Sr. No. Name of Head	1997-98	1998-99	1999-2000	2000-2001	Total
1. Deficit in regular budget projections	1222.97	1388.14	1879.36	2540.87	7031.34
2. Requirement of funds on account of new proposed projects	2232.92	2903.00	3700.11	4390.91	13226.94
3. Total projected	3455.89	4291.14	5579.47	6931.78	20258.28
4. Additional income from raising of Octroi, water charges and house tax charges.	2612.50	2873.75	3161.13	3477.24	12124.62
5. Net Deficit (3-4)	843.39	1417.39	2418.34	3454.54	8133.66

13.40 The F.M.C. has accordingly requested the Commission that the following yearwise grant-in-aid may be recommended for the period 1997-98 to 2000-2001.

(Rs. in lakhs)

Year	Amount of grant-in-aid required
1997-98	843.39
1998-99	1417.39
1999-2000	2418.34
2000-2001	3454.54

13.41 We have gone through these projections and feel that there is still further scope for increasing the realisation from the existing sources because of much higher industrial growth and potential for income generation. There is no reason why the realisation from octroi particularly, on account of the larger production of electronic and electrical goods, should not go up much more rapidly than what is being envisaged by F.M.C. In regard to house tax we have suggested an "area-linked" scheme which already stands adopted in bigger metropolitan areas like Bangalore, Hyderabad and Patna and we can, with justification and without undue burden on the poorer sections, almost double the income from this source. Reference has already been made to large municipal and common lands available to the FMC and there is definitly scope for having more Town Planning Schemes which can generate substantial additional income.

13.42 The Commission has carefully considered the question of additional resources required by the Faridabad Corporation. While there is no doubt that the Corporation is much better placed than most of the Municipal Councils/Committees, it is also a fact that its commitments are much higher and it requires much heavier investments in infrastrurure. As has been explained earlier in detail although there is scope for generating additional income the net deficit is expected to increase steeply in the next five years. Faridabad is the only Corporation of its kind in the state and has taken up some vital and inescapable schemes like augmentation of water supply, particularly for areas on the western side of the Delhi-Mathura Road, re-settling 10000 families who are presently living in slums right in the heart of the city and for providing basic services to a number of colonies which have been regularised in the recent past. The total deficit for the period ending 2000-2001 on account of these new schemes has been worked out at Rs. 132.27 crores and even if some of these schemes get delayed or staggered, substantial additional funds would be required even for their partial implementation. The commission, therefore, feels that there is ample justification for giving grant - in - aid at the rate of Rs. 50/- per capita to the Municipal Corporation Faridabad as well. On the basis of the 1991 population, this would lead to a devolution of Rs. 3.09 crores in 1997-98. With a 10% escalation every year for the subsequent years, the year wise grant in aid recommended for the Faridabad Municipal Corporation would, thus be as follows :

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	1997-2001
Grant in Aid	3.09	3.40	3.74	4.11	14.34

We, however, feel that it is necessary for the FMC to fully tap its potential for raising additional resources at its own level. It would be, therefore appropriate to impose a condition that to avail of the grant in aid of Rs. 50 per capita the Faridabad Municipal Corporation will have to raise an equal matching contribution at its own level..We are suggesting a slightly different dispensation for Faridabad Municipal Corporation as compared to Committees/Councils keeping in view the fact that it is much better placed as compared to the later in the matter of raising own resources. The other performance criterion with regard to municipal councils/committees (Chaper XII) will also equally apply to FMC.

CHAPTER - XIV

TRANSFER OF AREAS FROM HUDA TO FARIDABAD MUNICIPAL CORPORATION - SHARING OF REVENUE.

14.1 Under the provisions of the Haryana Urban Areas (Regulation and Development) Act, colonies developed by private colonisers after approval of the Director Town and Country Planning, Haryana are transferred to local authorities after obtaining a certificate form the Director that all development works have been completed in the area. A similar provision exists in the H.U.D.A. Act for transfer of sectors developed by H.U.D.A. to local authority, namely, the Municipality. In the Faridabad-Ballabgarh Complex, the Faridabad Municipal Corporation is the local authority to which areas developed by either private developers or H.U.D.A. have to be transferred after development for maintenance of various services. Large areas, both industrial and residential, have been transferred by H.U.D.A. which is the major developer in the area, to the Faridabad Municipal Corporation over a period of time and H.U.D.A. continues to develop new areas after acquisition. The Faridabad Municipal Corporation has brought to the notice of the Commission certain issues which have been outstanding between the two organisations and has further claimed that the Corporation is experiencing great difficulty apart from financial loss because of lack of decision on some of these outstanding issues. The position with regard to some of these pending issues is mentioned in the succeeding paragraphs.

14.2 The Municipal Corporation Faridabad has taken over 27 residential and 13 industrial sectors for the maintenance of various services like water supply, roads, sewerage, street lights, maintenance of parks etc. from H.U.D.A. This was consequent to an agreement between the two organisations signed in this regard in January, 1991 and approval for which was conveyed by Chief Administrator H.U.D.A. in April, 1991. The transfer of sectors was also accompanied by the transfer of large number of employees from H.U.D.A. to the then Faridabad Complex Administration which has subsequently become the Faridabad Municipal Corporation.

The following problems have been highlighted by the Corporation before us with regard to this transfer of sectors to the Corporation :-

(1) The transfer of about 1250 employees to the Municipal Corporation by H.U.D.A. has adversely affected the resources of the Corporation. The total revenue from H.U.D.A. sectors for the period 1-4-92 to 31-3-95 was Rs. 9.34 crores whereas during the same period the salary bill of the transferred employees amounted to Rs. 8.13 crores. Taking into account other expenditure like Rs. 7.90 crores on electricity bills, development works, on water supply, sewerage etc. amounting to Rs. 4.57 crores and other maintenance works, amounting to Rs.5.31 crores a total expenditure of Rs. 25.91 crores was incurred during the three years against the total income of Rs. 9.34 crores. Thus it is clear that with the transfer of sectors, the Corporation has been given a lot of liability with very little source of revenue.

(2) When the Municipal Corporation takes over colonies developed by private persons, it levies charges for correcting the deficiencies in internal services as well as proportionate external development charges. Apart from this, the Corporation also charges the Building Plan fee for scrutiny of building plan and composition fee to compound violations, malba fee, water and sewerage connection charges and refundable security thereof. These charges are claimed irrespective of the fact whether the area has been taken over by the Corporation or not. In addition to this ownership of land falling under sites meant for community facilities and undetermined uses also vest with the Corporation. Contrary to this, in the case of H.U.D.A. none of these charges are levied by the Corporation but the benefit of all the above charges goes to H.U.D.A. even though after the transfer of these sectors, H.U.D.A. does not discharge any civic functions in the transferred area. Building plans in the transferred sectors continue to be sanctioned by H.U.D.A. and the fee for sanctioning plans as well as for compounding offences is also claimed by H.U.D.A. Apart form this, ownership of parks, public utility and undetermined use of land all vests with H.U.D.A. It is, therefore, clear that with the transfer of sectors all liabilities for maintaining civic services has been passed on to

the Corporation whereas sources of income which normally should come to the Corporation continue to remain with H.U.D.A. even though it has no role to play so far as civic amenities are concerned in the transferred area. The Corporation has, therefore, requested for passing on these charges after collection to the Corporation or it should itself be empowered to collect these charges as is done in the case of private colonies transferred to it.

(3) In the case of transfer of property taking place within the jurisdiction of the Corporation, the Corporation gets 3% of share of stamp duty as per notification issued by the State Government. The rates of land in H.U.D.A. are quite high but in most of the sectors transfer is allowed of H.U.D.A. plots without insistance by H.U.D.A. on registration and approval is accorded for transfer by charging a nominal fee between 10/- to 30/- rupees per sq.yard which also goes to H.U.D.A. It has been claimed that this kind of transfer without registration is causing a financial loss to the Corporation. In any case, in the absence of registration the full transfer fee which now goes to the credit of H.U.D.A. should be passed on to the Corporation to avoid loss to the Corporation.

14.3 Comments of the H.U.D.A. on the points raised by the Faridabad Corporation were obtained from the Commissioner and Secretary, Urban Estates and Town and Country Planning Department. The department has not replied on merits to the various issues raised by the Corporation but has only reiterated that transfer of various developed sectors in Faridabad from H.U.D.A. to the Corporation was with the full consent of both the parties. It has been further mentioned that 15% of extension fee was to be retained by H.U.D.A. for maintenance of trunk services. It is clear that while from the side of H.U.D.A. the State Government in the Urban Estate Department was fully in the picture, in the case of the Corporation (the then F.C.A.) the Local Government Department was not in the picture when some major policy decisions were taken. Since the department had not chosen to reply to the points raised by the Corporation on merits, after a careful consideration of the various issue raised by the Corporation, our views on the subject are as below :-

(I) EXTENSION FEE

Extension fee with regard to unbuilt plots is being passed on to the Corporation after retaining 15% for maintenance of trunk services. This appears to be a sound arrangement since major trunk services will have to be maintained by H.U.D.A.

(II) BUILDING PLAN FEE/COMPOSITION FEE

The point raised by the Corporation is that in the transferred sectors, H.U.D.A. does not undertake any activity by way of providing civic services and all these are being provided by the Corporation. However, building plans continue to be approved by H.U.D.A. under the H.U.D.A. Act and composition fee is also levied by H.U.D.A. for various violations. It stand to reason that the area which has come within the purview of the Corporation should be governed by the rules and regulations applicable under the Corporation Act and building plans of the area will also have to be approved by the Corporation under its bye-laws. Until this is formally done the Corporation can not claim the building plan fee/composition fee for plots which continue to be governed by the H.U.D.A. Act. This would also necessitate change in the provisions in the H.U.D.A. Act to stipulate that areas which have been transferred for the purpose of maintenance and civic services will be governed by the provisions of Corporation Act for the purposes of approval of building plan, composition of offences etc. This matter needs to be sorted out between the two Departments at the Government level after discussions so as to undertake the requisite amendments in the Acts concerned.

(III) TRANSFER FEE

It has been pointed out by the Corporation that normally for transactions taking place in the Municipal/Corporation area 3% of stamp duty comes as the share of the Municipal/Corporation concerned whereas in the case of Plot/Sectors transferred by H.U.D.A. transfer of plots is allowed without registration and the transfer fee is also claimed by H.U.D.A. Under the rules and regulations applicable in H.U.D.A. the plot is allowed to be transferred thrice on payment of transfer charges without insisting upon registration. This is so because transfer can take place even without the payment of the full price of the plot since after the transfer remaining instalments regarding the price of the plot continue to be paid by the transferee and he is governed by the same terms and conditions applicable to the original allottee. Thus the claim of the Corporation that non registration leads to a lot of loss of income to the Corporation has no sound basis. However, there seems to be no justification for H.U.D.A. to claiming the entire transfer charges since there is no further liability of H.U.D.A. with regard to such plots and the process involved in granting approval for transfer is very simple and a matter of routine. Thus, in our view the transfer fee stands on the same footing as extension fee for non-construction with regard to plots and there is every reason to pass on this entire amount to the Corporation in the case of transferred sectors of H.U.D.A.

(IV) OWNERSHIP OF PARKS/PUBLIC UTILITY AND LAND UNDER UNDETERMINED USE

The Corporation has claimed that at the time of taking over the sectors the ownership of the Parks/Public utilities and land under undetermined use which has not been disposed of should vest with the Corporation since H.U.D.A. does not undertake any civic services in that area. The point of view of H.U.D.A. is that the sectors have been transferred only for maintenance of civic services and there is no transfer of ownership to the Corporation. Pieces of land lying undisposed can be put to use subsequently by H.U.D.A. depending upon the requirements of the situation. We do not find much substance in the claim of ownership made for the purpose of maintenance and provisions of civic services in the transferred area. The ownership of plots remains with individual owners and other areas in possession of H.U.D.A. continue to be in their ownership. Thus the Corporation can have no right to claim the ownership of land lying undisposed of belonging to H.U.D.A.

CHAPTER - XV

RESOURCE MOBILISATION BY THE URBAN LOCAL BODIES AND SHARING OF TAXES

15.1 Under its terms of reference, the Commission, is required to make recommendations on the principles which should govern the distribution between the State and the municipalities on the net proceeds of taxes, duties, tolls and fees leviable by the State, allocation between municipalities of all levels of their shares of such proceeds, determination of sources of revenue to be assigned to the municipalities as well as grant-in-aid to the municipalities from the consolidated fund of the State. The Commission is also expected to recommend measures which are needed to improve the financial position of the municipalities so that they are able to function as effective instruments of self-governance. During discussions held at various levels the points mentioned above were gone into in detail by the Commission. The question of allocating some share from the tax resources of the State was duly considered alongwith the question of earmarking certain levies for the sole benefit of the local bodies. However, the consensus was in favour of improving the resources of these bodies at the local level in such a way that they do not have to depend too much on State Government's grants and are able to raise resources by their own efforts. The working groups set up on "Augmentation of resources" in the conference of State Finance Commissions has also strongly advocated such a policy of raising resources at the local level to ensure financial autonomy of these bodies and reduce over dependence on government grants. Based on discussions and suggestions which emerged during these deliberations with elected representatives, the Commission after careful consideration has decided to recommend the following steps in this regard. While making these recommendations care has been taken to ensure that they serve as elastic sources of revenue and generate sizable resources to the local bodies without creating any hardship to the poorer sections of society.

1. OCTROI

15.2 Among the tax revenues available to the local bodies in various States, octroi is one of the most important sources of revenue throughout the country. The power to levy octroi is bestowed on the local bodies by virtue of entry 52 of the State list in the 7th Schedule of the Constitution, whereby they are empowered to levy taxes on goods brought into local area for consumption, use or sale. In Haryana in the case of Faridabad Municipal Corporation, octroi accounts for 60 to 66 percent of the Tax revenue and in the case of Municipal Councils and Municipal Committees also it accounts for 64 to 69% of the Tax revenues of these bodies.

15.3 Even though octroi is a very elastic and profitable source of revenue to the local bodies, there has been frequent criticism of this levy and pressure has been building up for abolition of octroi and its replacement by a source of revenue which is easy to collect, involving no tax leakages and also does not lead to detention of vehicles and resultant delay in transport of goods leading to escalation of costs. The lobby of traders and transporters has been persistently criticizing the levy of octroi which has led to the abolition of this levy by certain States. It already stands abolished in 16 States and 3 Union Territories whereas it continues in 9 States and 4 Union Territories. The Zakaria Committee on Augmentation of Financial Resources of Urban Local Bodies (1963) had recommended replacement of octroi by a terminal tax or by a surcharge on sales tax or by some other method which should be free from the evils of the octroi system. Similar recommendations were made by the Taxation Inquiry Commission set up by the Government of India and committees set up by the Governments of Uttar Pradesh and Maharashtra. Most of the States which have abolished octroi have replaced it either with a surcharge on sales tax coupled with an entry tax on specific items. In actual practice, however, it has been noticed that the abolition of octroi has led to a greater dependence of the municipal bodies on the State Government for resources thereby restricting in effect their autonomy to a large extent. States like Tamil Nadu and Karnataka have introduced a surcharge on sales tax as a measure to compensate for the abolition of octroi. The experience regarding abolition of octroi has not been uniform in all the States. In Gujrat State, while octroi was abolished in 1987, it has been reintroduced once again. In the case of Maharashtra, even though a decision was taken in principle to abolish octroi, no final action has been taken in this regard. It cannot be denied that abolition of octroi has very wide repercussions on the functioning of the local bodies especially when there is no other comparative elastic source of income for exploitation. The local bodies are saddled with increased responsibilities on the developmental side apart from maintenance of civic amenities. With already limited resources available to them any action to take away the taxing power of the Local Bodies will make them completely dependent on the State Government for further financial requirements. This matter was also examined at length by a Committee of Chief Ministers of various States in 1994 and a unanimous view was expressed against abolition of octroi. The commission is of the considered view that octroi is a good and an elastic source of revenue for the Urban Local Bodies in the State and it would not be prudent to abolish it at the present juncture.

15.4 A perusal of income from octroi in the last few years clearly shows that it has remained more or less stagnant for the last 3-4 years. The comments received from the State Government as well as comparison of the schedule of octroi valid in the State of Haryana with the rates prevalent in the neighbouring State of Punjab clearly shows the reasons for the lack of growth in the income from octroi. In Haryana, the octroi schedule has not been revised for the last three decades whereas in the neighbouring State of Punjab three revisions have already taken place. A committee was set up by the State Government in the year 1988 for suggesting measures towards mobilisation of resources for local bodies. This Committee commented adversely regarding the non-revision of octroi schedule over such a long period and it recommended revision of rates of octroi on the basis of the prevalent schedule of Punjab with some minor modifications. Unfortunately, however, these recommendations were never implemented and notifications issued for revision were withdrawn subsequently on two occasions. The notification issued in 1993 with regard to revision of the octroi schedule was withdrawn subsequently and the department again moved the Government in October, 1994 for the reissue of the same notification. Apart from this, a large number of notifications have been issued by the State Government granting exemptions from levy of octroi and in a few cases reduction in the existing rate of octroi. This has resulted in tremendous loss of revenue to the local bodies who have not been compensated in any manner for the loss so caused.. All these decisions have been taken unilaterally by the State Government without consulting the local bodies. This loss to local bodies has not been made up by any alternative source of revenue by the State Government so far.

15.5 During the discussions held with members of the elected bodies, officers and officials of the department as well as prominent persons from the public, there has been near unanimity regarding the urgent need to revise the octroi schedule in Haryana which have become completely out of date. There has also been a consensus that the levy of octroi on advalorem basis should be the main guiding principle while undertaking such an exercise.

While the item-wise enhancement required to be made in the schedule of octroi rates is essentially a matter for the Government to determine, the Commission cannot but strongly urge the necessity for making such revision, mostly on advalorem basis, at an early date. We have been given to understand that an exercise on similar line is already underway at the State level, and we hope that the revised rates of octroi schedule would be notified at an early date. We feel that the total income from octroi which has been in the region of Rs. 40 crores during the year 1995-96, can be comfortably increased by about 75% or more in the coming year.

EXEMPTIONS FROM LEVY OF OCTROI

15.6 The State Government has issued notifications from time to time exempting a large number of items from octroi and almost all these decisions were taken unilaterally without consulting the local bodies. A perusal of more than 30 such notifications show that some of them lack adequate justification. As a matter of principle, only items meant for weaker sections or which serve a social purpose should be considered for exemption of octroi. Exemption granted in the case of commercial organisations like Electricity Board have no justification especially when the municipalities are charged commercial rates for a public service like street lighting.

Specifically we would recommend the withdrawal of exemptions in the following cases for further consideration :-

i) Exemption of octroi on the import of books and answer books/ sheets or other materials brought by the University/ Boards.

ii) Exemption granted to Indian Oil Corporation, one of the richest commercial undertakings in respect of its works / installations is also not justified and deserves to be withdrawn.

iii) Exemptions granted to various State Government Departments and Organisations like H.S.E.B., PWD(B&R), Public Health, Agriculture, Forests, Civil Supplies, Police and State Federation of Consumer Co-operatives, etc.

15.7 Exemptions in future should be given only in exceptional cases as the State Government because of its tight resources position may not find it easy to compensate the local body suitably for the loss in octroi by giving further grants-in-aid. We strongly recommend that the revision of octroi schedule should be a regular process which should be undertaken at periodic intervals by the State Government, since any delay causes financial loss to the municipalities. The revision of octroi schedule should take place atleast once in three years if not earlier.

PRIVATISATION OF OCTROI COLLECTION

15.8 At present octroi levied by the municipal committees is collected by officials of the Committees who are stationed at various barriers which are located at entry points to the municipality area. It is common knowledge that there is evasion on a large scale apart from malpractices in collection of this revenue. This is also cited as one of the reasons for negligible growth in the revenue from octroi in the State for the last couple of years. In discussions held at various levels repeatedly a suggestion has been put forward that the process of assessment and collection of octroi should not be left to the municipal employees but should be privatised by giving it on contract to private parties. The following reasons are cited for recommending such a step:-

i) There is likely to be very little evasion since the contractor would be interested in maximising the revenue.

ii) Income from octroi can be increased substantially as has been the experience in the case of privatisation experiments undertaken in the States of Rajasthan and Punjab.

iii) Malpractices by the staff of the municipal committees and pressure from elected representatives would be practically non-existent thereby increasing the revenue of the municipalities.

15.9 It is admitted that there are some advantages in octroi collection through contractors and even in Haryana a few municipalities who had gone in for privatisation had shown remarkable improvement in collection in just a few months. It is also a fact that the contractor with a view to maximise his revenue will try to reduce all evasion and leakages. However, there is bound to be harassment to transporters and traders leading to detentions at check posts. We are given to understand that keeping in view various complaints, the State Government has withdrawn its earlier decision to privatise collection of octroi. The working group set up by the Government of India consisting of representative from expert bodies and State Finance Commissions did not favour privatization of tax collection efforts mainly on the ground that tax collection is a public function and should be performed by public agencies.

15.10 There are arguments both for and against privatization of collection of octroi as mentioned above. While there could be cases of harassment to transporters and traders on the barriers manned by private agencies, the problem in our view is not insurmountable and it should be possible to evolve a suitable mechanism to look into such cases of harassment as and when complaints are made. We have been given to understand that the system is working by and large satisfactorily in some areas of the neighbouring States of Rajasthan and Punjab. We would, therefore, recommend that this matter may be left to the individual discretion of the municipalities which would no doubt enforce the necessary checks and controls to obviate harassment to the transporters and traders and the public in general.

15.11 In the earlier part of this chapter, reference has been made to the abolition of octroi in some of the States. Even in Haryana, there have been persistent demands from certain quarters to follow suit and Government of India has also been periodically stressing the same viewpoint. From what we are given to undeer stand, the question of such abolition is under serious consideration in the neighbouring State of Punjab. In the event of a similar demand being raised in Haryana, it would be necessary to find an alternative source of revenue which is equally elastic as well as substantial. While the exact modalities for achieving this objective would have to be considered in detail, one of the option could be to levy a surcharge on sales tax or to impose a tax on turnover of traders.

2. PROPERTY TAX

15.12 Property tax is one of the major source of revenue for Municipalities all over the Country. It has been estimated that nearly 30 to 40% of municipal revenue are generated by this tax alone. Normally this tax is levied in terms of annual rental value. However, in view of the difficulties faced in knowing the actual rent charged for different categories of buildings and the prevailing malpractices in this field, many States have delinked property tax from the rental value concept and have switched over to the area linked scheme based on standardized plinth area costs. This "unit area" value is to be determined based on location, structural characteristics, age of the building, use to which the building is put, quality of construction etc. The entire municipal area is divided into various zones/sub zones before calculating the "unit area" annual value. This system of estimation is quite simple and removes arbitrariness and bias from the process of assessment. Committees set up by different State Governments have also recommended such a step to ensure that the system of assessment is transparent apart from being simple to administer. Mention in this connection can be made of the States of Andhra Pradesh, Karnataka, Kerala, Tamilnadu and West Bengal. Bihar has already enforced it in its Capital Patna.

15.13 In the State of Haryana, property tax is a major source of tax revenue to the Municipalities amounting to 13.32% of its own revenues. The total annual realisations in 1995-96 were Rs.15.44 crores out of which Faridabad Municipal Corporation contributed Rs 5.28 crores, the Municipal Councils Rs.7.81 crores and the Committees Rs.2.35 crores. The present system of assessment on the basis of annual rental value is highly subjective giving rise to a lot of scope for malpractices at every level. There is no regular system of re-assessment of properties over a period of time and a lot is left to the whims and fancies of the Municipal staff. Arrears have piled up in most of the major Municipalities and no serious efforts are being made to recover these dues. More than Rs.13.99 crores was outstanding as arrears of property tax as on 31.3.95 in the State. In view of the fact that property tax will continue to be a very major source of tax revenue to Municipalities, it is necessary to streamline the system of assessment by making it transparent and free from bias.

15.14 The present method of assessment of property tax in Haryana is based on the definition of annual rental value as given in Section 2(i)(a)(ii) of the Haryana Municipal Act,1973. Different

Assessing Authorities have been adopting different norms with a result that the assessment has become subjective and there is no uniformity in the assessment procedure. The alternative based on capital value, namely, method of assessment of tax related to prevalent market value of property is being followed in West Bengal. Under this system a central evaluation authority has been created which functions independent of the control of municipalities as well as the State Government. It is understood that the Municipal Corporations of Hyderabad and Bangalore are also adopting this system. However, this system involves valuation of properties with technical expertise and is more suitable for bigger Municipal Corporations where assessment can be made on the basis of capital value in standardised plinth area cost for various locations and various types of constructions. This system may not be suitable for a State like Haryana where we have smaller towns and municipalities. The system advocated by the State of Kerala and presently in operation in Tamilnadu appears to be more suited to a small State like Haryana. This system is based on " Floor Area " whereby rental value is standardized per unit floor area of urban properties of different categories in a Municipal Area.

15.15 Under this system the entire Municipal area is divided into convenient territorial zones for the purpose of assessment based on factors like (1) civic amenities like water supply, street lighting, road and drains (ii) markets, shopping centres, educational institutions (iii) banks, public offices, medical institutions (iv) Factories and Industries and other relevant factors. After division of the Municipality into territorial zones, the buildings situated in each zone is to be classified on the basis of nature of construction such as (a) R.C.C. Buildings with superior quality of wood, better type of flooring, sanitary fittings, attached bathrooms etc. (b) R.C.C. ordinary Buildings (c) Tiled, Asbestos roofed or G.I. roofed Buildings (d) country tiled Buildings etc. After classification of the buildings based on their type of construction they are further classified into various categories based on the nature of use of the building like (a) residential (b) shops; shopping complexes (c) public use i.e. office complexes, public & private offices, hospitals & nursing homes, banks, educational institutions (d) commercial purposes, namely, hotels, lodges, godowns & other establishments (e) Industrial purposes namely factories, mills, workshops & other Industries (f) cinema theatres and places of public entertainment and (g) any other use not covered above.

15.16 After classification of buildings on the basis of location, type of construction and use the unit value per sq.mt. of floor area is worked out by studying the rental value of 2 or 3 selected buildings of the same type in each category in a particular given location. The unit value for different types of buildings can be worked out by a Local Committee consisting of representatives of the Engineering Department as well as officials of the Municipalities. The Committee can be chaired by the Deputy Commissioner or any other officer nominated by the State Government. The above system has some inherent advantages which are summarised below:-

1- It is a simple and straight forward method not involving detailed calculations regarding value of each property.

2- Because of the simplicity involved the scope for under assessment and other corrupt practices are considerably reduced alongwith the elimination of discretionary powers of the Assessing Officer.

3- Every owner of property can himself work out the tax liability by referring to the table of unit rates consequently leading to lesser complaints regarding excess assessment.

4- It reduces the scope for arbitrary exercise of discretion by courts or appellate authorities and makes the system transparent.

15.17 Under this new arrangement, there is likely to be considerable increase in realisations, but as this will be essentially based on the principle of bearability, heavier burden will necessarily fall on properties with higher values and on comparatively more prosperous sections of society. However, in order to ensure that assessments does not operate harshly in individual cases, a cut off date(s) can be prescribed and it can be laid down that increases in the house tax under the new system may not be more than 75% or 100% of what had been assessed earlier. This system will, therefore, attain the twin objectives of increasing the receipts and at the same time putting the assessment on a rational basis, consistent with the use and type of building assessed. The commission, therefore, recommends accordingly.

15.18 We have carefully considered the matter and are of the view that switching over to the floor area concept in place of the existing Annual Rental Value will go a long way in streamlining and rationalising the present property tax structure in the Municipalities and could prove to be a solid base for municipal finances with steadily increasing income over the coming years. The various ramifications of the unit area linked schemes would have to be worked out in detail with specific provisions for granting exemptions or modifying the scheme to meet cases of hardship and our peculiar requirements. It may also become necessary to get assistance from a specialised agency to work out a comprehensive scheme as has been done by some other States.

MODIFICATIONS IN THE EXISTING SYSTEMS OF LEVYING PROPERTY TAX

15.19 It would no doubt take some time for working out a comprehensive scheme based on the "area linked" concept even after a decision has been taken " in principle " to go ahead with its implementation. In the meanwhile the present scheme of annual rental value would have to be continued and streamlined and in this connection the Commission would also like to make a few suggestions.

15.20 Under the provisions of Haryana Municipal Act a minimum of 10% and maximum of 15% has been prescribed with regard to property tax by the State Government. It has been brought to our notice that in all the Municipal Councils the rate has been fixed at 12.5 % whereas in Faridabad Municipal Corporation, it has been fixed at 10%. Faridabad without doubt is an area adjacent to Delhi having high land prices and, there seems to be no justification for keeping a lesser rate of tax there as compared to the rest of the State.

We feel that with the higher level of incomes prevailing in the Faridabad industrial complex, there may be a justification for levying house tax at a higher rate in Faridabad than the rest of the State. In any case we see no reason as to why it should be less than that prevailing elsewhere and we accordingly, recommend that the House Tax at Faridabad may also be levied at 12.5%

15.21 The Commission is also of the view that in order to ensure better income to the Local Bodies even under the existing system, a special surcharge varying from 50 to 100 percent, depending on various standard factors, should be levied on buildings being used for commercial, industrial and other non-residential purposes.

15.22 In most of the Municipal Acts, there is a provision for exemption of properties from the assessment of property tax. In addition, there is also a provision for remission upto 50% of the tax in case the property has remained vacant for more than 90 days. In discussions held with elected representatives and other official functionaries, it has been brought to our notice that these provisions are largely misused, since there is no effective system of verifying facts on a periodical basis. This has resulted in a substantial loss of revenue to the Municipalities. The Commissions/Committees set up by various State Governments have been suggesting drastic reductions in the list of exemptions and some have also proposed a minimum tax from every property whether it has remained occupied or vacant. We have also been informed that in many cases the list of properties exempted from this tax includes buildings used for charitable purposes, for running schools etc. In many cases the owners of such buildings let out these buildings for running these institutions at exorbitant rents and continue to avail of the benefit of exemptions. We would, therefore, recommend a thorough review of all such exemptions as well as charging of tax in all those cases where income accrues to the owners irrespective of the purpose to which the building is used.

3. NON TAX REVENUES

15.23 Non tax revenues in various municipalities consist of charges, fees and fines levied by municipalities in the form of payments in return of services rendered by the municipalities by the residents in their jurisdiction. A municipal fee is collected for the benefit received by the citizen for a specified work. Building licence fee, fee for the issue of birth and death registration, parking fee, etc. are examples of such fees and the objective is to introduce an element of control and regulation. Fines are also imposed for violation of certain bye-laws of the municipalities and are charged by way of composition of an offence by the municipality concerned. While the Non tax revenues may not constitue a very big percentage of the total revenues of municipalities but they play a vital part in the internal resource generation of the municipalities. Studies conducted by the National Institute of Public Finance and Policy also have shown that smaller municipalities have a large percentage of their own revenues derived from non tax sources as compared to larger municipalities. Similarly, a study conducted from some sampled municipalities of seven States showed that in non-octroi States, larger municipalities that have a good tax base tend to ignore the non tax revenues. However, in the octroi levying States like Gujrat, Maharashtra and Punjab non tax revenue account for between 15 to 31 percent of own resources of municipalities, depending upon the size of the municipality. In the case of Haryana non tax revenues account for 41.30 percent of own sources of municipalities.

15.24 During discussions held with elected representatives of municipalities in various districts it has been brought to our notice that in certain cases the rates of fees, charges and fines fixed for various purposes have not been revised since the year, 1976. This also applies to licences issued under dangerous and offensive trade bye-laws, building bye-laws and a host of more than 25 bye-laws under various heads which are valid in the municipal areas. It has been found that barring a few exceptions where the rates have been fixed in 1986 or 1988, in majority of cases the rates have not been revised after 1976. But it goes without saying that the rate of fees and fines should atleast cover the full cost of administration and have to keep pace with current cost conditions. In many cases we have found that the rates are so low that they will probably not even cover the cost of efforts involved in issuing the necessary certificates or licences. The Secretary Local Govt. has informed us that a decision in principle has been taken to raise the rates in respect of a few bye-laws very recently. We are of the view, that whatever decsion have been taken should be urgently implemented and the matter should be reviewed so as to make suitable revisions in all cases, where it is long over due. It should also be laid down that a thorough review should be carried out as a normal exercise atleast once in a period of three years.

(B) SHARING OF STATE TAXES

1. ENTERTAINMENT DUTY AND SHOW TAX

15.25 In India, practically, every State and Union Territory levies entertainment tax basically on cinema halls/video parlours located in urban areas. Many States also impose a surcharge as well as a show tax and the department of commercial taxes normally is the agency which administers this Act. By and large income from entertainment duty/show tax basically accrues from the urban areas where the cinema halls/video parlours are located and they avail of all the services from the municipal bodies. The entertainment tax is essentially local in character, being paid by the local residents and thus there is a strong case for passing on wholly or substantially income from this source to the local bodies.

15.26 In the State of Haryana, the entertainment duty and show tax is collected by the Commercial Taxes Department under the provisions of "The Punjab Entertainments Duty Act, 1955" and "The Punjab Entertainments Tax (Cinematographs Shows) Act, 1954" respectively.. The entertainment duty is 125% of the admission fee and a show tax @ 9% is charged on the total collection of entertainment duty which is paid solely by the proprietor of the cinema. The entire proceeds of the entertainment duty as well as the show tax is deposited in the Government Treasury and no part of this revenue is being shared with the Municipalities in the State. The budgetted figure under this head including show tax is Rs. 11.60 crore in the year 1996-97. The receipts from show tax are likely to be of the order of Rs. 90.00 lakhs and the balance i.e. Rs. 10.70 crores is on account of entertainments duty.

15.27 The Commission had an occasion to study the system existing in other States of sharing of this source of revenue between the State Government and the Urban Local Bodies. In the case of Kerala, the power to levy this tax has been given to the local bodies by virtue of a separate enactment. Thus, this entire revenue is levied and collected by the urban local bodies in the State of Kerala. In the case of Karnataka and Tamilnadu while the duty is levied by the State Government, a large percentage of this revenue is passed on to the urban local bodies. This has been done on the basis of the recommendations of the Municipal Finance Enquiry Committees set up in these States which had recommended passing on a major portion of this income to the urban local bodies after retaining some percentage towards collection charges. The Zakaria Committee set up to recommend measures for augmentation of financial resources of Urban bodies (1963) recommended that to begin with atleast 25% of the proceeds of entertainment tax should be earmarked for the urban local bodies. It further advocated gradually raising this percentage so that ultimately the entire proceeds of this tax are assigned to the urban local bodies. It further recommended that the entire proceeds of any surcharge being levied or to be levied in future on entertainment tax should be straightway passed on to the local bodies. The theatre tax or the show tax should be administered by the bodies themselves but in case these taxes are levied by the State, their proceeds should be earmarked for the local bodies. With regard to distribution of this income between the Municipalities, the Committee felt that it need not necessarily be either on the basis of population or the source from which the tax originated. The Zakaria Committee was in favour of the matter being left to the discretion of the State Government to distribute it on the basis of the needs of different local bodies.

15.28 The Commission during its deliberations and discussions with elected representatives, departmental representatives found substantial force in the argument for giving a major share of this income to the Municipalities. A part of this income is passed on to the local bodies after its collection by the State Government in most of the States. Various Committees and Commissions set up by the Government of India or by different State Governments have also been in favour of passing on a major part of this income to the local bodies since the entertainment centres located in the Municipal limits fully utilise on a large scale all civic amenities provided by the Municipalities. Against this background and considering other overall position, it is recommended that 50% of the net income from the entertainments duty should be passed on to the urban local bodies by the State Government As regards the show tax which is paid by the proprietor, it is recommended that the entire amount should be passed on to the concerned Municipality within whose area the collection is made. As regards the mode of distribution of the former, the Commission recommends that this may be done on the actual quantum of collection made within the limits of each Municipality. In case the State proposes to introduce any surcharge or additional entertainment duty in future, the income on this account should be directly passed on to the concerned Municipality. Based on the figures supplied to the Commission, the implementation of this recommendation is likely to benefit the Municipalities between Rs.6.5 to 7.00 crores per annum.

2. TAXEX ON VEHICLES

15.29 Motor vehicles of different descriptions are registered under the provisions of the Indian Motor Vehicles Act, 1988 and Rules made thereunder. Taxes/fees are levied under the provisions of Punjab Motor Vehicles Taxation Act/Rules as applicable to the State of Haryana. These have been a good source of income to the State Governments but the local bodies have been demanding their share of revenue since the infrastructure of the cities especially the roads are used by the transporters and vehicles of different descriptions put a lot of pressure on other urban infrastructure. In the State of Haryana, income is realised by the Transport Department and no part thereof is shared with the local bodies. Figures obtained from the State Government show that the income was Rs.273.15 crores during the last five years. The budgetted figure for the year 1997-98 is Rs. 75.20 crores.

15.30 As regards the demand for a share for the urban local bodies out of the receipts of the motor vehicles tax, the Commission had occasion to obtain information on the position existing in some other States in this respect. In Kerala and Karnataka, a substantial percentage of this tax is passed on to the urban local bodies on the basis of a prescribed formula. The Zakaria Committee had also recommended that atleast 25% of the proceeds of the motor vehicles tax should be earmarked for the local bodies and a formula should be evolved to distribute the proceeds to the different local bodies on the basis of population / mileage of roads maintained by them, volume of traffic etc. Similar recommendations have also been made in the report of the Rural Urban Relationship Committee (1966) as well as in the recommendations of the joint meeting of the Central Council of Local Government and Urban Development and the All India Council of Mayors (1970 to 1988) wherein it has been strongly argued that urban local bodies should be given an adequate share of motor vehicles tax. It is a well known fact that with the increase in the volume of traffic of men and material, the urban infrastructure is coming under heavy pressure in most of the municipalities which do not have sufficient funds to maintain the roads and other related infrastructure. A share for the local bodies from this tax has an adequate justification in view of the practice prevalent in most of the States and other reasons mentioned above. We, therefore, recommend that 20% of the Tax on Vehicles and allied taxes collected under the relevant budget head in the State of Haryana by the Transport Department should be shared with the urban local bodies. We further recommend that 50% of the allocation could be based on the criteria of population and the remaining 50% based on other criteria to be worked out by the State Government This could be related to the total length of different types of roads in a municipality and the requirement of maintenance or any other reasonable criteria laid down by the Government. This type of sharing would have the advantage of transparency and the municipalities would also know about the amount which they would be getting as their share. However, with a view to ensure that the amount is not diverted to other heads of expenditure, a condition would need to be imposed that the share of motor vehicles tax passed on to the municipalities should be primarily used for the maintenance of urban roads. This decision when implemented is likely to lead to a devolution of Rs.15.04 crores annually to the urban local bodies (BE 1997-98 is Rs. 75.20 crores) and will go a long way towards maintenance of road infrastructure in the municipal areas.

15.31 We are further given to understand that funds from other agencies are also made available on and off for repair of municipal roads. While making devolution under this head to the Municipalities, the above factor would have to be kept in mind so as to make suitable adjustments wherever called for.

3. TAX ON THE CONSUMPTION OF ELECTRICITY IN MUNICIPAL AREAS

15.32 Under the provisions of the Haryana Municipal Act, a tax on the consumption of electricity @ 1 paisa per unit on electricity consumed within the limits of the municipality can be levied subject to general or special orders of the State Government. The State Government vide its notification dated 28.12.90 decided that each municipal committee shall impose this tax within a period of one year from the issue of the notification on the basis of resolution to be passed by the individual municipality. Subsequently, vide notification dated 22.1.92 the State Government reduced the period of one year to 45 days. Later, by a notification on 7.5.92, this levy was made effective from 1.7.92 uniformly in all the municipalities of the State. It can, therefore, be assumed that with effect from 1.7.92, this tax came into effect in all the municipalities uniformly. This notification further specified that the tax shall be collected by the Haryana State Electricity Board and paid in the same manner as if it was Electricity duty payable to the State Government under the Punjab Act, 1958. Instructions were issued by the Chief Engineer (Commercial)/HSEB on 24.8.92 to the Executive Engineers(Operations) specifying that the amount payable to the municipalities was to be adjusted towards energy bills of the concerned municipality and the balance amount was to be paid by the XEN(Operation) concerned to the municipality.

15.33 During various discussions held with the elected representatives of the municipalities, the following points with regard to this tax have been highlighted before us:-

i) There is no regular system of payment of this amount by HSEB and accounts are also not rendered to the municipalities and thus, the latter are completely ignorant about the amount which is due to them by way of this tax. HSEB should therefore render municipality -wise accounts on a periodical basis.

ii) This surcharge of 1 paisa per unit needs to be enhanced atleast to 5 paise with a view to improve the financial position of municipalities and the pending issues of payment of energy bills between the two organisations also needs to be sorted out at the earliest.

iii) The HSEB is charging commercial rates for the energy consumed in providing the facility of street-lighting by the municipalities as well as the power consumed in water supply. These are basic civic amenities provided by the municipalities. Thus, there is no justification for charging commercial rates by the HSEB and in future, rates applicable for residential use should be charged from the municipalities.

iv) HSEB which is operating on commercial lines has been granted exemption from octroi on the material brought inside the municipal areas for the various operations/works. In addition, the Board has also been making free use of municipal lands for establishment of their substations, installation of poles, etc. In case, the HSEB continues to charge commercial rates for energy charges incurred in providing street-lighting and water supply, the exemptions granted from octroi need to be withdrawn apart from the Board being made to pay for use of municipal lands in future.

15.34 Comments of the H.S.E.B. were obtained on the various issues pertaining to this subject by the Commission and discussions were also held with the senior officers of the H.S.E.B. The revised tariff as applicable from 1.7.96 is Rs. 3/- per unit for domestic consumption and the same is applicable for street lighting. The Board has indicated that the amount realised as 1 paisa per unit with regard to all the municipalities in the State during the year 1994-95 was Rs. 183.63 lakhs.

15.35 As per details furnished by the HSEB, the total amount payable by the municipalities during the year 1994-95 towards energy charges was Rs. 1052.30 lakhs. Out of this, Rs. 853.20 lakhs was received in cash, Rs. 113.30 lakhs realised as 1 paisa surcharge was adjusted towards these dues and Rs. 85.80 lakhs was outstanding against the municipal committees. However, this tax realised upto 31.3.95 from the date of imposition amounted to Rs. 476 62 lakhs and after adjustment of energy bills upto March, 1995, a balance of Rs. 168.95 was due to the municipal committees in the State. As per information furnished by the HSEB as on 31.3.95, certain municipal committees were due to receive Rs. 156.65 lakhs from the HSEB, whereas certain other committees had to pay Rs. 73.50 lakhs to the HSEB. In the overall position, the municipalities by and large seem to be starting on a clean slate with a sum of Rs. 83.15 lakhs due to them from the HSEB.

15.36 After a careful examination of the position obtained above and discussions held with officers of both the departments, we are of the view that arrangements to be made in future must be such that the municipal commmittees and HSEB know periodically as to where they exactly stand with regard to this tax. As pointed out above, the realisation on account of 1 paisa surcharge does not match the energy charges and varies from one municipality to another. It is, therefore, recommended that whatever is due to the municipalities should be paid by HSEB on a quarterly basis and the amount due to the HSEB as energy charges from the municipalities should be realised separately. This would be the correct arrangement and should not pose any problem because even under the prevalent practice, about 80% of energy charges are being paid by the municipal committees out of their own resources in cash. By adopting this procedure the municipal committees would be knowing as to what is due to them on a periodical basis and unnecessary disputes will be avoided.

15.37 While devolving additional resources to the municipalities one of the guiding principles which the Commission has adopted is to ensure that the sources of revenue are flexible enough and results in a steady flow of income to the municipalities. The tax on the consumption of electricity mentioned above fulfils this broad criteria adopted by the Commission. If the 1 paise tax is raised to 5 paise per unit at the current level of realisation, this amount would come to around Rs. 9 crores and assuming an annual increase of 15% to 20% should prove a flexible source of income to the municipalities. Keeping in view the current level of energy charges on account of street-lighting the income by this enhancement would by and large take care of the former, thus affording a big relief to the municipalities. We, therefore, recommend increasing the present rate of 1 paisa per unit to 5 paise per unit with immediate effect. Under the provisions of section 70(i)(viii) of the Haryana Municipal Act, tax at the rate upto 5 paise per unit can be levied with the approval of the State Government. With a view to give immediate effect to this recommendation the Government will have only to amend the existing notification dated 7.5.92.

15.38 As regards the issue pertaining to charging of commercial rates for the facility of street-lighting, the HSEB has pleaded that all consumers other than residential (excluding agriculture) are treated uniformly. It would, therefore, be difficult to make an exception and treat street-lighting at par with domestic consumption of electricity. This argument has some validity and at the same time, keeping in view the commercial nature of operations of the HSEB, there appears no justification for granting it exemption from octroi for material brought within the manucipal areas in the state. We, therefore, recommend adoption of a more just and equitable approach by the HSEB/State Government in their dealings with the local bodies. In case, the HSEB finds it difficult to charge for street-lighting at rates lesser than the commercial rates, it should have no objection to pay octroi for material brought within the municipal area like any other commercial organisations. It is also a fact that other State levies are applicable to HSEB and there is no reason to make an exception in the case of octroi. We, therefore, recommend that the exemption from levy of octroi granted by the State Government to HSEB should be withdrawn forthwith. However, in case, the HSEB is agreeable to charge domestic rates as a quid pro quo. the municipal committees need not charge any octroi on the material brought within the municipal areas by the HSEB and the existing exemption can continue.

15.39 As regards use of land and other property of municipality by the HSEB, we recommend to the State Government to consider the issue favourably and suitably compensate the municipality on the basis of a formula to be decided by the State Government. The compensation need not necessarily be at market rates, but it should be such that the municipality is reasonably compensated for the loss of its property.

OVERALL POSITION

15.40 The schedules of rates both in respect of octroi, fees and fines have not been revised for decades. The Commission feels that even with a reasonable minimum increase in respect of these levies, the income of the municipalities can almost be doubled within a very short span of time.

There is also considerable scope for increase in respect of property tax even under the present arrangement and all efforts must be made for plugging leakages and mal-practices, effecting suitable revision and enforcing prompt recoveries.

It would bear repitition that our major recommendation is in respect of adopting the "Area Linked Scheme" in place of the present "Annual Rental Value Concept". This new arrangement has already been enforced in several States and has the potential of almost doubling the income in a short span by imposing additional burden on well to do segment of the urban population. Even after it has been agreed "in principle" to implement this scheme, it would take some time to work out the details, by engaging specialised agencies if necessary. It is suggested that the implementation of the scheme may be taken up rightway so that it can be enforced from the year 1998-99.

CHAPTER - XVI

DEVOLUTION OF GRANT IN AID BY THE TENTH FINANCE COMMISSION (URBAN LOCAL BODIES)

16.1 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. 16.58 crores is meant for urban municipal bodies. This grant is to be spread over a period of four years, namely, 1996-2000. The annual grant for the Urban Local Bodies works out to Rs. 4.15 crores per annum. In the case of urban local bodies the inter-state distribution of grant is based on the ratio of slum population derived from the urban population figures as per 1971 census. The Commission has further 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 task of making further allocation of the grant-in-aid amongst the municipal bodies has been left to the State Finance Commission.

16.2 Out of the total estimated municipal population of 45.53 lakhs (1995-96) as much as 9.04 lakhs or 19.85% is the slum population. These slum population projections are based on a survey conducted by the Slum Improvement Board. The Commission feels that the annual amount of Rs. 4.15 crores could be utilised for tackling the slum problem. In this connection it may be stated that the State level Slum Improvement Board provides grants to the Municipalities under the plan scheme "improvement of urban slums". This scheme seeks to improve the living condition of the inhabitants in slums through low cost sanitation, water supply, open drains, community baths and latrines, widening and paving of streets, street lighting and other useful community assets. The per capita expenditure of Rs. 800 is the norm adopted for this purpose. The Slum Improvement Board proposed to bring about 10% of the slum population under slum improvement schemes during each year but has not been able to do so because of paucity of allocations.

16.3 The Commission, accordingly, proposes that the annual T.F.C. grant of Rs. 4.15 crores may be utilised to accelrate the pace of slum clearance which is being undertaken by the ULBs. There are 81 ULBs (including Faridabad Municipal Corporation) and the total annual amount of Rs. 4.15 crores is proposed to be divided between the various ULB's on a pro-rata basis in accordance with their respective slum population.

16.4 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.

16.5 The break up of the annual grant of Rs. 4.15 crores for each of the 81 U.L.B.'s can be seen at Appendix 'A'. The last column of the table in this Appendix gives the annual municipality-wise allocation. The commission recommends that disbursement of the grant of Rs. 4.15 crores to the U.L.B's made by the Tenth Finance Commission for the three years period from 1997-98 to 1999-2000 may be made on this basis.

16.6 The ULB's will provide matching grant from their own resources and this factor is being taken into consideration in the over all devolution of resources which is being recommended by the Commission. The ULB's would have to make sure that no part of this grant would be utilised for salary or wages. Suitable schemes with detailed guidelines would have to be framed by the State Government from time to time for utilisation of this grant.

APPENDIX "A"

DISTRICTWISE MUNICIPAL ALLOCATION OF TENTH FINANCE COMMISSION GRANT

Distirct	ULB's	Total Slum Population 1995-96	% to total	T.F.C Allocation (Rs. in lakhs)
1	2	3	4	5
1. Ambala	Ambala city	16603	1.83	7.60
	Ambala Sadar	3162	0.35	1.45
	Naraingarh	3076	0.34	1.41
	Kalka	3500	0.39	1.62
Total		26341	2.91	12.08
2. Yamuna Nagar	Yamuna Nagar	7461	0.83	3.44
	Jagadhari	8614	0.95	3.94
	Chhachhruli	3745	0.41	1.70
	Buria	1863	0.21	0.87
	Radaur	2736	0.30	1.25
	Sadhaura	1671	0.19	0.79
	Total	26090	2.89	11.99
3. Kurukshetra	Thanesar	16091	1.78	7.39
	Shahbad	9323	1.03	4.27
	Ladwa	2736	0.30	1.24
	Pehowa	11308	1.25	5.19
	Total	39458	4.36	18.09
4. Kaithal	Kaithal	12088	1.34	5.56
	Pundri	9969	1.10	4.57
	Cheeka	4429	0.49	2.03
	Kalayat	5222	0.58	2.41
	Total	31708	3.51	14.57
5. Karnal	Karnal	36093	3.99	16.56
	Gharaunda	13340	1.48	6.14
	Indri	3087	0.34	1.41
	Nilokheri	3798	0.42	1.74
	Taraori	3964	0.44	1.83
	Total	60282	6.67	27.68
6. Panipat	Panipat	11373	1.26	5.23
	Assandh	1801	0.20	0.83
	Samalkha	10693	1.18	4.90
	Total	23867	2.64	10.96

7. Rohtak	Rohtak	63559	7.03	29.17
	Bahadurgarh	9969	1.10	4.57
	Jhajjar	4893	0.54	2.24
	Meham	8462	0.94	3.90
	Kalanaur	4045	0.45	1.87
	Beri	4272	0.47	1.95
	Total	95200	10.53	43.70
8. Sonipat	Sonipat	51269	5.67	23.53
	Gohana	13312	1.48	6.14
	Ganaur	4532	0.50	2.08
	Kharkhoda	2097	0.23	0.95
	Total	71210	7.88	32.70
9. Gurgaon	Gurgaon	26071	2.88	11.95
	F.P. Zhirka	4885	0.54	2.24
	Faruk Nagar	2898	0.32	1.33
	Nuh	4842	0.54	2.24
	Sohna	7466	0.83	3.45
	Tauru	5087	0.56	2.32
	Pataudi	5433	0.60	2.49
	Punhana	8225	0.91	3.78
	Helimandi	6172	0.68	2.82
	Total	71079	7.86	32.62
10.Faridabad	F. Bad Complex	122629	13.57	56.32
	Palwal	17470	1.94	8.05
	Hodel	8328	0.92	3.82
	Hathin	1287	0.14	0.58
	Hassan Pur	1287	0.14	0.58
	Total	151001	16.71	69.35
11.Rewari	Rewari	28578.	3.16	13.11
	Bawal	2269	0.25	1.04
	Total	30847	3.41	14.15
12. M. Garh	Narnaul	20412	2.26	9.38
	Atelimandi	1058	0.12	0.50
	Kanina	1139	0.13	0.54
	M. Garh	2305	0.25	1.03
	Total	24914	2.76	11.45
13. Bhiwani	Bhiwani	14849	1.64	6.81
	Charkhi Dadri	12209	1.35	5.60
	Bewani Khera	3360	0.37	1.53
	Loharu	2143	0.24	1.00
	Tosham	1990	0.22	0.91
	Total	34551	3.82	15.85

14.Jind	Jind	21409	2.37	9.84
	Narwana	22135	2.45	10.16
	Julana	5005	0.55	2.28
	Uchana	2948	0.33	1.37
	Safidon	7595	0.84	3.49
	Total	59092	6.54	27.14
15. Hissar	Hissar	40384	4.47	18.55
	Hansi	21098	2.33	9.67
	Fatehbad	15051	1.66	6.89
	Tohana	9842	1.09	4.52
	Jakhal Mandi	1225	0.14	0.58
	Ratia	7074	0.78	3.24
	Barwala	7648	0.85	3.53
	Narnaund	1101	0.12	0.50
	Uklana Mandi	2191	0.24	0.99
	Siwani	1140	0.13	0.54
	Total	106754	11.81	49.01
16. Sirsa	Sirsa	23377	2.59	10.75
	Mandi Dabwali	10155	1.12	4.65
	Kalanwali	4706	0.52	2.16
	Elnabad	7737	0.86	3.57
	Rania	5533	0.61	2.53
	Total	51508	5.70	23.66
	Total State	903892	100.00	415.00

CHAPTER - XVII

BUDGETARY PERSPECTIVE - STATE AND LOCAL BODIES

17.1 A clearer picture of the State finances is necessary so as to determine the extent to which resources can be transferred to the local bodies either by way of shared taxes or grant-in-aid. Without going into the cumbersome budgetary details, we propose to confine ourselves to only a few budgetary facts so as to clearly comprehend the overall financial position and its various ramifications relevant to our requirements.

17.2 The total expenditure of the State during the recent years 1994-95 and 1995-96 was Rs. 7,052 crores and Rs.6,478 crores respectively. The primary and basic indicator of the financial health of the State is the revenue account and it accounted for 88.95% of the total expenditure in the year 1994-95 and 84.12% of the expenditure in the year 1995-96, as will be clear from the following:-

TABLE 17.1

EXPENDITURE (1994-96)

(Rs.in crores)

Year	Revenue	Capital	Total
1994-95	6273	779	7052
(%)	(88.95)	(11.05)	(100.00)
1995-96	5449	1029	6478
(%)	(84.12)	(15.88)	(100.00)

17.3 The revenue receipts of the State consist of (a) share of central taxes received in accordance with the recommendations of the Central Finance Commission (b) Tax Revenue, (c) Non-Tax revenue and (d) Grant-in-aid. We are primarily concerned with the State Taxes (Tax Revenues) which consists of sales tax, excise duty, goods and passenger tax, tax on vehicles, electricity duty, stamp duty and registration fee etc.

The broad position in this regard is as follows:-

TABLE 17.2

TAX REVENUE (1994-96)

(RS. IN CRORES)

Source	Revenue 1994-95	Receipts 1995-96
i) Share of Central Taxes	317	364
	(5.39)	(7.25)
ii) Tax Revenues	1888	2088
	(32.10)	(41.57)
iii) Non-Tax Revenue	3473	2203
	(59.04)	(43.86)
iv) Grant-in-aid	204	368
	(3.47)	(7.32)
Total	5882	5023
	(100)	(100)

17.4 The total expenditure as indicated earlier, consisting of expenditure on revenue and capital account, is further divided into Non-plan and Plan expenditure. The Plan expenditure being essentially in the nature of expenditure on new developmental schemes included in the State Annual Plan.

The position in this regard is as follows:-

TABLE 17.3

PLAN/NON PLAN EXPENDITURE

(RS. IN CRORES)

	1987-88	**1994-95**	**1995-96**
i) Non - Plan	1487	5943	5091
expenditure	(74.76)	(84.27)	(78:59)
ii) Plan expenditure	502	1109	1387
(25.24)	(15.73)	(21.41)	
Total	**1989**	**7052**	**6478**
(100)	**(100.00)**	**(100)**	

Apart from the recent years, for the sake of comparison, figures for the year 1987-88 have also been indicated. The annual plan which was Rs.502 crores in 1987-88 went upto Rs.1387 crores in 1995-96 that is more than 2.5 times (Rs. 1575.00 crores in 1997-98). The total State expenditure during this period shot up from Rs. 1989 crores to Rs. 6478 crores, that is, more than 3 times.

17.5 The State remained a revenue surplus State upto the year 1987-88 and thereafter the State showed a revenue deficit for all the years except in the year 1993-94 when it had a surplus of Rs. 80.45 crores. The revenue deficit in the year 1994-95 was as high as Rs. 390.51 crores. Because of higher expenditure on flood relief etc., the revenue deficit in the year 1995-96 is placed still higher at Rs. 426.33 crores. The budget estimates for the year 1996-97 showed a revenue deficit of Rs. 153.17 crores which has gone as high as Rs. 667.56 crores in the revised estimates persumably on account of prohibition.

17.6 We may also have an overall view of the State Finances, including the revenue and capital receipts and expenditure, loans raised during the year and the repayment due, loan advances and recoveries, receipts and disbursements under the Public Account etc. (State Provident Fund etc.).

Taking the last 5/6 years, the State has been having negative balance in the overall picture except in the year 1995-96.

17.7 The State Government has indicated that the growth in revenue expenditure has outpaced revenue receipts due to increases in the wage bill consequent upon the grant of benefits to employees on central pattern, mounting interest payment liability due to larger loan receipts, higher maintenance and operational expenditure due to inflation and other unforeseen contingencies. In view of the difficult financial position, it has been stated that it may not be possible to accommodate the liability resulting from the recommendations of the State Finance Commission in regard to transfer of funds from the State Consolidated Fund to the local bodies and Panchayats beyond the devolution of funds recommended by the Central Finance Commission to supplement the Consolidated Fund of the State and the level of present devolution from the State to these bodies. It has, accordingly, been suggested that the Commission should, recommend measures to augment resources of these bodies so that their rising resource gaps could be met by additional mobilisation on their own level.

17.8 It may also be stated that even though the over all financial position has been a matter of concern, the State has managed to secure much higher Annual Plan allocations from year to year. Taking the last 10 years, the annual expenditure of State Annual Plan which was Rs.502.53 crores in the year 1987-88 went upto Rs. 1116.43 crores in 1995-96, Rs. 1372.75 crores in 1996-97 (reivised outlay) and is now proposed to increase to Rs. 1575.00 crores in the year 1997-98. The fact, therefore, remains that in spite of the financial constraints, the State has managed to make heavy investments in infrastructure and in other vital economic, social and welfare sectors.

17.9 No clear and consolidated picture of assistance/grant-in-aid to the urban local bodies and Panchayati Raj Institutions from the State level is available. All the same the State Government have furnished a statement indicating assistance and grant-in-aid given under various budgetary Heads (heads 3604,2512, 2217), and this is as follows:-

TABLE 17.4

ASSISTANCE PROVIDED TO PRIS & ULB'S

(Rs. in crores)

Year	Plan	Non Plan	Total
1990-91	7.62	9.98	17.60
1991-92	4.15	11.41	15.56
1992-93	2.85	11.68	14.53
1993-94	2.19	5.93	8.12
1994-95	4.51	8.00	12.51
1995-96 (RE)	8.52	17.32	25.84
1996-97(BE)	4.85	14.89	19.74

17.10 It will be seen that the direct budgetary support in recent years has been of the order of Rs. 20/25 crores. This is, however, only a partial picture, as funds are also devolved to the local bodies under several other heads e.g. Poverty Alleviation Programmes (JRY, IRDP, Employment Assurance Scheme etc.) and an effort has been made to work out a more comprehensive picture by obtaining information from different sources as indicated elsewhere in the Report. Coming first to the urban local bodies, illustratively, their income during the year 1994-95 and 1995-96 was around

Rs. 75 to 95 crores as would be clear from the table :-

TABLE 17.5

RECEIPTS OF ULBs (COUNCILS AND COMMITTEES)

(Rs. in crores)

Receipts	Year 1994-95	1995-96
i) Tax Revenues	30.03	40.88
	(41.06)	(42.87)
ii) Non Tax Revenue	29.80	29.14
	(40.75)	(30.56)
iii) Grants-in-aid & Loans	13.30	25.33
	(18.19)	(26.57)
Total income	**73.13**	**95.35**
	(100.00)	**(100.00)**

The grants and contributions, loans and other miscellaneous receipts which include receipts from State Government and other sources constituted only 18.19% (Rs.13.30 crores) in 1994-95 and 26.57% (Rs.25.33 crores) in 1995-96.

17.11 The overall financial position regarding the Panchayati Raj Institutions has been built up from different sources and is broadly as follows (refer to table 5.5) :-

TABLE 17.6

RECEIPTS OF PRIs

(Rs. in crores)

Source	Year 1993-94	1994-95
i) Gram Panchayats own sources	39.67	42.72
	(26.04)	(22.76)
ii) Plan & Non-Plan grants	3.13	5.15
	(2.05)	(2.74)
iii) Subsidy & Matching grants	2.05	1.57
	(1.35)	(0.84)
iv) HRDF	39.17	44.51
	(25.71)	(23.71)
v) Decentralised Planning	5.95	9.64
(3.91)	(5.14)	
vi) Poverty alleviation	62.38	84.11
	(40.94)	(44.81)
Total	**152.35**	**187.70**
	(100.00)	**(100.00)**

17.12 The Plan and Non-Plan grants, subsidy and matching grants were only of the order of Rs. 5 crores during this period and another Rs. 6 to Rs. 9/10 crores was provided under "Decentralised Planning". A substantial amount is available under the HRDF (Haryana Rural Development Fund) but this is outside the Consolidated Fund of the State. The bulk of the amount available to the PRIs is under the Poverty Alleviation Programmes like JRY, IRDP and EAS etc. which are centrally sponsored schemes with a limited state share provided under the State Annual Plans. Apart from this, the State provides an amount of about Rs.20 crores in the shape of expenditure on establishment provided to the PRIs at various levels as well as on Gram Sachivs who look after the work of Panchayats.

17.13 The above comparision of the overall financial position of the State with that of urban local bodies and the Panchayati Raj Institutions is quite revealing. It will be readily seen that while the overall annual expenditure being incurred by the State in recent years is of the order of Rs.6500 - 7000 crores, the assistance given to the local bodies is quite meagre. On the urban side even if we assume that the bulk of grant-in-aid and contributions and loans came from government sources, the total amount so provided was about Rs. 13-25 crores during the years 1994-95 and 1995-96. As already indicated earlier the total amount available to the Panchayati Raj Institutions in the year 1994-95 was Rs.187.70 crores, out of which Rs.42.72 crores came from their own resources and other Rs. 44.51 crores from HRDF. By far, the major portions is under JRY, IRDP, EAS, etc. which are centrally sponsored programmes and the State contributions was only a small percentage of the total sum of Rs. 84.11 crores spent during the year 1994-95. The inescapable conclusion is that the direct budgetary support to the urban and rural local bodies as of today is quit insignificant.

17.14 The Commission is fully cognizant of the fact that the financial position of the State, as revealed through the figures of revenue and overall deficit given in the earlier part of this chapter, is far from satisfactory. In spite of the stringent resource position, the State has, as clearly pointed out earlier, managed to provide a much higher plan allocation from year to year and there is no reason why a similar dispensation should not be accorded to the minimum needs of the Urban Local Bodies and Panchayati Raj Institutions. The Commission strongly feels that the needs of the local bodies are as much as developmental needs as that of various other sectors included in the Annual Plan and are of the view that allocation of resources to this sector should also need to be regarded as another competing developmental priority. The assistance that would be thus given to the urban and rural local bodies assumes greater relevance, as it has been clearly laid down that this would be duly taken into account by the next Central Finance Commission. The year 1997-98 would be a particularly difficult year for the State Finance in view of the committed liability of the Eighth plan and the likely burden due to implementation of the Report of the Fifth Pay Commission. It may, therefore, become necessary for the State Government to implement our recommendations in phases keeping in view the process of delegation of functions to the local bodies. These are some of the main factors and considerations which the Commission has kept in view while formulating its scheme for the devolution of State resources and grant-in-aid to the urban and rural local bodies.

CHAPTER - XVIII

TAXATION OF CENTRAL GOVERNMENT AND STATE GOVERNMENT PROPERTIES

1. CENTRAL GOVERNMENT PROPERTIES

18.1 Under the provision of the Article 285 of the Constitution of India, the properties of the Central Government are exempted from all taxes imposed by the States or any authority within a State. The State Governments have long been demanding that the taxation of Union properties should be brought under the purview of Municipal Laws. This issue of taxation of Central Government properties has assumed a new dimension since many Government properties are strictly not used for administrative functions but are essentially related to activities with a distinctly commercial bias such as ports, air ports, hotels etc. In the light of the recommendations of the Local Finance Enquiry Committee, the Government of India decided as far back as Ist May, 1954 that payment should be made to the local bodies for service charges in respect of Central Government properties and a communication in this regard was issued by the Ministry of Finance on the 10th May, 1954. The Ministry of Finance vide letter dated 29th March, 1967, issued detailed guidelines for the mode of calculation of such service charges as well as determination of rateable annual value of the property. It was laid down that for various type of services availed of in respect of Central Government properties, service charges equivalent to 75% of the property tax realised from private individuals shall be leviable, with respect to large and compact colonies which are self sufficient in respect of most of the services, but where some services are being provided by the local bodies, service charges should be paid at 50% of the normal property tax rate and in those cases where no civic services are directly availed of, the payment will be restricted to $33\frac{1}{3}$ % of the normal rate of property tax. However, public sector undertakings and other industrial undertakings constituted into Private Limited Companies would be required to pay all the usual taxes like any other private individual.

18.2 A perusal of the status papers of various State Governments like Maharashtra, Tamil Nadu, West Bengal and Delhi prepared by Times Research Foundation, Urban Studies Centre, Calcutta, shows that the municipal authorities have seriously taken up the question of recovery of service charges for Central properties belonging to Railways, Civil Aviation, Post and Telegraph etc. There have been disputes about payment of such service charges in individual cases pertaining to Delhi Municipal Corporation and litigation is pending in the Supreme Court. The Government of Maharashtra has set up arbitrators for valuing Central Government properties and in West Bengal, this task has been entrusted to the Central Valuation Authority set up by the State Government. From discussions held by the Commission with Local Government Department officials as well as various Municipalities, it transpired that the question of recovery of service charges from Central Government properties situated in the State of Haryana has not been taken up seriously till date and in fact, it appears that the first reference on this subject to the various Municipalities was made by the Director of Local Bodies only on 17.2.95. It has not been possible to obtain any information about the income likely to be realised by way of service charges and Department of Local Government will have to get the municipality-wise survey done to identify such properties and assess the service charges, which are payable by the departments concerned. There are sizeable properties belonging to Central Government Departments in various parts of the State and we feel that substantial amount of service charges can be realised by the Local Bodies, if an earnest effort is made in this direction. We hope that the State Government will immediately initiate a survey in this regard and assess the amount, which is due to the various municipalities by way of service charges and take immediate steps to recover the same.

2. STATE GOVERNMENT PROPERTIES

18.3 Under the provisions of the Haryana Municipal Act, properties of the State Government are liable to tax like any other private individual. However, the State Government has granted exemption from tax for certain categories. The Commission has obtained information with regard to outstanding arrears, recoverable from various Government Departments and it has been intimated that more than Rs.1.57 crores is to be recovered from 15 major Departments of the State as listed in Appendix A. However, it appears that this does not depict a complete picture of arrears, since all Government Departments, Corporations and Undertakings have not been covered for this purpose. The Commission views with concern the huge arrears payable by Government Departments to the Local Bodies, which have remained unpaid for a large number of years. If the State Government itself is a big defaulter in the payment of taxes due to a local body, it would set a bad example when recovery proceedings are initiated against private individuals by the Municipalities. We do not see any reason as to why a commercial undertaking like Tourism Corporation should continuously default on payment of property tax to Municipalities. It has been reported that the Secretary, Local Government is taking up this matter with the Chief Secretary to Government of Haryana for expediting the recovery. We strongly urge the State Government to ensure that property tax payable to the Local Bodies is paid in time in future apart from clearing all the outstanding arrears within the next two years.

APPENDIX 'A'

DEPARTMENTWISE ARREAR OF PROPERTY TAX

Sr.No.	Department	Amount of Arrear (Rs.)
1.	Co-operative	206990
2.	PWD(B&R)	6069760
3.	PWD(P.H.)	1276432
4.	Revenue	1807284
5.	Forests	327492
6.	Health	600356
7.	Agriculture	157830
8.	Panchayats	631974
9.	Police	523935
10.	Post & Telegraph	194982
11.	Roadways	344903
12.	Courts	430221
13.	Marketing Board	454987
14.	HSEB	1408201
15.	Irrigation	1261846
	TOTAL	**15697193**

CHAPTER - XIX

HARYANA WATER SUPPLY AND SEWERAGE BOARD

19.1 As referred to in chapters XI and XII, an expenditure of Rs. 211.00 crores is considered as the minimum required for the Public Health sector during the 9th Plan period 1997-2002. It is envisaged that 40% i.e. 84.40 crores will be provided in the 9th Five Year Plan and the balance i.e. 126.60 crores would have to come by taking recourse to financial institutions like HUDCO, LIC, etc. The question of creating an apex organisation for channelising funds from these sources, accordingly, assumes utmost importance and the commission strongly feels that such an organisation to be called the "Haryana Water Supply and Sewerage Board (H.W.S.S.) should be created as a matter of overriding priority.

19.2 It would be pertinent at this stage to have a clear perception of the arrangements in some of the other States like Maharashtra, Punjab and Rajasthan. The Maharashtra water Supply and Sewerage Board (MWSS Board) was constituted under MWSS Board Act as far back as 1976 and looks after the planning, preparation and construction of water supply and sewerage schemes in the entire State except Mumbai Municipal Corporation area. The Board has been arranging loans from LIC, which are repayable in a total span of 25 years, with an initial moratorium period of three years. The Board was also allowed to resort to " Open Market Borrowings" directly, though recently it has been decided that such borrowings will be undertaken by the State Government itself.

19.3 The Government of Maharashtra has worked out a very ingenious system of giving assistance by way of loans/grants depending upon the categorisation of the local body on the basis of their financial capability. 242 Towns in the State have been divided into five categories i.e. (i) Municipal Corporations (other than Mumbai), (ii) Municipal Councils, (iii) A-Class, (iv) B-Class and (v) C- Class and (vi) smaller C-Class Municipalities. The Government grant-in-aid(GIA), popular contribution (PC) to be paid by the Municipality and the amount to be provided as loan is as under:-

TABLE 19.1

FINANCING PATTERN (MAHARASHTRA)

Sr. No.	Category of M.Council/Corpn.	PC	G.I.A.	Loan	Total
1.	Muni.Corpn. Excluding BMC	10%	23 1/3%	66 2/3%	100%
2.	Muni. Councils	10%	23 1/3%	66 2/3%	100%
3.	'A' Class	10%	23 1/3%	66 2/3%	100%
4.	'B' Class	10%	40%	50%	100%
5.	'C' Class having population 15000 or more as per 1981 Census.	-	50%	50%	100%
6.	'C' Class having population less than 15000 as per 1981 Census	-	100%	-	100%

While this is the overall category-wise position, relaxations are made on a case to case basis as warranted by the situation.

19.4 So far as Punjab is concerned, a Punjab Water Supply and Sewerage Board was set up in the year 1976 with an authorised share capital of Rs. 20 crores which was contributed by the State Government and the Local Bodies. The Board initially undertakes schemes out of its own funds which in turn are recoverable from the concerned local authority and the State Government stands guarantee for the payment of all such dues on behalf of the local authorities. The ULB's are also required to levy such rates of water supply and sewerage as are suggested by the Board. The staff of the Public Health Engineering Department stands transferred to the Board to the extent to which work is undertaken and during the implementation period the Board acts as an agent of the local authority for the management, maintenance and operation of the water supply and sewerage facilities. The Board is authorised to raise loans from any Bank or other financial institutions like LIC/GIC or any Corporation of the State

Government and can also raise loans from the public by issue of bonds and debentures etc. We are given to understand that the Board has been raising Rs. 10 to Rs. 15 crores from HUDCO every year.

19.5 In so far as Rajasthan is concerned, our PHED has informed that though there is a Rajasthan Water Supply and Sewerage Corporation Act, 1979, the State has constituted a Rajasthan Water Supply and Sewerage Management Board on 28.4.1980 under an executive order of the Government and this Board has neither any independent status nor any statutory powers. This Board has been constituted as the World Bank Authorities have been insisting on its formation as a prerequisite to their financing the Water Supply and Sewerage Schemes and as the LIC has also been asking for the formation of such an independent Board to facilitate grant of loans. The Board is headed by the Minister for Public Health Engineering Department and Secretary Public Health and Finance and Local Government are represented on this Board. The Board does not directly carry out execution of water supply and sewerage schemes in the field nor does it undertake the operation or maintenance, as both these tasks are carried out by the Public Health Engineering Department. The Water Supply and Sewerage Board in Rajasthan is therefore, essentially in the nature of an apex organisation to secure financial assistance from other All India Financial Institutions and to supervise and review the working of the Public Health Engineering Department.

19.6 We have considered the situation as it pertains to our State, and feel that there are two options, the first being to create a Board which is made self-sufficient for arranging resources, planning works and their execution and maintenance, as is broadly the case in Maharashtra and Punjab. The other alternative is to create a Board which will arrange funds, plan the works and assign priorities but get the work executed and maintained by the existing Public Health Engineering Department. Both these alternatives have their own advantages and disadvantages. In case a full-fledged Board is created, this will amount to creating a parallel organisation like the Public Health Engineering Department and the existing HUDA. Under the second alternative the additional financial liability is the minimum and while the overall objective of securing loans from institutions like LIC/HUDCO is achieved, the Public Health Engineering Department continues to function as at present

19.7 The Commission has carefully thought over the matter and feel that considering the overall objective sought to be achieved, it would be quite appropriate if we create an organisation of the type which exists in Rajasthan. This would incidentally ward off delays which are likely to occur if we opt for creating a full-fledged parallel organisation and we would also, at the same time, encounter lesser resistance from the existing establishment. During discussions with the department representatives, it transpired that a legal document on these lines was actually drafted in the year 1994, indicating tacit acceptance for this course of action. The Commission strongly feels that a Water Supply and Sewerage Board may be created in the State on these lines. Needless to say that the precise provisions to be incorporated in the new legislation would have to be determined afresh by the Government by taking all these relevant factors into account. In case we get ADB(Asian Development Bank) assistance or go to the World Bank, we would have a readily available channel which can be well utilised.

19.8 We have also considered the question of providing seed money for the proposed Haryana Water Supply and Sewerage Board (W.S.S.B.). It is difficult at this stage to precisely indicate the quantum of yearly seed money required as this would depend on a number of factors including the scale of operation which are proposed to be undertaken. Tentatively, it is felt that it may be necessary to provide a sum of Rs. 8-10 crores for this purpose over the four years period i.e. 1997-2001.

CHAPTER - XX

HARYANA URBAN DEVELOPMENT FINANCE CORPORATION

20.1 In keeping with the provisions of the 74th Amendment of the Constitution, along with Schedule 12 appended thereto, the Haryana Municipal Act, as already indicated, has been amended so as to assign a major role in urban planning and development to the urban local bodies, who have to contend with not only the increasing demand for the provision and maintenance of civic services consequent upon rapid urban development, but are also required to take significant steps for the allround economic development of urban municipal areas as such. As we have earlier seen the tax base of our urban local bodies is very restrictive & inelastic and our municipal bodies, with very few exceptions, have failed to provide the basic amenities in the towns in Haryana. It is therefore, not surprising that the disposal of garbage is poor, insanitary conditions prevail all around, roads are badly maintained and there is inadequate street lighting. The municipal bodies are in such a bad shape that in many instances they are not even able to pay the salaries of the staff or discharge their obligations towards the Provident Fund and pension contributions of their employees. Likewise their payment capacity is generally such that default in the repayment of loans taken from Government and other financial institutions is almost a regular feature. The grants provided by the government are also very limited and that too under certain selected schemes.

20.2 The main bottleneck coming in the way of undertaking development works at a reasonable satisfactory pace is the resource crunch, with the result that after providing for establishment and other pressing expenditure, there is very little left for the developmental activities. While we have suggested measures for strengthening the resource base of the urban local bodies by way of devolutions from the State government and resource raising efforts by the municipalities themselves for remedying this situation, it is felt that this would not go far enough and what is urgently required is a well organised and systematic arrangement for tapping the financial institutions for resource raising on a continuous basis so as to undertake development works in a big way, particularly on the capital side. It is considered that the existing arrangement of raising resources through LIC or other commercial channels by the municipal bodies does not go for enough and needs to be refurbished. Here it may be worth noting that raising resources through such financial institutions is one of the main planks for strengthening the resource base in the States of Maharashtra and Gujrat. In the circumstances of our State we feel that one of the institution which we require is an apex organisation to be called the "Haryana Urban Development Finance Corporation" which would become an appropriate channel for securing assistance from financial institutions and in turn disbursing the same to the urban local bodies.

20.3 It may be stated that such an arrangement already exists in Kerala, which had set up an Urban Development Finance Corporation in the State as far back as in 1970 with an initial share capital of Rs.1 crore. Among other things, it renders financial assistance by way of loans and advances for the execution of remunerative developmental schemes, town improvement including housing schemes and town planning schemes. One of its major tasks is to provide technical and other assistance and guidance for the developmental schemes, including implementation of Master Plans.

20.4 Since the majority of the urban local bodies are not in a position to afford a separate project cell due to financial and managerial constraints, the Kerala Corporation has created a technical cell which extends assistance to all the local bodies, especially smaller municipalities, in identifying priority areas and priority projects for financial assistance from HUDCO and other financial institutions. The main source of working capital of the Corporation is the proceeds from debentures/loans floated by the Corporation with the guarantee of the State Government and the permission of Reserve Bank of India. As on 31st March, 1994, the Kerala Corporation has rendered a loan assistance amounting to Rs. 56.75 crores for 612 schemes of various urban local bodies, of which 494 already stand completed and the rest are in various stages of execution.

20.5 The Commission has carefully considered the matter and is of the view that the creation of a similar institution at the State level in Haryana is almost imperative for tapping the institutional finance for taking developmental activities in the municipal areas. Illustratively, the proposed financial Corporation with the nomenclature of "Haryana Urban Development Finance Corporation" could have the following main objectives:-

1. to provide financial assistance by way of loans and advances to urban local bodies in the State for developmental schemes;

2. to provide technical or any other assistance to the urban local bodies in the matter of implementation of the developmental schemes including implementation of the Master Plans prepared by the local bodies;

3. to provide necessary assistance to the local bodies for improving their administrative machinery/procedures;

4. to undertake schemes in collaboration with the local bodies or any other agency on such terms and conditions as the Corporation may deem fit;

5. to undertake commercial or other activities with a view to procure or supply articles, stores, books and registers etc. required by the local bodies;

6. to act as a nodal agency for the Government of India or the State Government, HUDCO etc. for providing financial assistance to ULBs; and

7. any other objective incidental or ancillary to the attainment of the main objectives and any other objective considered desirable by the State Government.

20.6 It is difficult at this stage to indicate the share capital which may have to be provided during the four years period 1997-2001. All that can be stated at this stage is that this share capital would have to be provided by the State Government and may be of the order of Rs. 5.00 crore to Rs. 8.00 crores over the next 3-4 years. The main source of working capital of the Corporation shall be through the proceeds obtained by floating of debentures with the guarantee of the State Government and approval of the Reserve Bank of India. It can also receive loans, advances, grants etc. from the Central Government or the State Government for the purpose of carrying on its business. The Corporation may be managed by a Board of Directors consisting of a Chairman, a full time Managing Director and Directors to be appointed by the State Government. The Corporation will be adopting its own procedures for its functioning and could be recognized as a nodal agency for financial assistance to urban local bodies from HUDCO, LIC etc.

CHAPTER - XXI

PRIVATISATION OF MUNICIPAL SERVICES AND RECOVERY OF USER CHARGES

21.1 Municipal services at present have nothing to boast about in almost all parts of the country largely due to poor financial position of the local bodies. Most of the municipalities are not even geared to perform the core civic functions at a satisfactory level. While on the one hand, the level of services has been deteriorating continuously, the expenditure on establishment has been rising steadily, making the task of improvement even more difficult. It is in this context the question of involving the private sector in maintaining certain services needs to be considered seriously. Under this system, the municipality enters into a contract with the private firm for operation and maintenance of a service for a specific task for a fixed period for a specified compensation. Such a practice of contracting is already in vogue in various municipalities across the country and the most common services amongst these are related to solid waste management, sanitation, development and maintenance of parks, gardens and recreational places as well as maintenance of roads and street lighting. The municipalities of Banglore, New Bombay, Cochin, Pune, Baroda and Rajkot are some examples where such privatisation has been successfully implemented. In the case of Rajkot Municipal Corporation, privatisation with regard to the service of street-lighting, solid waste removal, cleaning of public latrines and maintenance of gardens, parks, etc. is reported to have resulted in substantial cost savings ranging from 15% to 72% of original cost. Normally such contracts are for a service on an ongoing basis but it is also possible to have contracts for one time tasks like designing and construction of specific infrastructure facilities like roads, water supply, distribution net work, etc. Contracting out a specific service will have to be decided on the following important considerations:-

1) the foremost consideration should be the likely cost efficiency which will be achieved by such privatisation.

2) the second factor before deciding on privatisation pertains to how specifically a service can be defined so that it is possible to tell the private contractor as to what exactly is expected of him. This would necessitate a clear cut definition and breaking down of a

service into several functions which can be contracted out.

3) the need for privatisation would be felt all the more when it is proposed to introduce a new service or increase the service coverage of the existing facility both in terms of quantity and quality which may be beyond the competence and capacity of the local municipality. Example in this connection can be given regarding the responsibility of maintaining parks and play grounds which most of the municipalities are unable to do and have, therefore, contracted out to various commercial organisations or industries often in exchange for goodwill or advertisement rights.

21.2 It may be argued that generally any decision to privatise the existing service will lead to resistance from the employees union apart from making the existing staff of the municipality redundant with no work. In this connection, the experience of Rajkot Municipal Corporation suggests that as long as privatisation does not lead to retrenchment of staff, there may not be any appreciable resistance from the employees' union. Ways will have to be found to utilise the service of the existing staff by assigning them various functions by not filling up the vacancies till the process of absorption is completed. Privatisation of various services will help municipalities in effecting cost saving which can be put to productive use in improving service provisions or increasing the present level of coverage of services. This will have a big impact leading to curtailment of expenditure on establishment and simultaneously bringing in efficiency by promoting a spirit of competition amongst various private agencies in the field.

21.3 Keeping in view the positive results of the experience of many municipalities across the country and the need to improve the level of services and simultaneously bring about efficiency and saving in expenditure in establishment, the Commission strongly recommends privatisation of services like street lighting, solid waste management, construction/maintenance of toilets, garbage collection and disposal, streets cleaning. road maintenance and maintenance of garden, parks and play grounds in all the major municipalities of the State. We particularly recommend the adoption of practices followed in the Rajkot Municipal Corporation with regard to privatisation by the Faridabad Municipal Corporation, and Municipal Councils of Haryana. It would be worthwhile for the State Government to depute a few municipal functionaries to the Rajkot Municipal Corporation and study in detail the procedures and practices which are being followed there, so that a decision could be taken on adopting them suitably for our municipalities.

USER CHARGE FOR URBAN SERVICES

21.4 Under the terms of reference, the State Finance Commission is expected to suggest measures to strengthen the financial base of Municipalities in the State. In this context, user charges is a potential source for not only improving the resources of municipalities but also in improving the quality of service rendered to the consumer. Fundamentally, user charge is a charge levied for the use or access to a given service like water supply, sewerage, sanitation etc. User charges can be an additional source of revenue to the local Government since for many of the services, even a small percentage of operational and maintenance cost is not being recovered in practice in several cases. Secondly, it would be possible to ensure that local citizens get efficient service which they want and for which they are willing to pay. Thirdly, by a proper costing and recovery of user charges, it will be possible to ensure adequate return on infrastructure investment leading to to still higher investment in this sector. This is all the more important with the budgetary constraint becoming more of a rule than an exception.

21.5 The principles which should govern the pricing of user charges would include raising revenue, covering operational cost, the need to meet financial targets and required rates of return on assets, simultaneously avoiding abuse of services and also to ensure equity among the various beneficiaries. The extent of cost to be recovered through user charges will depend on the priorities of the local authorities but for full cost recovery all costs related to maintenance, debt service and depreciation would need to be taken into consideration. A study of water supply and sewerage service in various Indian cities indicates that the cost of recovery ranges from 20% to 100%. In most of the cases they are levied at a flat rate on connections and not on actual consumption. The charges are also progressive with larger size connections paying a higher rate and non-domestic charges being higher then domestic which helps to cross subsidise the domestic rate. Another important aspect in the existing system relates to the level of State control in deciding the rates for user charges. In most of the cities the local bodies have no autonomy in fixing these rates. Another constraint in properly pricing user charges is a need to ensure affordability for the poor, since their affordability levels would be lower than the required price level. This can be taken care of by keeping very low rates for the lowest consumption block and progressively increasing the rates for higher consumption blocks thereby providing the necessary cross subsidy. The pricing also depends on willingness and ability of different categories of consumers to pay for the services rendered. All this is, however, possible only when the Municipality has greater autonomy in settling the charges. It would be desirable that the power to fix user charges and especially for upward revision should be with the Municipality with a further provision that the rates can not be reduced without the approval of State Government

21.6 In the State of Haryana, against the average cost of Rs. 1.27 paise per kilo litre for tubewell based water supply and Rs. 2.05 per kilolitre for canal based water supply the recovery in the case of domestic consumer is Rs. 1/- per kilolitre and for the industrial/ commercial consumption, it is Rs.2.40 per kilo litre. Added to this, is the inefficiency, in the actual recovery which has not shown any improvement beyond a level of Rs. 2-3 crore per annum. It is, however, reported that when the work was handed over to the PHED, the recovery increased substantially to the level of Rs. 6 crore per annum. At present no user charges are being levied for sewerage and solid waste collection or any other service being provided by the Municipality. Based on the general principles enunciated above, the Commission would recommend the following measures, for adoption by the Urban Local Bodies in the State :-

1) As a matter of principle, full cost recovery should be ensured for water supply in all the Municipalities in the State. However, this may be achieved over a period of time during which rates should be gradually increased to ensure full cost recovery. At the same time, the interest of the weaker sections of the society mainly of people living in slum areas needs to be protected and this can be ensured by charging the industrial and commercial consumers at a much higher rate than what is normally applicable to domestic consumers. This is done in Municipalities like Bombay and would ensure the interest of the weaker sections by means of cross subsidy. Levy of water-rates for the industrial purpose in townships like Faridabad, Ballabgarh, Yamuna Nagar, Panipat, Sonipat, Gurgaon and Ambala can be reviewed from this standpoint

2) The rates charged should be reviewed at least every three years and necessary increases effected to ensure recovery of the full cost including the additionality which has taken place in the intervening period.

CHAPTER-XXII

POLICY ON MUNICIPALISATION

22.1 As per the 1991 census, Haryana has an urban population of 40.54 lakhs residing in 94 towns constituting 24.62% of the total population. The decennial growth rate of population in the period 1981-91 was 27.40%. The municipal urban population of 81 urban local bodies was 38.47 lakhs constituting 23.37% of the total population. The decennial growth of municipal population between 1981-91 was 37.44% and the projected municipal population during 1995 is 44 lakhs which is nearly 25% of the total projected population of 1995. A perusal of these figures would show that 11 towns without a municipal set up have a population of around 1.47 lakhs. Out of these 11 towns as per list annexed (Appendix 'A'), three have a population of more than 10,000 as per 1991 census.

22.2 The Haryana Municipal Act as amended in 1994 spells out some criteria for municipalisation. Section 2(A) of the Act which contains the classification of municipalities provides for three classes of municipalities. Municipal Corporation is for a larger urban area with the population exceeding 5 lakhs, Municipal Committee for a transitional area with the population not exceeding 50,000 and Municipal Council for a smaller urban area with population exceeding 50,000 but below five lakhs. Industrial townships with certain level of services and military cantonments can be excluded from municipal administration. The power of declaring any area as a municipality vests with the State Government As per the provisions in the Act, factors like population of the area, density of population, local revenue generated, percentage of employment in non-agricultural activities, economic importance of the area and such other factors considered relevant by the State Government are taken into consideration while declaring an area as a municipality. Under Section 3 of the Act, a notification proposing an area to be a municipality is issued inviting objections and after consideration of these objections orders are passed declaring a local area to be a municipality. The power of abolishing a municipality also vests with the State Government under Section 8 of the Act.

URBAN AREA

22.3 Urban area has been specially defined for the purpose of census and in the year 1991, the criteria adopted was the same as during the 1981 census. As per this definition an urban unit includes all places like a municipality, corporation, cantonment board or notified town area committee as also all other places which satisfy the following criteria :-

i) a minimum population of 5,000;

ii) atleast 75% of male working population is engaged in non-agricultural pursuits; and

iii) the density of population is atleast 400 per square kilometre.

22.4 During 1991 census, the cases of all rural units having a population of 4,000 or more than as per the 1981 census were examined. The total number of towns in 1991 census had risen to 94 as compared to the 81 of the 1981 census. The details of these 11 towns (10 enlisted in 1991 census and one of Panchkula Urban Estate of 1981 census) are already mentioned at Appendix 'A'. Based on the above definition of urban area Rania Municipal Committee with a population of 23,334 was notified as rural area though it was declared as urban area in 1981 census. A perusal of the list of 11 towns which have been included in the 1991 census shows that some of them like Mustafabad, Bilaspur, Kheri Sampla, etc. are purely Mandi towns with a concentration of traders. They essentially continue to be rural areas but have been brought within the definition of urban area since 75% of the male working population is engaged in non-agricultural pursuits.

22.5 A view has to be taken as to whether the 11 towns which are urban townships could be brought under the ambit of municipal administration whereby they become entitled to municipal services. Each case has to be examined on the basis of facts and data available and a decision needs to be taken by the State Government However, viewed under general criteria laid down under the Act, there is a strong case for declaring the towns of Dharuhera, Panchkula, etc. as municipalities straightaway. Dharuhera is an industrial township, where facilities of water supply, sewerage, street lights, etc. have been made available by HUDA. We understand that recently residential areas have also been developed by HUDA and thus, the area has immense economic potential, especially as it is situated on a National Highway in the National Capital Region. Similarly, Panchkula with a population of 70,375 as per 1991 census has developed as a prestigeous satellite township of Chandigarh and in many respects even rivals Chandigarh and there is a very strong case for declaring this town as a municipal council and bring it within the purview of the Municipal Act. The Government has already declared Pinjore as a municipality.

APPENDIX 'A'

LIST OF TOWNS (URBAN AREAS) WHICH ARE NOT BEING COVERED AS MUNICIPAL AREAS

Sr. No.	Name of the Town	Population (1991 Census)
1.	Panchkula Urban Estate	70,375
2.	Babiyal	12,750
3.	Dharuhera	10,848
4.	Pinjore (Rural)	8,013
5.	Kheri Sampla	7,838
6.	Mustafabad	7,301
7.	Bilaspur	7,130
8.	Dundahera	6,767
9.	H.M.T.Pinjore	5,516
10.	Uncha Sawana	4,860
11.	Faruk Pur	5,579
	TOTAL	**1,46,977**

Note:- Pinjore (Rural) has already been declared a Municipal Committee recently.

CHAPTER-XXIII

STRENGTHENING OF MUNICIPAL ADMINISTRATION

(1) MUNICIPAL ADMINISTRATION

23.1 The Directorate of Local Bodies was established in the erstwhile State of Punjab in April, 1966 in accordance with the recommendations of the Local Government (Urban) Enquiry Commission , 1957. The Directorate of Local Bodies, Punjab had four Regional Deputy Directors, three of them looking after Jalandhar, Patiala and Ludhiana regions fell to the share of Punjab and only one region i.e. Rohtak was in Haryana. The Directorate Urban Local Bodies, Haryana thus came into existence on 1.11.1966 on the bifurcation of the State but was abolished in the year 1967. While the reasons for its abolition have nowhere been clearly stated, the fact remains that the then Haryana Region which constituted the new State of Haryana was dotted with small municipalities with comparatively weaker financial position and the truncated Directorate inherited by the State was not geared to play any effective role. With increasing urbanization and newly emerging problems, the Directorate was again revived in the year 1982. The Directorate of Local Bodies in Haryana is thus one of the youngest Directorates and it transpires that certain powers were given to it at the time of its inception which were later on withdrawn. The new Haryana Municipal Act was promulgated in the year 1973, when the Directorate did not exist and as such both with regard to personnel as well as various other substantive matters, the powers are either with the Deputy Commissioner or with the State Government. A reference to some of the provisions of the said Act, 1973 would make the position quite clear. Under Section 21 of the Act, dealing with ' No-Confidence Motion' against the President or Vice-President, it is the Deputy Commissioner who is required to convene a meeting for the consideration of the motion. Under Section 43, if in the opinion of the Deputy Commissioner, the number of persons employed or proposed to be employed by the Municipality is excessive, he can order the Committee to reduce the number, of course, subject to an appeal to the State Government. The powers of control and supervision by the Deputy Commissioner are contained under Sections 245 to 249 of the Act and could be briefly summarized so as to highlight the issue. While under Section 245 the Deputy Commissioner has vast powers to inspect and enquire into the affairs of the Committee, under Section 246 the Deputy Commissioner is authorised to suspend the execution of any resolution or order of the Committee. Certain extraordinary powers have been given to the Deputy Commissioner under Section 247 of the Act, who in the case of an emergency can provide for the execution of any work which is considered necessary for the service or safety of the public at the expense of the Municipality and Section 248 empowers him to require a Municipal Committee defaulting in the performance of its duties to act in accordance with his specific orders. These powers, it will be readily seen, are quite extensive which still remain with the Deputy Commissioner and the Directorate of Local Bodies is, correctly speaking, nowhere in the picture. With the creation of the Directorate in the year 1982, this situations was sought to be rectified and vide notification dated 18.11.1982 powers were delegated to the Directorate under the following Sections of the Haryana Municipal Act:-

(a) **Section** :-

43	Power to prevent extravagance in establishment
57	Application of fund
240	Appeal from orders of Municipal Committee
252	Power of State Government and its officers over Committee

(b) **Section:-**

42	Power to demand punishment or dismissal

(c) **Section:-**

13	Resignation of member of Committee
18	Election or appointment of President and Vice President

(d) **Section:-**

246	Power to suspend the resolution or orders of Committee
247	Extraordinary power of Deputy Commissioner in the case of emergency

23.2 It will be seen that the powers so delegated to the Directorate are similar to those exercised by the Deputy Commissioner, as at present. This is not clear whether these powers were also withdrawn from the Deputy Commissioners and vested only in the Directorate or whether these were concurrent powers given to the Directorate along with the exercising of such powers by the Deputy Commissioners. In any case except powers under Section 57 (2) (L) sanctions required to be obtained from the State for expenditure relating to safety and welfare) and under Section 42 of the

Haryana Municipal, Act, all other powers were withdrawn by the Government in the year 1984.

23.3 When it comes to personnel, the picture is more or less similar. There are three levels of services: (1) The State level services, (2) the services under the control of the Deputy Commissioners and (3) the services under the control of the Municipalities. The State level category of services with a total personnel strength of 430, are 10 in number, out of which 5, namely, Administrators /Presidents, Executive Officers, Secretaries, Health Officers and Municipal Engineers are still with the State Government and 5 others, namely, Junior Engineers, Accountants, Superintendents, Chief Sanitary Inspectors and Fire Station Officers are under the Directorate. In respect of the bulk of services, 69 in number, with a strength of 5474, the Deputy Commissioner is the appointing authority and these categories include Assistant Surgeons, Vaidyas, Lady Health Visitors, Dispensers, Vaccinators, Inspectors, Foremen, Clerks, Tax Collectors, Supervisors, Peons and other Class-IV employees. These district level employees are transferable only within the district, while those belonging to the other 10 services, mentioned earlier, can be transferred from one district to another. The third category is that of sweepers, with a sanctioned strength of around 7700, in whose case the Municipality is the appointing and punishing authority. It will thus be seen that only 5 services, i.e. Junior Engineer, Accountant, Superintendent, Chief Sanitary Inspector, Fire Service Officer with a total strength of about 150 fall under the purview of the Directorate.

23.4 To complete the present picture, it may be stated that the Director who is a senior level IAS Officer is presently assisted in his work by one Additional Director and one Deputy Director belonging to HCS/HSS cadre, a Fire Officer, an Accounts Officer and other staff consisting of about 128 Class II, III and IV officials.

23.5 It would bear repetition that the extensive list of functions given in Schedule 12, after the 74th amendment of the Constitution, cover the entire sphere of urban planning and development. This obviously requires high level guidance, directions and support, which task, in the opinion of the Commission, squarely falls on the shoulders of the State level Local Bodies Directorate. The brief resume given in the preceding paragraphs clearly indicates that the Directorate has yet to be fully equipped to discharge these functions. While there is no doubt that the pivotal role of the Deputy Commissioners has to necessarily continue, the Commission strongly feels that the Directorate must be strengthened in several directions and should have a much more effective control over the various Municipal services.

23.6 One of the priority areas in respect of which the Directorate needs to be strengthened is its Town Planning and Engineering Wings. The strengthening of the Town Planning Wing is particularly necessary as under Section 203 of the Municipal Act, the ULB's are vested with powers with regard to planning and implementation of the Town Planning (TP) schemes. The mushroom growth of slums and defective layouts resulting in unauthorised constructions and encroachments are areas of serious concern which call for pointed attention. A strengthened engineering cell is necessary to ensure that works are executed according to the specifications and proper technical support is provided for building of roads and their maintenance, pavement of streets etc. During discussions the Local Government officials have suggested that the Town Planning Wing may be headed by a Senior Town Planner and the Engineering Wing be headed by a Superintending Engineer with supporting staff, costing about Rs. 7/8 lakhs per annum for each of these two wings. While the precise number of, and the levels at which, additional staff may be engaged for these two cells are matters of details, the Commission strongly feels that there is more than ample justification for strengthening the two wings on the lines suggested.

23.7 The other area requiring urgent attention is that relating to pensions. All municipal services have been made pensionable w.e.f. 16th April, 1992. The Government had notified Haryana Municipal Employees Pension and General provident Rules, 1993, vide its notification dated 5.3.93. These rules stipulate, interalia, that for the payment of pension, there shall be established a Pension Fund by the Director, Local Bodies and that a municipality shall make a monthly contribution towards the fund at the rate of 10% of the basic pay of all municipal employees who opt for pension as their contribution towards 'Pension Fund'. This fund shall be held and administrated by the Director, Local Bodies, Haryana and will be utilised only for the payment of pension. Besides regular monthly payment contribution by a municipality, the share of money standing in the Contributory Provident Fund Account of the municipal employees shall also stand transferred to the Pension Fund.

23.8 As already stated apart from the State/Directorate level municipal employees, there are the district level employees and the municipal sweepers, in all totaling a strength of around

14,000, for whom pension is to be provided. The first task is to ensure that irrespective of the financial position of the municipalities, the latter must make pension contributions to the centralised unit promptly as a matter of natural course. The number of pensioners at present is reported to about 600 but is likely to increase every year by 150 to 200 and the disbursements are expected to be of the order of Rs. 2 crores per annum. The whole task of keeping a tag on monthly contributions for each of employees, which can be consolidated by each municipality before transmitting it to the centralised unit, and of disbursement of pensions, is sizable and a proper organisational arrangement is required to be duly established. The most appropriate way seems to be is to create a centralised unit as a separate sub-wing of the Directorate with a Joint / Additional Director wholly devoted to this task of a specialised nature, operating separately and distinctly from the general working of the rest of the Directorate.

23.9 The other connected issue is the question of actual transference of the money involved in respect of the pension contribution of the employees as well as share of their Contributory Provident Fund till date which the Municipalities are duly bound to remit to the Centralised Pension Unit in the Directorate. We have been given to understand that the Municipalities have been in no position to remit the Pension Contribution for the employees and in order to start with a clean slate, the State Government has already remitted Rs. 3 crores to the Pension Fund to wipe off the past liabilities of the Municipalities. We strongly feel that the situation should not be allowed to deteriorate and various amendments should be carried out in the relevant rules to ensure that the Pension Contribution would be a first charge on the Municipal budget like " Charged" item in the State Budget" so as to ensure that there is no relapsing to the situation as it existed in the past.

23.10 Apart from strengthening of the Directorate on the lines suggested above and providing funds for the same from the State Budget on an emergent basis, it would be necessary to give back at least some of the powers to the Directorate which were withdrawn in the year 1982. Out of these, the powers which are presently being exercised by the Deputy Commissioners may have to be vested in the Directorate only concurrently. The other important aspect is regarding the power exercised under the Municipal Accounts Code, for the sanctioning of Municipal Budget and excess expenditure etc. Even at present, the budget of Municipal Councils (20 in numbers) is being sanctioned by the Divisional Commissioners and it is felt that this task could be entrusted to the Directorate, so that they can keep a better and closer watch on the income and expenditure of the larger Municipalities in the State. A detailed exercise would also have to be undertaken to see if further delegations would be required under the various other provisions of the Municipal Account Code.

23.11 It may be mentioned in passing that various other suggestions came up during the course of discussions for strengthening the district level from the municipal standpoint and the Directorate by way of creation of posts of Regional Deputy Directors to be stationed at each of the Commissioner Division, namely, Ambala, Rohtak, Gurgaon and Hisar. With regard to first, one of the suggestions is to create another post of ADC (Urban) in each District and the other is, to attach another HCS Officer with the Deputy Commissioner to look after the municipal work. The Commission has looked into this aspect of the matter and feels that our districts are quite small with enough staff strength at the officers level and no additional strengthening is called for at this level. Likewise, we do not find enough justification for creating posts of Regional Deputy Directors as an agency parallel to the Deputy Commissioners at this stage, though the situation can be reviewed after some time, if the increased volume of work and the various other attendant circumstances so warrant.

23.12 In so far as, the Municipal employees are concerned, our Directorate strongly feels that a number of categories at the Inspectorate level should be taken away from the Deputy Commissioner's purview and the Directorate of Local Bodies should be their appointing and punishing authority. It has been brought to our notice that several functionaries like Accountants, Cashiers and Inspectors are sitting at one place for several years, though there are serious charges of malpractices against them. We have thought over this issue and feel that integrating the present staff under any of the District Cadre would not be a practicable proposition, one way out could be to amend the existing rules so as to give overriding powers to the Directorate to effect transfer from one District to another. It would also need consideration, if fresh recruitment in respect of a few more presently District level categories may now be brought within the direct purview of the Local Bodies Directorate.

2. LOCAL FINANCE DATABASE

23.13 Another major requirement of the ULBs is to have a well organized information system, which is not difficult, considering that the total number of such bodies is only 81. Unlike the State Government in respect of which authenticated accounts are available, from Accountant General, Haryana, there is no such arrangement for getting information in respect of ULBs. This was a major difficulty which was faced by us for getting the necessary data from the urban local bodies on the financial side. This question came up for discussion at an All India Forum, on which many of the State Finance Commissions were represented and ultimately the Institute of Public Finance and Policy, New Delhi, came to our rescue and supplied a detailed proforma in which much of the requisite information could be obtained. However, several gaps were found in the information so supplied and cross-checking, to the extent possible, had to be resorted to.

23.14 Under the circumstances, we feel that there is a strong case for the creation of a State level local finance database which would serve, among others, the following purposes:-

(a) it would strengthen support for policy making at the local level,

(b) it would provide a data bank to enhance the technical and analytical capabilities of subsequent State Finance Commissions, which are required to be set up after every five years,

(c) it would permit comparative study of local finances and assist in identifying strengths and weaknesses of local bodies,

(d) it would provide information to State Governments which will enable them in designing policies for local Governments.

23.15 A minimum level of data which should be maintained by the municipalities would include data on income, expenditure and the level of services provided in the local area. Data would also need to be maintained on the basis of functional classification and on issues which are required to be reviewed periodically. Illustratively, the Commission would suggest the minimum level of data to be maintained by the local bodies to be as follows:-

(a) receipts and expenditures under major heads and deficits/surplus balance,

(b) details of demand, collection and balance in respects of various tax and non-tax revenues of local bodies,

(c) basis of taxation, rates, duties and tolls,

(d) assets created during each year,

(e) details of services provided yearwise and expenditure thereon,

(f) liabilities of the local bodies on loans, on payment due but not paid, on staff payment including Provident Fund and pension, on deposits and advances, and

(g) grants/ arrear revenues paid by Government, balance due from Government on assigned taxes and other revenues of State.

23.16 The minimum level of data as listed above could be maintained by the local bodies in detailed registers as under :-

(a) assessment and collection registers for various taxes and non-tax revenues,

(b) annual accounts register, cashbook registers, posting register,

(c) expenditure register Register of bills estimates and allotment register, posting register,

(d) register of properties of Local Government register of other assets and liabilities, register of roads/wells, lights, drains, sewerage and water supply,

(e) register of loans, register of Provident Fund, and register of pension,

(f) miscellaneous demand register and register of grants,

23.17 After carefully considering the matter we feel there should be a strong and well-organised computer unit in the Directorate of Local Bodies to which information should be directly supplied on relevant variables by the 81 ULBs. Such computerisation is necessary not only for facilitating speedy compilation but for easy access to this information as well, which can come very handy both for policy making and for checking enforcement and compliance of instructions issued from time to time. Such an arrangement will be very useful to the successive State Finance Commissions to whom the necessary data could be readily supplied. This Computer Unit can also keep close liaison with the central institutions and information can also be supplied, whenever called for, to the Central Finance Commission and other central orgainsations and financial institutions for strengthening our case for getting our legitimate share at the All India level and securing further institutional assistance for strengthening the local bodies. Keeping these factors in view, the Commission recommends that a sum of Rs. 10 lakhs may be earmarked by the Government for the purpose, which can be further augmented, if so warranted under the circumstances.

CHAPTER XXIV

AUDIT OF ACCOUNTS OF LOCAL BODIES

URBAN LOCAL BODIES

24.1 Article 243 Z of the constitution of India provides that the Legislature of a state, may, by law, make provisions, with respect to the maintenance of accounts by the Municipalities and the audit of such accounts. At present, the audit and budgeting of accounts is governed by the Punjab Municipal Accounts Code, 1930.

PRE-AUDIT SYSTEM

24.2 Under the pre-audit system, the audit staff exclusively posted for a local body conduct day to day audit of accounts and this system is also called the Resident Audit Scheme. In the case of Municipal Corporation Faridabad pre-audit is provided under section 168(3) of Haryana Municipal Corporation Act, 1994 and the Resident Audit Scheme of the Corporation is headed by a Deputy Director. This system of pre-audit is conducted with respect to 20 Municipal Councils and 6 Municipal Committees in the State.

POST AUDIT

24.3 The remaining Municipal Committees in the State are covered under the Post Audit System by which accounts of Municipal Committees with annual income more than Rs. 5 lakhs are audited biannually and Municipal Committees with annual income below Rs. 5 lakhs are conducted annually as per provisions of the Municipal Accounts Code. The audit in such cases is conducted by the audit party headed by a Senior Auditor.

24.4 In the pre-audit system raising of objection is a continuous process and every payment/ claim is approved by audit before actual payment is made. As and when objection is made it is intimated to the head of the concerned local body by the Resident Auditor. At the close of the year, a draft audit report on the accounts of the local body for the preceding year is submitted to the approving authority. In the case of the Corporation the approving authority is the Director, Local Audit and in the case of Councils and Committees it is the concerned Zonal Deputy Director. Copies of audit reports are sent to various authorities like the Secretary to Local Government Department, concerned Deputy Commissioners, Commissioner, Municipal Corporation Faridabad and the concerned Presidents of the Committees/Councils for information/compliance. It has been brought to the notice of the Commission that very little interest is taken by the bodies in settling objections which keep on piling year after year and there is no system for monitoring the compliance of audit reports, even though there are enough provisions in the Accounts Code wherein specific time limits have been given for compliance at various levels. The same is the position with regard to post-audit and the Commission understands that inspite of Deputy Director Audit being posted at the divisional level very few objections are got settled at that level. The State Government in the Local Government Department issued a Notification on the 14th January, 1982 whereby two Committees one at the divisional headquarters level and the other at the district level were constituted to examine and discuss the annual accounts and reports of the committees and to suggest remedial measures. Divisional Commissioner is ex-officio Chairman of the committee constituted at the divisional level and the concerned Deputy Commissioners as well as some MLAs, officials and non officials at the district divisional levels are members of this committee. The district level committee is headed by the Deputy Commissioner and consists of official and non official members including MLAs. We have been given to understand that these committees have mostly remained non-functional because of the preoccupation of various Government functionaries in their day to day affairs.

24.5 The role of audit in ensuring public accountability of the expenditure incurred by the municipalities need not be overemphasized. With the decentralization of powers and responsibilities envisaged under the 74th Amendment to the Constitution of India and consequent devolution of resources being recommended by the State Finance Commission, there is all the more need to ensure that funds are spent properly and functionaries are made accountable for their actions. After a careful consideration of this matter, the Commission recommends that a state level Public Accounts Committee for municipal finances should be constituted to be headed by the Secretary, Local Government. It should have non officials as well as officials of the concerned Departments as members and the Director/Local Audit will be Member- Secretary of this committee. This committee shall have powers to call for and scrutinize the accounts of any municipality, examine the audit report and make suitable recommendations including dropping of objections etc. The report of this committee shall be submitted to the State Government for final disposal.

PANCHAYATI RAJ INSTITUTIONS

24.6 Audit of accounts of Panchayati Raj Institutions in the State is conducted under the post-audit system by the Director, Local Audit Haryana. In the case of Gram Panchayats it is conducted every two years and with regard to Zila Parishads and Panchayat Samitis it is conducted on half yearly basis by an audit party headed by a Senior Auditor. Under this system, objections raised are handed over to the concerned authority and in case of compliance they are settled on the spot. After conclusion of post-audit, the audit report after due vetting by various functionaries of the Audit Department is sent to various authorities concerned for information and compliance. In the case of Panchayat Samitis and Zila Parishads it is also sent to the Secretary, Development and Panchayats, the Commissioners of the Divisions as well as the concerned Deputy commissioners. We have been informed that inspite of provisions in the relevant rules, namely, the Punjab Gram Panchayats, Panchayat Samitis, Zila Parishads (General) Financial Budget, Accounts and Audit Rules, 1964, very little disposal of audit objections takes place and the objections keep piling up year after year. Even though, the above rules provide for constitution of Public Accounts Committees for scrutinising the audit reports and other related matters these committees were never constituted, with the result that there has been no worthwhile monitoring of Audit Reports of the Panchayati Raj Institutions to ensure their compliance.

24.7 Under Article 243 (J) of Constitution of India, the Legislature of the State is competent to make provisions in respect of maintenance of the accounts by the Panchayats and auditing of such accounts. The State Government has formulated and finalized the Haryana Panchayati Raj, finance, Budget, Accounts, Audit, Taxation and works rules 1996. Rule 108 provides for placing the audit report of Gram Panchayats, Panchayat Samitis and Zila Parishads before the concerned Gram Sabha/ Panchayat Samiti and Zila Parishad respectively. In the case of Panchayat Samiti and Zila Parishad, Rule 108(2) also provides for constitution of a Committee by the Government for examination and discussion of these reports. The recommendations of this Committee shall be binding on the Panchayat Samiti and Zila Parishad and Rule 109, stipulates that the Government will exercise overall supervision on the work of these Committees.

24.8 Delegation of responsibility on a big scale is envisaged under the provisions of the 73rd amendment to the Panchayati Raj Bodies which is to be followed up by devolution of resources on the basis of recommendations of the State Finance Commission. It is necessary that expenditure incurred is subject to a rigorous audit to ensure accountability at all levels in the Panchayati Raj Institutions. This can only be ensured by periodical monitoring of the audit reports to ensure compliance of observations made in audit so that irregularities are not repeated on subsequent occasions. We, therefore, recommend that the Committees envisaged under Rule 108 of the Haryana Panchayati Raj, Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996 should be constituted immediately at the State level particularly with regard to audit of accounts of the Zila Parishads and the Panchayat Samitis in the State. The Secretary, Development and Panchayats should head this committee and the Director Local Audit should be the Member Secretary. The Deputy Commissioner of the concerned district could be co-opted/associated in the deliberations concerning Panchayat Samities/Zila Parishads of his district. We do no intend to give any other detailed recommendations on the constitution of this Committee and leave it to the State Government. In the case of Panchayats in view of their large number we recommend that a Committee may be formed at the district level to be headed by the concerned Deputy Commissioner for monitoring and ensuring compliance of audit reports with regard to Panchayats in the district.

24.9 These Committees will have powers to summon officers, call for relevant record and to examine and scrutinize the accounts of these bodies from time to time and make suitable recommendations including dropping of objections etc. The reports of these Committees both at the state level as well as the district level will be forwarded to the State Government for final disposal.

CHAPTER - XXV

TRAINING

25.1 The local bodies, both urban and rural, have been given a constitutional status and vested with the functions and powers of planning and execution of various programmes of social and economic upliftment of the people at the local level. Such a participatory programme of planning and decision making as envisaged under the Haryana Municipal and Panchayati Raj Acts at local level cannot be effectively sustained without properly motivated and capable functionaries, both officials and non-officials. The functional devolution envisaged under the Acts, would require them to take up the tasks of planning and project formulation, implementation, monitoring, mobilisation of local communities and resources etc. Needless to say building up the requisite capabilities in people involved in the said activities would necessitate upgrading and creating the right type of skills and equipping them with the requisite knowledge and bringing about suitable attitudinal changes. In the changed political, social and administrative set up, the local level functionaries would be required to develop a democratic outlook, a broader perspective and a team spirit. These objectives can be achieved only through suitably designed training programmes. The training would thus have to aim at achieving the twin objectives of competence and responsiveness of the officials and non-officials to the changing needs.

25.2 The training of officials & non-officials of local bodies at different levels has to be a continuous process consisting of foundation courses, refresher courses, reorientation courses, seminars, workshops, study tours etc. at regular intervals. The training modules could vary according to the needs of the job role of the officials.

25.3 In a systematic approach to the training, the major issues which would require consideration are: identification of target groups and assessing their training needs, preparation of course contents, background training materials and manuals and teaching aids etc. The training has to be graded and differentiated for various categories of employees keeping in view the nature of their jobs and functional responsibilities.

25.4 The broad areas where training modules would need to be worked out are:

1. Acts and bye-laws relating to urban local bodies and P.R.I.s;
2. Financial management, local finances, accounts and audit;
3. Assessment of taxes, town planning features and land acquisition procedures;
4. Acts relating to public health and sanitation;
5. Elements of municipal engineering;
6. Techniques of planning, project formulation and appraisal, monitoring and evaluation etc.
7. Service matters, pensionary matters, use of computers, handling of public grievances, public responsiveness and allied aspects of human resource development;
8. Management techniques,etc.
9. Information management, Finance Data Base;
10. Election procedures;
11. Developing leadership qualities and team spirit.

25.5 The training of non-officials of local bodies is complementary to that of officials as both of them are partners in the management of institutions aiming at the welfare of the citizens. The training of the non-officials of P.R.I.s is all the more important because a conscious attempt is presently being sought to be made to set up a village/block level units of local administration for planning and developmental purposes and endowing them with enhanced functions, powers and responsibilities under the Act. At times, joint training courses for officials and non-officials would result in a better understanding of each other's view point leading a more harmonious working relationship.

25.6 The range of training programmes can be determined according to the number of official and non-official functionaries proposed to be covered. For urban local bodies (municipalities), the training programmes are expected to cover over six to eight thousand supervisory level and junior level functionaries. Besides, there are a large number of elected representatives, who will also need proper briefing through well designed training modules for their assigned roles.

25.7 The training requirement of P.R.I's would be of a still larger magnitude. Besides, training of officials like Gram Sachives, B.D.P.O.s etc. training needs of over sixty thousand elected members of P.R.I s will also have to be taken care of. Among the new entrants, women members will constitute a significant segment of over twenty thousand. The training of women, keeping in view their literacy level and socio-cultural background would require extra efforts. A large number of women would need to be trained as trainers so as to accomplish meaningful results.

25.8 At present, not much training facilities are available for officials and non-officials of local bodies. The Haryana Institute of Public Administration (HIPA) Gurgaon is the 'Nodal' training institute in Haryana for providing in-service training facilities for IAS/HCS/other class I&II officers and ministerial staff of the State Government Departments, Boards and Corporations. State Government has also set up a Haryana Institute of Rural Development at Nilokheri for providing training facilities in rural development. Ideally it may be necessary to set up an independent training institute for the functionaries and elected representatives of the urban local bodies. But keeping in view the financial constraints, it is suggested that for the present the training of officials and non-officials of urban local bodies may be entrusted to HIPA, Gurgaon. Similarly, the training of both officials and non-officials of Panchayati Raj Institutions may be entrusted to Haryana Institute of Rural Development, Nilokheri. These institutes can also undertake research and serve as centres for documentation and information on municipal administration as well as for Panchayati Raj Institutions.

25.9 To enable these institutes to undertake additional work load effectively , they will have to be strengthened by way of additional man power and infrastructure facilities. It is suggested that the local Government Department as well as Panchayat and Development Department should examine this vital issue on an emergent basis and should adequately provide for undertaking and strengthening the various training programmes.

CHAPTER-XXVI

GENERAL SUGGESTIONS- LOCAL BODIES.

26.1 In the previous chapters, we have made an analysis of finances of Urban Local Bodies and have made specific recommendations for devolution of finances to them with a view to strengthen their financial base on a long term basis. There are a large number of areas pertaining to managerial as well as financial spheres of municipal administration, where there is substantial scope for improvement. These general suggestions/recommendations pertaining to Urban Local Bodies are listed below:-

i) With increased privatisation of services, there would be a need for re-distribution and rationalisation of the staff in the municipalities. We have separately recommended privatisation on a large scale and freezing of the staff strength at the existing level. Privatisation of services may render the staff surplus in certain categories but this staff could be utilised in other areas, where vacancies exist after giving them the requisite training as considered necessary.

ii) It has become a common practice amongst municipalities to utilise the General Provident Fund contribution of employees for day-today expenditure of the organisation. The Municipality in fact should invest the GPF contribution of employees suitably so that the interest payment liability to the employee is met from interest earned from the investment. The present unsystematic procedure results in litigation from retired employees for payment of their dues and frequently the State Government has to come to the aid of the ULB's in discharging this liability. Directorate of Local Bodies should make at least half yearly inspection of ULBs to ascertain whether any diversion of Provident Fund or other funds imposing a statutory obligation on the local bodies, has taken place. In case any such diversion comes to notice, DLB should issue suitable instructions for taking corrective action within a stipulated period.

iii) There are numerous cases of mis-appropriation of municipal funds by the employees in connivance with interested persons and we have separately suggested that the Directorate should have enabling powers to transfer such staff from one District to another. However, this is mainly due to lack of monitoring but partly this is also due to lack of training in administrative and accounts procedures to the staff working in the municipalities. We, therefore, strongly recommend imparting of training to the employees at various levels on the legal provisions, rules and regulations as well as procedures to be adopted in discharge of their duties. While we have suggested that HIPA (Haryana Institute of Public Administration, Gurgaon) could look after this task in the initial stages, in course of time, there is a need to build up a separate body to look after the training needs of both officials and non-officials of municipalities in the State. The State of Kerala has such an Institute established primarily from the contributions made by the municipalities for this purpose. Haryana should also consider establishing such an Institute at an appropriate time.

iv) On the subject of property tax, we have given detailed recommendations for addopting a new system of assessments based on floor area value. There is an urgent need for conducting a detailed survey to identify each and every property of the municipal area and prepare authenticated property registers so that no property is left out of assessment. We recommend that this exercise should be completed within a fixed time preferablly within a period of 6 months.

v) It has generally been observed that trucks and heavy vehicles bringing agricultural, industrial as well as other essential commodities to the municipalities create a lot of congestion in the municipal area since they are parked haphazardly on main roads as well as important inter-sections. This creates traffic bottlenecks apart from leading to avoidable accidents involving damage to life and property. Unnecessary vehicular movement in the municipal area also adds to higher pollution levels in the town and becomes a source of public nuisance. Haryana Urban Development Authority in the case of important towns has provided for separate areas for parking of trucks outside the municipal limits as per the published development plans. In some of the States such truck parking complexes (Transport Nagar as they are called) are being managed by Municipalities, by charging a parking fee for trucks and are able to manage such parking complexes from the income earned from this fee. We, therefore, recommend that when such parking complexes are developed by HUDA or any other agency, the operation and maintenance of such complexes should be handed over to the Municipalities concerned and the question of fee to be charged should be left to the Local Bodies.

vi) There is a provision under the Municipal Act for extension of the jurisdiction of the municipality by the State Government, after following a prescribed procedure. We have been given to understand that there are cases with regard to extension of municipal limits which are pending finalisation either at the level of the State Government or at the level of municipalities. The extension of municipal limits can have considerable bearing on the municipal finances and decisions in this regard would need to be expedited.

vii) During discussions held with the Municipalities at the district level, it was brought to the notice of the Commission that certain municipalities, where particular types of industries are concentrated have a specific potential for increasing the income from octroi. Panipat which is a famous centre for manufacture of blankets, carpets etc. and Jagadhri/Yamuna Nagar, which is noted for the utensil industry can be cited as examples in this regard. As for instance certain enhanced levies can be imposed on imported rags, raw wool etc. by the Panipat Municipality. Substantial resources can be generated by such municipal bodies by imposing octroi or any other permissible levy on such specific items, which are particularly releveant to their areas. Similar exercise should be carried out by all the municipal bodies in the State to identify such specific sources of income relevant to their respective areas.

viii) There is a lot of potential for raising revenue by levying charges on advertisements and hoardings. This is an area which has not been exploited fully by the Municipalities in the State and attention needs to be given to this area immediately.

ix) In municipal areas, construction activity on a large scale leads to dumping of construction material on the roads obstructing free movement of traffic. Plying of heavy vehicles carrying building material also leads to congession and many times drains are damaged because of dumping of construction material by the owners. With a view to meet the expenditure that the ULBs have to incur on the repair and restoration of roads and drains thus damaged, a one time 'special development fee' based on the size of the holding may be imposed whenever construction work is proposed to be undertaken and may be realised at the time of according sanction to the building plan alongwith any other fee recovered on this occasion.

STATE COUNCIL FOR PANCHAYAT (PRIs)

26.2 The 73rd constitutional amendment envisages delegation of a large number of functions from the State level to the Panchayati Raj Institutions and these functions are enumerated in the 11th schedule to the Constitution of India. As already mentioned in our report, the State Government has taken a decision with regard to some selected Departments in assigning the responsibility of maintenance to the PRIs. This is a continuous process and in course of time more and more functions are likely to be delegated to these bodies coupled with devolution of financial resources as well. The functioning of Panchayati Raj Institutions especially in the context of devolutionof functions and responsibilities to them needs to be reviewed and monitored periodically to take corrective steps wherever required based on the experience gained from time to time An advisory body is, therefore, necessary to give feedback and make recommendations to the State Government on the functioning of these institutions so that the provisions of the 73rd Constitutional amendment are implemented in both letter and spirit. The Commission, therefore, recommends the constitution of a State Council for Panchayati Raj to be headed by the Minister-In-Charge of Rural Development and Panchayats in the State. The Secretary Development and Panchayats should be the Member Secretary of this Council which should have also elected representatives of Zila Parishads, Panchayat Samitis and other Senior Officers of the State Government as deemed appropriate as members. This council will have the powers to review its functioning of PRIs and advise the State Government on all policy and other allied matters concerning these bodies. The State Government will notify the detailed rules for the Constitution and functioning of the Council.

BROAD CONCLUSIONS & RECOMMENDATIONS

SECTION ONE :

General Overall Perspective

SECTION TWO :

I - Devolution of State Taxes, Duties, Tolls and Fees

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III - Other Recommendations with Financial Implications

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SECTION THREE :

Tenth Finance Commission Grants

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Augmentation of Resources of PRIs & ULBs

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BROAD CONCLUSIONS AND RECOMMENDATIONS

SECTION-ONE : GENERAL OVERALL PERSPECTIVE

Budgetary Perspective : State and Local Bodies

1. In order to have a clear perspective regarding the State finances vis-a-vis the local bodies, we have undertaken a brief analysis of the State finances and its various ramifications relevant to our requirements in Chapter XVII. The total expenditure of the State during the years 1994-95 and 1995-96 was Rs. 7052.00 crores and Rs. 6478.00 crores respectively. The State Annual Plan during these two years was Rs. 1109.00 crores and 1387 crores respectively. Against this the total resources of the Urban Local Bodies in the year 1995-96 were only Rs. 142.31 crores including that of Faridabad Municipal Corporation. The direct assistance provided to the urban and rural local bodies in the years 1994-95 and 1995-96 was Rs.12.51 crores and Rs. 25.84 crores respectively, which is very minimal. Though rapid progress was made by the State in various fields of economic development, sanitary and environmental conditions on the ground level are far from satisfactory requiring considerable improvement. The water supply is in-adequate, the roads are not properly maintained and disposal of sewage and house-hold waste water has yet to be properly planned for a number of towns in the State and the situation in the rural areas is still worse. It is clear that if environmental conditions and the quality of life in the State is to be improved, adequate finances must be made available to the rural as well as urban local bodies. There is an equally urgent need for maintenance of capital assets already created. The Commission strongly feels that these are as much priority developmental needs as the needs of any other sector, and considering that the total expenditure of the State is of the order of Rs. 6,500-7,000 crores, the comparatively far lesser resources required for this vital segment can and ought to be un-grudgingly provided.

OVERALL RURAL SCENARIO

2. The total rural population of 124.09 lakhs (1991 census) in the State of Haryana lives in 6759 villages consisting of 5958 gram panchayats. The Eleventh Schedule of the Constitution lists as many as 29 subjects falling within the purview of PRIs covering almost the entire sphere of rural development but a clearer picture has yet to emerge regarding the functions which would be actually

entrusted to them. This is bound to come over a period of time but it needs to be emphasized that devolution of certain functions or sub-functions would necessarily have to be followed by transference of funds and functionaries concerned. Functions of a purely local nature like environmental improvement, sanitation, maintenance of assets and exploitation of local resources, creation of rural infrastructure and a variety of beneficiary oriented schemes should legitimately fall within the purview of PRIs which have been duly constituted and for whom additional financial support is also proposed to be propvided.

3 . 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 alongwith 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 functioining under the new system.

4. A major part of funds (44.81%-1994-95) for developmental activity presently available to the Panchayats, comes from the Poverty Alleviation Programmes (JRY, IRDP, EAS, etc.).This work is being presently looked after by the District Rural Development Agencies and in order to ensure the fullest possible participation of the rural community, there is a need for a close liaison between the DRDAs and Zila Parishads.

5. Although the Panchayati Raj Act,1994, gives wide enough enabling powers to the PRIs in the sphere of taxation, there is a marked reluctance on the part of elected representatives to impose any worth-while additional resource mobilisation measures on their constituents, even though the entire income so derived may be utilised for their exclusive benefit. Hopefully, the situation will change with the passage of time as the PRIs gain in strength and credibility. In the meanwhile, there seems to be little option except to provide the bulk of funds for the PRIs by way of transfer of resources from the State or through grants-in-aid.

6. The connected question which would need consideration is the distribution inter-se among the Zila Parishads, Panchayat Samitis and Gram Panchayats. Even though a large proportion of the local area development work would necessarily devolve on the Gram Panchayats, the Zila Parishads and Panchayat Samitis would have to provide technical and administrative support, apart from exercising a supervisory and coordinational role. Keeping these considerations in view, the Commission recommends that whenever resources in bulk are transferred from the State level, the same should be divided inter-se between the Zila Parishads, Panchayat Samitis and Gram Panchayats in the ratio of 10:15:75. Allocation of funds to the districts should be on the basis of the comprehensive formula presently adopted for decentralised planning which gives due weightage to all relevant economic factors. Within the district, the inter-se distribution between Panchayat Samitis/Gram Panchayats would be on the basis of their respective population.

OVERALL URBAN SCENARIO

7. The total urban population of the State (1991 census) was 40.54 lakhs and the number of towns was 94. The total number of urban local bodies, however, is 81 with a municipal population of 38.47 lakhs. Out of 81 urban local bodies, apart from one Corporation (Faridabad Municipal Corporation), there are 20 Municipal Councils and 60 Municipal Committees, as indicated below:-

U.L.Bs.	No.	Population (in lakhs)	%age to total
i) Faridabad Municipal Corporation (FMC)	1	6.18	16.06
ii) Municipal Councils (Above 50,000 population)	20	22.16	57.60
iii) Municipal Committees	60	10.13	26.34
TOTAL :	**81**	**38.47**	**100.00**

8. The total receipt of urban local bodies including FMC, with further break-up of their tax revenues during the years 1992-93 to 1995-96 gives indication of their finances, as under:-

(Rs. in crores)

Sr.No.	Item	1992-93	1993-94	1994-95	1995-96
1.	Total Tax Revenue	48.96	43.22	49.46	62.60
	I. Octroi	31.66	28.68	31.34	29.54
	II. Property Tax	11.53	12.21	14.35	15.44
2.	**Total Receipts (from all sources)**	**101.33**	**101.86**	**116.99**	**142.31**

9. House Tax and Octroi are the main components of tax revenues of the municipalities. The above table shows that the tax revenues have remained more or less stagnant and in the year 1993-94, the income infact went down as compared to the previous year. With regard to octroi, the schedule has remained practically un-revised for the last 3 decades and on top of it, several exemptions have been granted without fully evaluating their adverse impact on the municipal finances. While efforts have to be made to maximise receipts under the present system, we have suggested revision of the schedules on an advalorem basis commensurate with the present day requirements. Likewise in the case of property tax, there are large scale mal-practices, evasion and exemptions. We have suggested an "Area Linked Scheme" instead of the existing arrangements based on 'annual rental value' concept. There is nothing very radical under the area-linked scheme and in a nut-shell, under the new arrangement the per square tax liability for various localities, various types of uses and various types of constructions are fixed, leaving little room for discretion in the hands of the tax operating authorities. We are confident that such measures have the potential of strengthening the tax base of the Urban Local Bodies on a more or less permanent basis.

10. The situation with regard to establishment expenditure in respect of municipal councils/ committees is a matter of serious concern and it has been steeply going up in the last few years. During 1995-96, the expenditure of municipal Committees/Councils on establishment works out to a whopping 72.65% of the revenue and this percentage is bound to go up in the coming years due to the implementation of the recommentaions of the Fifth Pay Commission. Even as it is, the State Government was forced to

give a grant totaling Rs.14.00 crores on two occasions during the current year (1996-97) to the municipalities to meet their outstanding salary liabilities. One conclusion which is inescapable is that the staff strength must be frozen at the present level, except where absolutely necessary. Simultaneously, productivity of the staff must be increased by providing them with modern aids and privatisation should be resorted to the maximum extent possible in the spheres of sanitation, street lighting and maintenance of other services. Unless this is done, the local bodies far from being vibrant and self-sustaining "units" of self-governance are in imminent danger of getting swamped under the weight of their own steeply rising establishment costs.

INSTITUTIONAL ARRANGEMENTS

11. It stands to reason that in a situation where ULBs are not able to meet even their day-to-day expenses, what is left for development works is far less than their projected requirements. In fact, we find that many such works are undertaken by un-authorised diversions from resources collected and earmarked for other schemes such as town planning schemes and by way of postponing committed expenditure on items such as Provident Fund, pension contributions, etc. In any case, there is no gain saying the fact that the capital side is severely starved of funds. For remedying this disconcerting situation, there is no way except to have recourse to institutions like HUDCO, LIC, etc. in a much bigger way but this can only be done, as is the case in many States like Maharashtra and Gujarat, if we create appropriate apex level institutions with the requisite technical expertise and skill to take the fullest advantage of these institutional sources. The Commission has, therefore, suggested the creation of two new apex bodies, namely, the State Water Supply and Sewerage Board and the Haryana Urban Development Finance Corporation and we are confident that these two apex organisations can help in considerably easing the situation on the financial side. The further loaning operations from these apex bodies to the municipalities would, however, be successful only if the principle of adequate returns on investment is strictly insisted upon, except, to the extent necessary, for the socially disadvantaged groups for which an element of cross subsidy can be quite legitimately introduced. We feel that there would be no escape from progressively increasing user charges in respect of items such as water supply and sewerage.

FINANCIAL PROJECTIONS FOR URBAN LOCAL BODIES 1997-98 TO 2000-2001.

12. 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 theoratical exercise. Financial projections are, accordingly, being attempted for the ULBs only.

13. Projections have been made with regard to receipt and expenditure in the normal municipal budget, the interest liability, repayments and maintenance liability on account of the infrastructure proposed to be created as well as additional receipts on account of revision of octroi, house tax, fees and fines etc. The overall position which emerges for the Municipal Councils/Committees is as follows:-

TABLE

FINANCIAL PROJECTIONS

(MUNICIPAL COUNCILS/COMMITTEES)

(Rs. in crores)

Sr.No.	Head	1997-98	1998-99	1999-2000	2000-2001	Total
1.	Deficit in normal budget	59.63	79.43	103.93	134.21	377.20
2.	Liability on interest/ repayment/maintenance of Public Health Services	1.23	9.00	20.43	31.58	62.24
3.	Liability on account of maintenace/construction of roads	10.00	10.70	11.45	12.25	44.40
4.	Total projected expenditure	70.86	99.13	135.81	178.04	483.84
5.	Addl. Income from Octroi,House Tax, Fees & Fines	27.93	30.62	33.69	37.06	129.30
6.	Net Deficit (4-5)	42.93	68.51	102.12	140.98	354.54

OVERALL FINANCIAL POSITION OF ULBs (1997-2001)

14. In order to indicate the overall position of all ULBs for ready reference, the resultant deficit, including that of Faridabad Municipal Corporation is set out below:-

(Rs. in crores)

		1997-98	1998-99	1999-2000	2000-2001	Total
1.	Municipal Councils/ Committees	42.93	68.51	102.12	140.98	354.54
2.	Faridabad Municipal Corporation	8.43	14.17	24.18	34.55	81.33
	Total	**51.36**	**82.68**	**126.30**	**175.53**	**435.87**

15 The broad overall position which emerges is as follows:-

(i) There is a huge deficit even in the normal budget mainly on account of establishement which works out to about 72.65% of the overall receipts of Municipal Councils/Committees. It is likely to go up very substantially on account of the revision of salaries and other allowances on account of the implementation of the Report of the 5th Pay Commission.

(ii) The Public Health infrastructure must be build up in the next 4 years and even after provision of substantial grants from the State budget, repayments to financial institutions like HUDCO/LIC will be necessary which will impose heavy burden on ULBs on account of interest/ repayment of loans liability and maintenance costs of the services thus created. There will also be heavy burden on account of upgrading and maintenace of municipal roads.

(iii) Faridabad Municipal Corporation is in a somewhat better position but large investments are required by them for augmenting their water supply on the western side of the town, for slum clearance and for augmentation of services in the 40 regularised colonies.

(iv) We are assuming very substantial additional mobilisation by the ULBs themselves as the schedules of octroi, fees and fines have not been revised for decades and there is considerable scope for improving receipts from these sources.

16. The overall picture thus indicated is far from satisfactory and there is considerable deficit right from the year 1997-98 which keeps on increasing from year to year. This is in spite of the fact that the additional expenditure on building the urban infrastructure has been estimated on a very conservative basis and we have also taken into account all possible additional resource mobilisation. The Commission has accordingly, worked out a package for the devolution of taxes and grants-in-aid by the State Government, in favour of the U.L.B's so as to meet this emerging situation.

17. Our recommendations for devolution of State resource and grants-in-aid from the State revenues, as already stated, relate to the period 1997-98 to 2000-2001, except with regard to the implementation of the award of the Central Tenth Finance Commission, which is applicable for the years 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 implemented till such time the recommendations of the next State Finance Commission are implemented.

18. While an effort has been made to cover the deficit of the U.L.Bs. to the extent possible, it has not been possible to meet their entire requirements because of the constraint of resources at the State level, particularly on account of introducation of total prohibition with effect from 1.7.1996. We trust that the gap in resources which still persists, will receive due 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 States for supplementing the resources of the municipalities and Panchayati Raj Institutions.

SECTION TWO

19. (I) DEVOLUTION OF STATE TAXES, DUTIES, TOLLS AND FEES AND GRANTS-IN-AID.

(A) PANCHAYATI RAJ INSTITUTIONS

i) **Royalty on Minor Minerals**

a) 20% of the royalty on minor minerals be devolved on the Urban Local Bodies and Gram Panchayats. This is likely to lead to a devolution of Rs. 5.00 crores annually to the Gram Panchayats and another Rs. 5.00 crores to the Urban Local Bodies (mainly Faridabad Municipal Corporation).

The devolution should be partly on the basis of origin and partly on the basis of other suitable criteria to be evolved by the State Government. The share of Panchayats will form a pool of resources at the State Got. level for further disbursement as per the evolved formula.

b) 10% of the bid amount, which is in any case payable in addition by the lessee for compensation in lieu of surface rights, should be straightway collected at the time of auction in so far as local bodies/gram panchayats leases are concerned. To this end if an amendment of Rule 61 of the Punjab Minor Mineral Concession Rules, is required, the same should be carried out. There is no additional burden on State exchequer on this account.

ii) **Conversion Charges: Change of Land Use**

While formulating a master plan for any particular area for regulating land use, the Town & Country Planning Department normally declares an area up to a distance of 8 kms. beyond the municipal limits as "controlled area". The Government has prescribed certain charges for change of land use from agriculture to commercial, industrial or other uses in the controlled areas and these charges have been recently increased by the Town & Country Planning Department many times. This is essentially a local area tax and it is recommended that 10% of the net receipts from this source should go to the Gram Panchayats. The share of Panchayats will form a part of pool of resouces at the State level for further disbursement as per evolved formats.

iii) **Stamp Duty & Registration Fee**

7.5% of the net receipts under the budget head "Stamp Duty and Registration Fee" be devolved to the PRIs. The amount so made available will be further distributed district-wise by the Administrative Department on the basis of formula adopted for 'Decentralised Planning Scheme' which gives due weightage to rural population and other indices of backwardness. The share of Zila Parishads, Panchayat Samitis and Panchayats shall be in the ratio of 10:15:75 respectively. The share of the Panchayat Samitis and Gram Panchayats within the district shall be on the population basis. The budgetted income during the year (1997-98) under the head "Stamp Duty and Registration Fee" is Rs. 330.50 crores and the devolution of 7½% would work out to Rs.25.00 crores.

iv) **Revenue from Cattle Fairs**

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. As per provisions of the Cattle Fairs 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 Panchayats Department. The net amount is arrived at by deducting the establishement expenses as well as 5% of the gross income for maintenance of the cattle fair grounds which works out to about 1/3rd of the gross collection. The income during 1995-96 to the Panchayat Samitis was around Rs. 99.73 lakhs.

It is proposed 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/-. It is further recommended that the entire net income may be transferred to the Panchayat Samitis concerned instead of the present 80%. The projected additional receipts by the Panchayat Samitis would be of the order of Rs. 1.00 crore.

v) **Haryana Rural Development Fund**

With a view to expanding the pool of available resources it is recommended that the levy of HRDF may be increased from 1% to 2%.

(B) URBAN LOCAL BODIES (Including Faridabad Municipal Corporation)

i) **Taxes on Vehicles** : 20% of the receipts under the budget head "Taxes on Motor Vehicles" is proposed to be transferred to the urban local bodies. The recipts will be primarily used for the maintenance and construction of roads in the municipal areas. The devolution on the basis of the budgetted figures for 1997-98 will be Rs. 15.04 crores.

ii) **Entertainment Duty and Show Tax** : (a) 50% of the net income from entertainment duty under the Punjab Entertainment Duty Act, 1955 (as amended to date) be transferred to the Urban Local Bodies on the basis of origion.

b) The entire net income from the show tax levied under the Punjab Entertainment Tax (Cinematograph Shows) Act, 1954 (with amendment to-date) be transferred to the ULBs concerned on the basis of origin.

The annual devolution from these sources will be around Rs. 6.50 to 7.00 crores.

iii) **Royalty on Minor Minerals**: As already pointed while dealing with the Panchayat Raj Institutions, the annual devolution of Rs. 5.00 crores will come to the share of urban local bodies under this head and Faridabad Municipal Corporation will be the major beneficiary.

iv) **Tax on consumption of Electricity in Municipal Areas**

Tax on the consumption of electricity within the municipal areas is being charged @ one paise per unit and a sum of Rs. 1.80 crores is thus received as the share of the Municipal Committees. It is recommended that this rate be increased from 1 paisa per unit to 5 paise per unit (Additional amount Rs. 7.20 crores) which can be done by simply issuing a revised notification.

It is further recommended that the H.S.E.B. should charge domestic rates from the municipalities with regard to street-lighting and water supply and not commericial rates as is being done at present.

II. GRANTS-IN-AID

(A) PANCHAYATI RAJ INSTITUTIONS

i) Maintenance Grant

A grant of Rs. 10.00 lakhs per block be provided for the maintenance of community assets for each of the 111 blocks and Rs. 1.00 lakh per block for the maintenace of PRI buildings. The total amount recommended as grant-in-aid is Rs. 12.21 crores as set out below:-

(i)	Rs.10 lakhs per block for 111 blocks for the maintenace of community assets.	11.10 crores
(ii)	Rs. 1 lakh for each block for maintenance of PRI buildings.	1.11 crores
	Total	**12.21 crores**

ii) Repair Grant

The Commission also proposes a grant of Rs. 25 lakhs for the repair of Zila Parishads/ Panchayat Samitis buildings in the entire State as a one time measure.

iii) **Specific purpose Grant**

A grant of Rs. 2.19 crores is proposed to be provided for sanitation & environmental improvement as follows:-

		(Rs. in lakh)
-Panchayats with population of less than 2,000.	@ 2,400/-	111.55
-Panchayats with population between 2,000-4999.	@ 4,800/-	81.98
-Panchayats with population between 5,000-9,999.	@ 6,000/-	21.54
-Panchayats with population of 10,000 & above.	@ 8,400/-	3.67
	Total	**218.74**

iv) **Development Grant**

A per capita grant of Rs. 50/- per annum (1991 census) is recommended for development purposes and this would work out to a total sum of Rs. 62.00 crores. The district-wise allocation will be based on the formula of decentralised planning. Below the district, the inter-se distribution between the Zila Parishads, Panchayat Samitis and Panchayats will be in the ratio of 10:15:75. Further distribution to Panchayat Samitis and panchayats would be on population basis. In the case of Panchayats, 75% of the grants due to them will be given straightway and 25% will be on the basis of their raising an equivalent matching contribution. Guidelines would be laid down by the State Government prescribing certain performance criteria in matters such as enrolment at the primary level, small family norms, raising of local resources and detection of power thefts, etc. The share of Panchayats would be released through concerned Panchayat Samiti.

v) **Incentive Grant**

i) A cash award amounting to Rs. 8 lakh, 5 lakh and 3 lakh is recommended for the 1st, 2nd and 3rd Zila Parishads respectively at the State level.

ii) A cash award of Rs. 5 lakh for the 1st, Rs. 3 lakh for the 2nd and Rs. 2 lakh for the 3rd ranking Panchayat Samiti in each of the Revenue Divisions is recommended.

iii) An award of Rs. 50,000/-, Rs. 30,000/- and Rs. 20,000/- for the 1st, 2nd and 3rd Gram Panchayat, respectively in each of the Panchayat Samitis is recommended.

The total grant recommended would be Rs. 1.67 crores 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**

The guidelines for judging the performance of the PRIs would have to be laid down by the State Government on the lines suggested for the development grant.

TOTAL GRANTS-IN-AID (PRIs)

The total amount thus recommended to be provided under grants-in-aid for the PRIs is as under :-

		(Rs. in crores) **(1997-98)**
1.	Maintenance of Assets @ Rs. 10 lakhs per bloc and maintenace of PRI buildings @ Rs. 1 lakh per block	12.21
2.	Sanitation Grants.	2.19
3.	Development grant (Rs. 50 per capita) (1991 census rural population 1.24 crore)	62.00
4.	Incentive Grants	1.67
	Total	**78.07**

Besides, a one time grant of Rs. 25.00 lakh will be for repairs of own existing assets of Zila Parishads Panchayat Samitis.

A 10% esclation year-wise has been provided to take care of the increases in population and escalation costs in respect of maintenance grant, grant for sanitation and grant for developmental purposes. The year-wise overall position regarding grants to the PRIs is as follows:-

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
i). Maintenance Grant	12.21	13.43	14.77	16.25	56.66
ii). One-time grant	0.25	—	—	—	0.25
iii). Sanitation grant	2.19	2.14	2.65	2.92	10.17
iv). Development grant	62.00	68.20	75.02	82.52	287.74
v). Incentive grant	1.67	1.67	1.67	1.67	6.68
Total	**78.32**	**85.71**	**94.11**	**103.36**	**361.50**

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, stockman 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.

(B) (i) GRANT-IN-AID FOR URBAN LOCAL BODIES (OTHER THAN FARIDABAD MUNICIPAL CORPORATION)

Looking at the precarious financial condition of the ULBs, the Commission recommends that a Grant-in-aid of Rs. 50/- per capita (based on 1991 census) be provided to all Municipal Councils/ Municipal Committees. The total population of Municipal Councils/Committees was 32.29 lakhs (1991 census) and the grant-in-aid would thus, work out to Rs. 16.15 crores in the year 1997-98. A 10% escalation be provided every year to compensate for the rise in cost and increase in population. The year-wise grant-in-aid for the Municipal Councils/Committees would thus, be as follows:-

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
i). Grant-in-aid	16.15	17.76	19.53	21.48	74.92

The Commission also recommends that as an incentive the grant of Rs. 50/- per capita should also be made available for areas which may be municipalised in future.

While recommending this grant-in-aid, the Commission has taken note of the fact that there is a loss of Rs. 9.56 crores (at 1995-96 level) on account of share in Excise Duty due to the introduction of prohibition in the State. It also takes into account the fact that the Government has been compelled to give grants in the past for the payment of salaries to the municipal employees. The expenditure required to be provided for building the infrastructure in respect of Municipal Councils is much higher and their over all financial position is not very different from that of the Municipal Committees and this is one of the reasons for recommending the same scale of grant-in-aid for the Councils as well as for the Municipal Committees.

(ii) Grant-in-aid to Faridabad Municipal Corporation :

The Faridabad Municipal Corporation has definitely more scope for internal resource mobilization apart from being the main beneficiary from the sharing of royalty of minor-minerals in urban areas and will also get its share in taxes on vehicles, entertainment duty and show tax. However, they have taken up major schemes like re-settlement of slums, development works in regularised colonies and water supply schemes by instalation of Ranney Wells. It is, therefore, proposed that the Corporation may also be given the "Development Grant" of Rs. 50/- per capita as in the case of Committees and Councils. The resultant devolution would be about Rs. 3.09 crores. With 10% escalation, the yearwise grant-in-aid would be as follows:-

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
i). Grant-in-Aid (FMC)	3.09	3.40	3.74	4.11	14.34

TOTAL GRANTS (URBAN LOCAL BODIES)

The overall recommendation of grant-in-aid to ULBs would be as indicated below:

(Rs. in crores)

	1997-98	1998-99	1999-2000	2000-2001	Total
1. Municipal Councils/ Committees	16.15	17.76	19.53	21.48	74.92
2. Faridabad Municipal Corporation	3.09	3.40	3.74	4.11	14.34
Total	**19.24**	**21.16**	**23.27**	**25.59**	**89.26**

III. OTHER MAJOR RECOMMENDATIONS (WITH FINANCIA IMPLICATIONS):-

(i) Creation of Two Apex Organisations

In order to strengthen the urban infrastructure and accelerate development, the Commission strongly recommends the creation of the following two Apex Organisations:- .

(a) Haryana Water Supply and Sewerage Board

The urgent need for creating such an organisation would be readily seen from the fact that an investment of Rs. 211.00 crores, which is considered the minimum, is to be attempted in the 9th Five Year plan (1997-2002) for additional Public Health facilities. As much as 60% of this amount i.e. Rs. 126.60 crores would have to come from financial institutions. The commission recommends that the seed money which may be of the order of Rs. 8-10 crores should be provided in the next 3-4 years by the State Government. The exact quantum of yearly seed money required would, of course, depend on an actual fund requirements.

(b) Haryana Urban Development Finance Corporation

The existing arrangement for raising resources through LIC or other institutional channels by the municipal bodies, does not go far enough and needs to be refurbished. The commission, accordingly, recommends the creation of an Apex Organisation to be called the "Haryana Urban Developmen Finance Corporation" which would become an appropriate channel for securing assistance from financial institutions and in turn disbursing the same to the Urban Local Bodies. The Commission recommends that the share capital for this Corporation be provided by the State Government. While it is difficult at this stage to indicate the year-wise share capital which would be required to be contributed, this may have to be of the order of Rs. 5-8 crores over the next 3-4 years.

(ii) Strengthening of Local Government Directorate

(a) The Local Govt. Directorate be strengthened by way of an additional Town Planning wing and an Engineering Wing (approximate expenditure Rs. 8.00 lakhs).

(b) A computerised local finance data base may also be created with the Directorate so as to have a well organised information system (approximate cost Rs. 10.00 lakhs).

IV. RELIEF - WAIVER OF OUTSTANDING LIABILITY

(a) A sum of Rs. 32.50 crores (Rs. 9.48 crores by way of principal and Rs.23.02 crores by way of interest) is outstanding against the municipalities in the State pertaining to the years 1970-71 to 1995-96. Keeping in view the poor financial position of the municipalities, there does not seem to be any purpose in continuing to keep these liabilities on record when no worthwhile recoveries are being made. The Commission, therefore, recommends the waiving of this amount as a one time measure so that the municipalities can start on a clean slate.

(b) A sum of Rs. 2.66 crores worked out on the basis of 1% of income of the municipal councils/committees as administrative charges towards the Local Bodies Directorate is outstanding against the municipalities in the State. Most of the municipalities have not been paying this amount and this amount is not even budgetted by the Local Bodies Directorate. In view of their poor financial position and the inability to discharge even basic statutory liabilities, the Commission recommends waiving of Rs. 2.66 crores due as administrative charges from the munucipalities. It is further recommended that this levy should be dis-continued in future.

SECTION THREE

TENTH FINANCE COMMISSION GRANTS

The Tenth Finance Commission allocated an annual adhoc grant of Rs. 20.66 crores for the PRIs and Rs. 4.15 crores for the ULBs in Haryana for the period 1996-2000. Our recommendations for the ensuing three years commencing from 1997-98 are given below:-

(i) Panchayati Raj Institutions

The districtwise allocation for the three year period 1997-98 to 1999-2000 on the basis of the decentralised Planning Scheme would be as follows:-

(Rs. in lakhs)

S.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**

On the basis of their respective rural population, the share of the newly created districts of Panchkula and Ambala will be as follows:-

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

After allocation of the district share, within the district the allocation will be shared between the Zila Parishads, Panchayat Samitis and the Panchayats in the ratio of 10:15:75. Further allocation of Panchayat Samitis and Panchayats would be on the basis of population.

(ii) URBAN LOCAL BODIES (Rs. 16.58 crores)

The Commission recommends that this annual TFC grant of Rs. 4.15 crores for the period 1997-2000 may be divided between the various ULBs on a pro-rata basis in accordance with their respective slum population. The districtwise allocation on this basis is given below:-

(Rs. in lakhs)

S.No.	Districts	1997-98	1998-99	1999-2000	Total(3 years)
1	Ambala	12.08	12.05	12.05	36.18
2.	Yamuna Nagar	11.99	11.96	11.96	35.91
3.	Kurukshetra	18.09	18.05	18.05	54.19
4.	Kaithal	14.57	14.53	14.53	43.63
5.	Karnal	27.68	27.61	27.61	82.90
6.	Panipat	10.96	10.93	10.93	32.82
7.	Rohtak	43.70	43.59	43.59	130.88
8.	Sonipat	32.70	32.62	32.62	97.94
9.	Gurgaon	32.62	32.54	32.54	97.70
10.	Faridabad	69.35	69.20	69.20	207.75
11.	Rewari	14.15	14.12	14.12	42.39
12.	Mahendargarh	11.45	11.43	11.43	34.31
13.	Bhiwani	15.85	15.81	15.81	47.47
14.	Jind	27.14	27.07	27.07	81.28
15.	Hisar	49.01	48.89	48.89	146.79
16.	Sirsa	23.66	23.60	23.60	70.86
TOTAL		**415.00**	**414.00**	**414.00**	**1243.00**

Note : The figures for Ambala include figures for new Ambala district as well as Panchakula District.

The annual allocation for each of the ULBs can be seen in the statement at APPENDIX 'A' (chapter XVI). ULBs will be required to provide matching contribution from their own resources and this factor is being taken into account in the over all devolution of resources, which is being recommended by the Commission.

SECTION - IV RECOMMENDATIONS FOR AUGMENTATION OF RESOURCES AND OTHER RECOMMENDATIONS

(A) Panchayati Raj Institutions

(a) Augmentation of resources

i) House Tax is an obligatory tax which the Panchayats are required to levy. The current rates of house tax being imposed are Re.11/-, Rs.8/- and Rs.5/- per annum depending upon the category of occupier or the land holder. The Commission recommends that these rates may be revised to Rs.30/-, Rs.25/- and Rs.10/- respectively. Besides, this tax may also be imposed on shops, commercial establishments and institutions like schools, Nursing Homes, at the rates varying from Rs.100/- to Rs.200/- per annum. Necessary changes may be made in the Act, Rules & Regulations. These rates should be revised every five years. Presently, the annual income for house tax is Rs.2.50 crores and with the above revision, the income is likely to go up by another Rs.5.00 crores.

ii) **Leasing of Shamlat Land**

With a view to ensure leasing out of Shamlat land at a reasonable price, minimum lease money be fixed for various Panchayats lands by a Committee specially constituted for this purpose.

Sufficient powers exist in law for removal of encroachments and these should be fully made use of. Potential for commercial development of panchayat land, particularly land adjoining towns and urban areas, should be fully exploited.

(b) Other Recommendations

i) Delegation of certain functions to the three levels of PRIs in respect of 16 Departments have been issued. These are of general nature and detailed operational instructions to the field staff are necessary. The delegation orders issued so far should be reviewed so as to make them more comprehensive.

ii) Section 26 of Haryana Panchayati Raj Act makes the preparation of maps of 'Abadi Deh' on the part of Panchayats mandatory. Such maps to start with atleast must be prepared in respect of 400 and odd villages in the State having population or more than 5,000 each.

iii) Detailed instructions, should be issued by each of the departments, setting out the role and responsibilities of elected representatives. Steps should also be taken for organising training on a continuous basis so as to bring about closer co-ordination in the functioning of these bodies vis-a-vis Government functionaries at the various levels.

(B) Urban Local Bodies

(i) **Octroi**:- The octroi schedule prescribing the levy of octroi charges has remained practically the same over the decades and in addition several exemptions have been granted with the result the income from this source has been more or less stagnant. Revision of the octroi schedule basically involving change over from levy on weight basis to advalorem basis is urgently called for and the list of exemptions need to be reduced to the barest minimum. These measures are likely to significantly increase octroi collections over the present level in a very short period.

There has been persistent demand for the abolition of octroi and the Government of India has also been periodically stressing on this point. It is understood that in the neighbouring state of Punjab such a proposal for abolition is under serious consideration. If Haryana were to follow suit a suitable alternate elastic source of revenue has to be found for the ULBs in lieu of octroi

(ii) **Property Tax**:- The Commission has recommended change over from the present system of House Tax assessment on the basis of annual rental value to the "Area-Linked Scheme" and all its remifications have been indicated in the Report. The Area-Linked Scheme, which has been adopted by many other States, provides differential rates for various types of construction, various uses and various localities in terms of their value on a per square foot basis. The new system is quite simple and removes arbitrariness and bias from the process of assessment. In any case the present system of levying house-tax must be streamlined and arrears should be recovered on an urgent basis till such time that the new system is put into operation.

(iii) **Fees & Fines**:- The fees and fines rates are out-dated and have not been revised over the decades. Some revisions in respect of dangerous and offensive Trades has taken place recently. There has to be a thorough revision covering a number of other items. This revision is likely to generate considerable income over the present realisations.

(iv) **User Charges**:- Water supply in all ULBs, except in the Faridabad Municipal Corporation, is being handied by the Public Health Department, Water Charges would need to be substantially raised both in respect of Municipal Councils/Committees by the Public Health Department and by the Faridabad Municipal Corporation so as to atleast cover the maintenance costs. Likewise it will be necessary to cover the maintenance cost of sewerage and other services. This enhancement can be spread over a period of 2-3 years, if considered necessary. The rates charged should be revised atleast once every 3 years.

Other Recommendations

(i) **Taxation of Central & State Government Properties**

The State Government should initiate survey in this regard and assess the amount which is due to the various municipalities by way of service charges and take immediate steps to recover the same. Likewise, urgent steps should be taken for the recovery of the outstanding amount of Rs.1.5 crores which is recoverable from the State Government Departments.

(ii) **Sanctioning of Budget**

At present the budget of the Municipal Councils is being sanctioned by the Divisional Commissioners and of the Municipal Committees by the Deputy Commissioners. It is recommended that the budget of the Municipal Councils may be entrusted to the Directorate as it is better suited to have a closer watch on the income and expenditure of the larger Municipalities in the State.

(iii) **Training**

Training programme for the officials and non-officials of the ULBs should be duly organised and funds to the extent necessary, shall be provided for the same.

Other Recommendations

1. **Delegation of Powers to the Directorate of Local Bodies**

(i) Since the Directorate did not exist at the time of promulgation of the Haryana Municipal Act in 1973, powers both with regard to personnel and various other substantial matters are either with the Deputy Commissioners or the State Government. In the changed context, some of these powers should need to be delegated to the Directorate. These powers were once given to the Directorate but later on withdrawn.

(ii) The Director Local Bodies, instead of the Deputy Commissioners, can be the Appointing and Punishing Authority in respect of certain categories of Inspectors and fresh recruitments, wherever necessary, could be effected on this basis. Even under the present system, overriding powers could be given to the Directorate for transfer Municipal employees from one district to another district in public interest, even where the Deputy Commissioner is the Appointing and Punishing Authority.

State Council for Panchayati Raj (PRIs)

With a view to monitor the functioning of Panchayati Raj Institutions, the Commission recommends the constitution of a State Council for Panchayati Raj to be headed by the Minister-in-charge of Rural Development and Panchayats in the State. This will be an advisory body consisting of elected representative of PRIs as well State Government functionaries.

Training of officials & Non-officials

Training of officials & non-officials is an integral and essential part of strategy for future growth. The training of non-officials of PRIs is particularly a priority area and can not be over emphasised. On the rural side this work can be entrusted to Haryana Institute of Rural Development (HIRD) Nilokheri, and in the absence of a separate institute on the urban side Haryana Institute of Public Administration, Gurgaon, can meet the bill. Adequate funds must be provided for strengthening and revitalising such training programmes.

Audit of Accounts for Local Bodies.

A State level Public Accounts Committee for municipal finance should be constituted under the Chairmanship of Secretary, Local Government. Similarly, a Committee as envisaged under Rule 108 of the Haryana Panchayati Raj should be constitued at a State Level for audit of accounts of Zila Parishads and Panchayat Samitis. In case of Panchayats, a committee at district level may be constituted.