



Government of Haryana

REPORT OF THE FIFTH STATE FINANCE COMMISSION HARYANA



September 2017



GOVERNMENT OF HARYANA

Financing for Improving Outcomes

REPORT OF THE FIFTH STATE FINANCE COMMISSION, HARYANA

(2016-17 TO 2020-21)

**PANCHKULA
September, 2017**



Letter of Transmittal

Dated: September 13, 2017

To,

Prof. Kaptan Singh Solanki
Hon'ble Governor of Haryana
Chandigarh


We are greatly privileged to submit the Report of the 5th State Finance Commission of Haryana, which was constituted on May 26, 2016. The Commission has benefitted from the consultations with various Haryana Government officials, elected representatives of Urban and Rural Bodies, policy makers of the State and the Union Government, academics and researchers.

The theme of the 5th SFC Report is "*Financing for Improving Outcomes*". This requires a shift away from "Business as Usual" attitudes and mind-set. The Report contains many specific action points and suggestions to better align finance, systems, processes, data collection and analysis; and to help address current relatively limited capacity of Urban and Rural Bodies to spend effectively, and to generate fiscal resources.

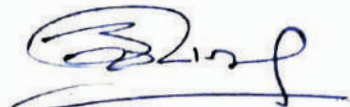
We are grateful to the Government of Haryana for entrusting the task of producing this Report, and for facilitating and encouraging the Commission's efforts.

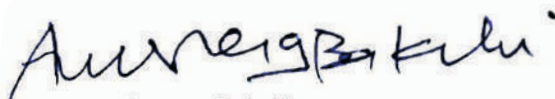

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ACKNOWLEDGMENTS

Constructing this Report which endeavours to infuse the Terms of Reference for the 5th SFC into feasible, policy-relevant actionable points for consideration by the State government, has been at times difficult and complex but nevertheless an exhilarating journey over the past sixteen months.

The journey has involved continuous learning and unlearning by the members of the SFC. The resulting Report is a group effort reflecting complementary skills and knowledge of each member. It is pleasure and a privilege to be able to acknowledge the individuals and organisations who have contributed in myriad ways, too numerous and at times too subtle to mention specifically, to this journey of learning and unlearning by the 5th SFC.

The 5th SFC owes a great intellectual debt to the previous SFCs of Haryana, the SFCs of other States, particularly of Rajasthan, Bihar and Tamil Nadu, and to the Reports produced by the various Central Finance Commissions (CFCs), particularly the 13th and the 14th CFCs. Numerous Studies and Reports by the Union Government (such as the FRBM Committee Report, 2016; and Manual for Procurement of Goods, 2017) have provided requisite context to the 5th SFC. Studies by NITI Aayog have provided broader and comparative perspectives which have immensely assisted in the 5th SFC's work. Specific insights and information gained from the various reports and research studies have been indicated at the appropriate places in this Report.

The 5th SFC formally acknowledges the support received from various State and Central government functionaries, and is grateful for the opportunities for learning (and unlearning) provided by interactions with them. The discussions with Reserve Bank of India's officials in Mumbai who have been responsible for analysing public finances of States in India helped in understanding the nuances of analysing state finances.

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The 5th SFC has benefitted from the insights and comments of several distinguished researchers and academics. Professor Anand. P. Gupta, an expert on public finance, generously shared his research on relevant issues. Professor Pinaki Chakraborty of NIPFP, provided useful advice and suggestions for the 5th SFC's workplan. Professor O. P. Mathur, former director of National Institute of Urban Affairs, generously shared his knowledge and insights on managing India's (and Haryana's) urbanisation process, and made suggestions on improving urban finances, and delivery of public amenities and services. Dr. Jagveer Singh Rawat shared his vision for agricultural and rural transformation.

The 5th SFC owes considerably to the efforts of its research and administrative staff, and to select individuals who assisted in specific sections of the Report. Special thanks to Mr. Vivek Singh who not only helped in undertaking research assigned to him but also contributed to improving drafts of various Chapters, and in the final production of the Report.

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It has not been feasible to mention all individuals and organisations that have assisted the 5th SFC in its journey. The 5th SFC's sincere apologies to those who have been inadvertently not specifically mentioned for their contributions.

The 5th SFC alone is responsible for the views, interpretations, and factual content of the Report, and takes responsibility for any remaining errors.

Panchkula:
September 10, 2017.

Mukul. G. Asher,
Chairman, 5th SFC, Haryana.

CONTENTS

Chapter 1	1 - 16
1.1	Introduction
1.2.	Terms of Reference (TOR)
1.3.	Establishment and Budget of 5th State Finance Commission
1.4.	The Approach of the 5th SFC of Haryana
1.5.	Administrative Arrangements
1.6.	SFC's Meetings, Consultations and Workshops
1.7.	Interactions with Urban Local Bodies (ULBs) and Rural Local Bodies (RLBs)
	<i>Visit to the State of Rajasthan</i>
	<i>Visit by the 3rd SFC of Chhattisgarh</i>
1.8	A survey of ULBs and RLBS
1.9	Commissioned Study
Chapter 2	17 - 46
2.1	Introduction
2.2	Co-operative Federalism
2.3	NITI Aayog
2.4	The GST Initiative: Implications for Haryana and For the Work -Plan of the 5th SFC
	<i>Selected Features of the GST Design and Structure</i>
	<i>Broad Implications of the GST for the States, ULBS and PRIs</i>
	<i>Implications of GST for ULBs and RLBS in Haryana</i>
2.5	Rationalization of Centrally Sponsored Scheme (CSS)
2.6	Public Financial Management System(PFMS)
2.7	Fiscal Responsibility and Budget Management (FRBM)
2.8	Educational Qualifications for PRIs representatives
2.9	Beti Bachao Beti Padhao (B3P) Scheme: The Haryana Context
Chapter 3.....	47 - 85
3.1	Introduction
3.2	Public Finances of Haryana: An Overview
	<i>Haryana's State Own Tax Revenue (SOTR)</i>
3.3	FRBM Arrangements and Progress in Haryana

- 3.4 PFMS in Haryana
 - Development & Panchayat Department (D&PD)*
 - Department of Urban Local Bodies (DULB)*
- 3.5 An Analysis of Funds Flow of CSS in Haryana
- 3.6 State Public Enterprises (SPEs) in Haryana
- 3.7 Procurement Arrangements
- 3.8 Generating Fiscal Space: A Framework
- 3.9 Concluding Remark

Chapter 4 87 - 176

- 4.1 Introduction
- 4.2 Legislative Background and Framework
- 4.3 Organizational and Administrative Framework
 - Cantonment Board a deemed Municipality*
 - Shift in the Type of Municipality*
 - Organization Structure of Urban Local Bodies*
 - Communication Channels in ULBs*
- 4.4 Framework for Service Functions
- 4.5 Service Delivery
- 4.6 Financial Position
 - Resource Envelope of Haryana's ULBs*
 - Budget Estimation*
 - An Analysis of Aggregate Resources of the ULBs*
 - Macro Analysis of Selected ULBs*
- 4.7 Resources – Legislative and Actual Position
 - Composition of Own Source Revenue of ULBs*
 - Revenue from Shared taxes*
 - Any Other Income*
 - Impact of GST*
- 4.8 Expenditure Envelope
 - Expenditure Assessment of ULBs*
- 4.9 Accounting Mechanism
- 4.10 Audit and Internal Control Mechanisms
- 4.11 Human Capital and Capacity to Spend and Deliver
- 4.12 Goals, Planning and Budgeting

Planning at the District Level

Planning and Budgeting at the Local Level

4.13 A Case for Establishing Urban Shared Services Centre

Tax Collection Service Department: The brief elaboration of each role

A. Tax Collection Department – As Repository of information and knowledge

B. Tax Collection Department: As Advisor and Trainer

C. Tax Collection Department: Creating Capacities to assist in undertaking tax collection function

Brief overview of other select functions:

Accounting Services Department under the Support Services Division of the USSC

Waste Management Services Department under the Services Division of the USSC

Concluding Remarks

Chapter 5 177 - 229

5.1 Introduction

5.2 The Legislative Background

Communication lines between local bodies, State department(s) and the public

5.4 Function Profile

Functions devolved to RLBs through legislation

The Departments in Haryana holding responsibility for various functions meant for RLBs

Roles expected from RLBs under various Central or State schemes

Convergence of Schemes

Role mapping of RLBs done by the State in the year 2006

5.5 Financial Position

Revenue Envelope of Rural Local Bodies

Expenditure Envelope of Rural Local Bodies

5.6 Measures to Augment Revenue of RLBs

Levy of new taxes

5.7 Accounting and Auditing Mechanism

Legislative Position

Accounting System followed in Haryana RLBs

Capacity of Gram Sachiv to maintain accounts

Audit and Inspection

Coverage of Audit in practice

5.8 Initiatives by the Central Government and the State of Haryana

Select Initiatives of the Central Government

Select Initiatives of the Central Government

5.9 Concluding Remarks

Chapter 6 231 - 248

6.1 Introduction

6.2 The Approach

6.3 Criteria and Methods

6.4 Methods of Computation

6.5 Methods for Devolving Among Urban Bodies and Among Rural Bodies

6.6 Monitoring of the 5th SFC Report and Continuing the SFC's Work

Chapter 7 249 - 267

7.1 Introduction

Chandawali Village, Faridabad: Installing CCTV Camera to Address Crime

7.3 Indira Bal Swasthya Yojana: Haryana

7.4 Village Night Camp Initiative in Haryana: An Innovative Approach Towards Communication and Taking Services to the Citizens

7.5 Solid Waste Management (SWM) Initiative: The OYE! Ambala

Operational Aspects of OYE

7.6 Case Studies from Rest of India

24 x 7 Metered Water: Improving water supply in rural areas of Punjab

7.7 E-Uparjan for Farmers in Madhya Pradesh

7.8 Intelligent Transport System: Karnataka State

7.9 Farmers in Orissa, Gujarat and Maharashtra adopted Shivyog Krishi under ATMA Scheme: Agriculture Production Increased many folds with amazing results

7.10 Community Managed Water Supply Programme: Gujarat

7.11 The "Yuva Vikas Prerak" Initiative in Rajasthan

7.12 Concluding Remarks

Summary of Recommendations 269 - 290

Annexures 291 - 364

Photo Gallery

LIST OF TABLES

Table No.	Description of Table
CHAPTER-2	
2.1	The Number of Elected Representatives in 2016 PRIs Elections in Haryana
2.2	Sex Ratio and Child Sex Ratio; Population Census Data for India and Haryana
CHAPTER-3	
3.1	Haryana, Total Revenue and NON-Debt Capital Receipts(TRNDCR), 2011-12 to 2015-16
3.2	Haryana: State Own Tax Revenue (SOTR) and its Compositions, 2011-12 to 2015-16
3.3	Haryana, Composition of Governments Expenditure and Disbursements, 2011-12 to 2015-16
3.4	Haryana: Select Budget Deficit Indicators, 2011-12 to 2015-16
3.5	Haryana, Medium Term Fiscal Policy Statement
3.6	Haryana: Trends in Fiscal Liabilities from 2011-12 to 2015-16
3.7	Haryana - A summary of Receipts and Expenditure of CSS, 2015-16
3.8	Haryana - A summary of Receipts and Expenditure of CSS, 2016-17
3.9	Haryana: Human Resource Profile of the SPEs
3.10	Haryana, Select Aggregate Financial Indicators of Haryana's SPEs
CHAPTER-4	
4.1	Haryana: Types of ULBs and select Indicators, 2011
4.2	Haryana, Boards/ Authorities under ULB Department
4.3	Haryana; Composition of Resources to ULBs, 2011-12 to 2016-17
4.4	Haryana ULBs: Accuracy of Budget Estimates Select Categories
4.5	Haryana, Resource Envelope of Urban Local Bodies
4.6	Haryana, Per Capita Receipt of Selected Municipal Corporations: By Broad Categories 2015-16
4.7	Haryana, Per Capita Receipt of Selected Municipal Councils: By Broad Categories 2015-16
4.8	Haryana, Per Capita Receipt of Selected Municipal Committees: By Broad Categories 2015-16
4.9	Haryana, Total Receipt of Selected Municipal Corporations, 2015-16
4.10	Haryana, Total Receipt of Selected Municipal Councils, 2015-16
4.11	Haryana, Total Receipt of Selected Municipal Committees, 2015-16
4.12	Revenue Receipts of Municipalities in Haryana, 2011-12 to 2015-16
4.13	Haryana, Property Tax Collection by ULBs in 2015-16

4.14	Haryana: Motor Tax Receipts by ULBs, 2011-12 to 2015-16
4.15	Haryana: Fire Tax collected by the ULBs, 2011-12 to 2015-16
4.16	ULBs, Tehebazari fee Receipt, 2011-12 to 2015-16
4.17	ULBs, Receipts of Shared tax 2011-12 to 2015-16
4.18	Share of ULBs in Stamp Duty in Haryana, 2011-12 to 2015-16
4.19	Allocation of Funds for the year 2017-18 under Urban Department Schemes
4.20	Haryana, Expenditure Envelop of Urban Local Bodies 2011 -12 to 2016-17(BE)
4.21	Haryana Disaggregation of Expenditure from Municipal Funds, 2011-12 to 2016-17(BE)
4.22	Haryana: Accuracy of Budget Estimates of the ULBs, Select Categories, 2011-12 to 2016-17 (BE)
CHAPTER-5	
5.1	Own Tax Revenue (House Tax) Collection
5.2	Share of Excise Revenues to PRIs in Haryana: 2011-12 to 2015-16
5.3	Share of 5% surcharge on VAT to RLBs
5.4	On Non-Tax revenues of RLBs
5.5	Haryana: Details of CFC and SFC Grants
5.6	CFC Grant to be devolved to the PRIs in Haryana
5.7	Haryana: Details of SFC Grants
5.8	Haryana: Resource Envelope of RLBs, 2011-12 to 2015-16
5.9	Details of Expenditure by RLBs
CHAPTER-6	
6.1	Haryana, Total Devolution of State Resources to ULBs and RLBs
6.2	Haryana, The Share of Allocated Devolution to the ULBs and RLBs 2011-12 to 2015-16
6.3	Allocation of SFC Grants and Share of States Taxes to the ULBs and RLBs 2011-12 to 2015-16
6.4	Haryana: Revenue projection of GST till 2020-21
6.5	Computation of SOTR-C (i): For SFC devolution
6.6	Projections of SOTR-C at 9.1 percent CAGR
6.7	5th SFC's Devolution Recommendation: Projection Set-1
6.8	Projection of SOTR-C(ii) at 13% projected GSDP
6.9	5th SFC's Devolution Recommendation: Projection Set-2
6.10	5th SFC's Devolution Recommendation: Projection Set-3
6.11	Haryana, Devolution Amounts by the 5 th SFC, according to Different Assumption Sets

LIST OF FIGURES

Figure No.	Description of Figure
CHAPTER-1	
1.1 (A, B, C)	The 5 th SFC Visits Date and Place of Meetings and Workshops
CHAPTER-3	
3.1	Haryana: CSS, Actual Release to Actual Expenditure 2015-16 By Broad Categories
3.2	Haryana: CSS, Revised Estimates to Actual Expenditure 2015-16 By Broad Categories
3.3	Haryana: CSS, Actual Release to Actual Expenditure 2016-17 By Broad Categories
3.4	Haryana: CSS, Revised Estimates to Actual Expenditure 2016-17 By Broad Categories
3.5	Framework for Generating Fiscal Space
CHAPTER-4	
4.1	Organizational set up of Urban Local Bodies
4.2	Administrative Set up of Directorate Urban Local Bodies
4.3	ULBs: Total Financial Resources and their Composition 2011-12 to 2016-17 (Annual Percent Change)
4.4	Haryana: Select Municipal Corporations, Change in Percentage Points of Total Receipts of Selected Municipal Corporations, Between 2015-16 over 2011-12
4.5	Haryana: Selected Municipal Councils, Change in Percentage Points of Total Receipts of Selected Municipal Councils, Between 2015-16 over 2011-12
4.6	Haryana: Selected Municipal Committees, Change in Percentage Points of Total Receipts of Selected Municipal Committees, Between 2015-16 over 2011-12
4.7	Haryana, Disaggregation of Expenditure from Municipal Funds, 2011-12 to 2016-17(BE)
4.8	Haryana: A suggested Structure for the Urban Shared Services Centre
4.9	Haryana: Tax Collection Function under the Urban Shared Service Centre
CHAPTER-5	
5.1	Organizational Structure of Rural Local Bodies in Haryana

5.2	Elected Representatives forming Rural Local Bodies in Haryana
5.3	Administrative Structure of RLBs in Haryana
5.4	Haryana -Panchayats, percent of Income Composition over total Income, 2011-12 to 2015-16

LIST OF ANNEXURES

Annexure No.	Description of Annexure
CHAPTER-1	
1.1	Haryana Government Political and Parliamentary Affairs Department, The Notification 26 th May, 2016
1.2	Name of the participants in the workshop held at Haryana Institute of Public Administration (HIPA), Haryana
1.3	Name of the participants in the workshop held at Guru Jambheshwar University of Science and technology (GJUST), Hisar, Haryana
CHAPTER-3	
3.1	Haryana state's reply to the FRBM Committee Report
3.2	Haryana FRBM Budgetary Document: Tax Revenue raised but not Realised
3.3	Haryana, Components of Government liabilities of 2015-16 (Actual) and 2016-17 (RE)
3.4	Details of State Public Enterprises: Haryana
3.5	Haryana: selected indicators of the performance of the SPEs
3.6 (A)	Status of Income and Expenditure under Centrally Sponsored Scheme during 2015-16
3.6 (B)	Status of Income and Expenditure under Centrally Sponsored Scheme during 2016-17
CHAPTER-4	
4.1	Area population and Year of Incorporation of Urban Local Bodies in Haryana
4.2 (A)	Analysis of number of Taxes Levied by Urban Local Bodies: 2015-16
4.2 (B)	Analysis of number of Taxes Levied by Urban Local Bodies: 2014-15
CHAPTER-5	
5.1	Present status of Number of Districts, Blocks, Villages and respective area and population
5.2	Profile of the functions of Gram Panchayat (GP), Panchayat Samiti (PS) and Zila Parishad (ZP) as per The Haryana Panchayati Raj Act, 1994 read with the 11th Schedule of the Constitution of India
5.3	List of Schemes to be implemented in the year 2017-18 by the Department of Development & Panchayats through the RLBs

5.4	A Broad concept of activity Structure
5.5	Analysis of Activity Mapping in Haryana
5.6	Status of the E-suit applications for PRIs adopted / Not-adopted by the State of Haryana
CHAPTER-6	
6.1	5 th SFC: Projected Amount Devolved to ULBs for the period 2016-17 to 2020-21, Set-3
6.2(A)	5 th SFC Projection of Amount Devolved to RLBs at Different Levels
6.2(B)	5 th SFC: Projected Amount Devolved to Zila Parishad for the period 2016-17 to 2020-21, Set-3
6.2(C)	5 th SFC: Projected Amount Devolved to Panchayat Samitis for the period 2016-17 to 2020-21, Set-3
CHAPTER-7	
7.1	Haryana: Districts Ranking under Swachhta Survekshan 2017
7.2	Lessons Learned from a Thematic Perspective: NITI Aayog

List of Abbreviations

<i>AGY</i>	Aadarsh Gram Yojana
<i>AIILSG</i>	All India Institute of Local Self Government
<i>AMC</i>	Ambala Municipal Corporation
<i>AMRUT</i>	Atal Mission Rejuvenation to Urban Transformation
<i>ANM</i>	Auxiliary Nurse Midwife
<i>ASCI</i>	Administrative Staff College of India
<i>ASHA</i>	Accredited Social health activist
<i>ATIs</i>	Administrative Training Institutes
<i>AWCs</i>	Anganwadi Centers
<i>B&R</i>	Building and Roads
<i>B2C</i>	Business to Customer
<i>B2S</i>	Business to Supplier
<i>BDPO</i>	Block Development and Panchayat Officer
<i>BE</i>	Budget Estimate
<i>BRGF</i>	Backward Regions Grant Fund
<i>BSE</i>	Bombay Stock Exchange
<i>C&AG</i>	Comptroller and Auditor General (CAG) Of India
<i>C.L.</i>	Country Liquor
<i>CAGR</i>	Compound Annual Growth Rate
<i>CCTV</i>	Closed-Circuit Television
<i>CEO</i>	Chief Executive Officer
<i>CFC</i>	Central Finance Commission
<i>CGA</i>	Controller General of Accounts
<i>CGST</i>	Central Goods and Service Tax
<i>CHCs</i>	Community Health Centre
<i>CL</i>	Country Liquor
<i>CLU</i>	Change of Land Use
<i>CPMU</i>	Central Project Management Unit
<i>CSCs</i>	Common Service Centers
<i>CSR</i>	Corporate Social Responsibility
<i>CSS</i>	Centrally Sponsored Schemes
<i>D& P Department</i>	District and Panchayat Department

<i>D&PD</i>	Development and Panchayat Department
<i>DC</i>	District Commissioner
<i>DDMCs</i>	District Development and Monitoring Committee
<i>DDPO</i>	District Development and Panchayat Officer
<i>DeGS</i>	District IT cum eGovernance Society
<i>DIO</i>	District Information Officer
<i>DITS</i>	District Information Technology Society
<i>DRD</i>	Directorate of Rural Development
<i>DRDAs</i>	District Level Rural Development Authorities
<i>EO</i>	Executive Officer
<i>eSDA</i>	Electronic Service Delivery Agency
<i>Exen</i>	Executive Engineer
<i>FAQs</i>	Frequently Asked Questions
<i>FRBM</i>	Fiscal Responsibility and Budget Management
<i>G2C</i>	Government to Customer
<i>GDP</i>	Gross Domestic Product
<i>GeM</i>	Government E-Market
<i>GIS</i>	Geographic Information System
<i>GMDA</i>	Gurugram Metropolitan Development Authority
<i>GoH</i>	Government of Haryana
<i>GOI</i>	Government Of India
<i>GP</i>	Gram Panchayat
<i>GPDP</i>	Gram Panchayat Development Plan
<i>GSDP</i>	Gross State Domestic Product
<i>GST</i>	Goods And Services Tax
<i>GSTN</i>	Goods and Service Tax Network
<i>HARCO</i>	Haryana State Cooperative Apex Bank Limited
<i>HBC</i>	Housing Board Colony
<i>HIPA</i>	Haryana Institute of Public Administration
<i>HIRD</i>	Haryana Institute of Rural Development
<i>HoD</i>	Head of Department
<i>HRD</i>	Haryana Rural Development
<i>HRDF</i>	Haryana Rural Development Fund
<i>HRDFA</i>	Haryana Rural Development Fund Administration Board

<i>HSCB</i>	Haryana Slum Clearance Board
<i>HSIDC</i>	Haryana State Industrial Development Corporation
<i>HSIIDC</i>	Haryana State Industrial and Infrastructure Development Corporation
<i>HUDA</i>	Haryana Urban Development Authority
<i>HUIDB</i>	Haryana Urban Infrastructural Development Board
<i>IAY</i>	Indira Awaas Yojana
<i>IBSY</i>	Indira Bal Swasthya Yojana
<i>ICDS</i>	Integrated Child Development Services
<i>IGFRS</i>	Indian Government Financial Reporting Standard
<i>IGST</i>	Integrated Goods and Service Tax
<i>IIPA</i>	Indian Institute of Public Administration
<i>IMF</i>	International Monetary Fund
<i>IMFL</i>	India Made Foreign Liquor
<i>IMFS</i>	Indian Made Foreign Spirit
<i>IT</i>	Information Technology
<i>IVISS</i>	Integrated Village Information & Service Delivery System
<i>IWMP</i>	Integrated Watershed Management Programme
<i>JE</i>	Junior Engineer
<i>JNNURM</i>	Jawaharlal Nehru National Urban Renewal Mission
<i>LAD</i>	Local Area Development
<i>LADT</i>	Local Area Development Tax
<i>LGD</i>	Local Government Directory
<i>MGNREGA</i>	Mahatma Gandhi National Rural Employment Guarantee Act
<i>MIS</i>	Management Information System
<i>MMP</i>	Mission Mode Project
<i>MoF</i>	Ministry of Finance
<i>MoHFW</i>	Ministry of Health and Family Welfare
<i>MoHUPA</i>	Ministry of Housing And Urban Poverty Alleviation
<i>MOPR</i>	Ministry of Panchayati Raj
<i>MoRD</i>	Ministry of Rural Development
<i>MoU</i>	Memorandum of Understanding
<i>MoUD</i>	Minister Of Urban Development
<i>MPLADS</i>	Members of Parliament Local Area Development Schemes
<i>MSW</i>	Municipal Solid Waste

<i>MSWM</i>	Municipal Solid Waste Management
<i>Municipalities</i>	Include Municipal Corporation, Municipal Council and Municipal Committee
<i>MWCD</i>	Ministry of Women and Child Development
<i>NABARD</i>	National Bank for Agriculture and Rural Development
<i>NAD</i>	National Asset Directory
<i>NCI</i>	Night Camp Initiative
<i>NGOs</i>	Non- Government Organization
<i>NGT</i>	National Green Tribunal
<i>NHM</i>	National Health Mission
<i>NIC</i>	National Informatics Centre
<i>NIPFP</i>	National Institute of Public Finance and Policy
<i>NITI</i>	National Institution for Transforming India
<i>NIUA</i>	National Institute of Urban Affairs
<i>NMAM</i>	National Municipal Accounting Manual
<i>NOFN</i>	National Optical Fibre Network
<i>NPP</i>	National Panchayat Portal
<i>NRLM</i>	National Rural Livelihoods Mission
<i>NSAP</i>	National Social Assistance Programme
<i>NULM</i>	National Urban Livelihood Mission
<i>O&M</i>	Operation and Maintenance
<i>ONTR</i>	Own Non-Tax Revenue
<i>OSR</i>	Own Source Revenue
<i>OTR</i>	Own-Tax-Revenue
<i>PDS</i>	Public Distribution System
<i>PES</i>	Panchayat Enterprise Suite
<i>PFMS</i>	Public Financial Management System
<i>PHCs</i>	Primary Health Care
<i>PHED</i>	Public Health Engineering Department
<i>PMAY</i>	Pradhan Mantri Awaas Yojana
<i>PMC</i>	Pune Municipal Corporation
<i>PMKSY</i>	Pradhan Mantri Krishi Sinchayi Yojana
<i>PPP</i>	Public Private Partnership
<i>PR Department</i>	Panchayati Raj Department
<i>PRI</i>	Panchayat Raj Institution

<i>PRIASoft</i>	Panchayati Raj institution Software
<i>PS</i>	Panchayat Samiti
<i>PWD</i>	Public and Works Department
<i>RDF</i>	Refused Derived Fuel
<i>RGPSA</i>	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan
<i>RGSY</i>	Rashtriya Gram Swaraj Yojana
<i>RGUDMH</i>	Rajiv Gandhi Urban Development Mission Haryana
<i>RLBs</i>	Rural Local Bodies
<i>SAGY</i>	Saansad Adarsh Gram Yojana
<i>SAMM</i>	Social Audit and Meeting Management
<i>SC</i>	Scheduled Caste
<i>SDGs</i>	Sustainable Development Goals
<i>SDO</i>	Sub Divisional Officer
<i>SECC</i>	Socio Economic and Caste Census
<i>SFC</i>	State Finance Commission
<i>SGSY</i>	Swarna Jayanti Gram Swarojgar Yojana
<i>SHG</i>	Self-Health Groups
<i>SIHIFM</i>	Swarna Jayanti Haryana Institute of Fiscal Management
<i>SOPs</i>	Standard Operating Procedures
<i>SOTR</i>	State Own Tax Revenue
<i>SPAGY</i>	Swa-Prerit Adarsh Gram Yojana
<i>SPEs</i>	State Public Enterprises
<i>SPMRM</i>	Shyama Prasad Mukherji Rurban Mission
<i>SPMU</i>	State Project Management Unit
<i>SPV</i>	Special Purpose Vehicle
<i>SSA</i>	SarvaShikshaAbhiyan
<i>SSC</i>	Shared Service Centers
<i>SSMs</i>	State Scheme Managers
<i>SUDA</i>	State Urban Development Authority
<i>SWFPI</i>	Swaran Jayanti Fiscal Policy Institute
<i>The 1973 Act</i>	The Haryana Municipal Act, 1973
<i>The 1994 Act</i>	The Haryana Municipal Corporation Act, 1994
<i>The Haryana Act</i>	The Haryana Panchayati Raj Act, 1994
<i>ToR</i>	Terms of Reference

<i>TRNDCR</i>	Total Revenue and NON-Debt Capital Receipts
<i>UDAY</i>	Ujwal DISCOM Assurance Yojana
<i>ULBs</i>	Urban Local Bodies
<i>UPA</i>	Urban Poverty Alleviation
<i>VAGY</i>	Vidhayak Adarsh Gram Yojana
<i>VAT</i>	Value Added Tax
<i>VGf</i>	Viability Gap Funding
<i>VHND</i>	Village Health Nutrition Day
<i>VHSNCs</i>	Village Health Sanitation and Nutrition Committee
<i>VLE</i>	Village level Entrepreneur
<i>WASMO</i>	Water and Sanitation Management Organisation
<i>YASHADA</i>	Yashwantrao Chavan Academy of Development Administration
<i>ZP</i>	ZilaParishad

CHAPTER 1

Introduction

CHAPTER 1

1.1 Introduction

1.1.1. After the passage of the 73rd and 74th Constitutional Amendments Acts in 1992, Haryana Government enacted appropriate legislation to make these Amendments effective. This is reflected in: (i) The Haryana Panchayati Raj Act, 1994, (ii) The Haryana Municipal (Amendment) Act, 1994, (iii) and The Haryana Municipal Corporation Act, 1994. In addition, the State government has framed the Haryana Finance Commission Rules, 1994. The 73rd and 74th Constitutional Amendment Acts provided for establishing of a State Finance Commission within one year of the Constitutional Amendment, and thereafter at the expiry of every fifth year to review the financial position of the Panchayats and Municipalities.

1.1.2. In accordance with the provisions of the Articles 243 I and 243 Y of the Constitution of India, Section 213 of the Haryana Panchayati Raj Act 1994 (Act 11 of 1994), and Rule 3 of the Haryana Finance Commission Rules, 1994, the Governor of Haryana constituted the 5th State Finance Commission (SFC) of Haryana under the Chairmanship of Sh. Mukul G Asher vide notification No. 18/1/2010-2POL (2P), dated 26th May, 2016. In addition to Chairman, seven other Members were also named as part of the 5th SFC. One member resigned subsequently, and was not replaced (see Annexure 1.1 for the composition of the 5th SFC).

1.1.3. Smt. Amneet P. Kumar (IAS), Secretary to Government Haryana, Secretariat Establishment and Finance Department was entrusted with the additional charge as part-time Member Secretary of the Commission. After she relinquished her position on May 5, 2017, Mr. Shrikant Walgad, Principal Secretary to Government, of Haryana, Housing Department and Commissioner Ambala Division, acted as part time Member Secretary of the 5th SFC of Haryana until June 11th, 2017. Dr. Vivek Joshi (IAS) was entrusted with the responsibility of being a full time Member Secretary of the 5th SFC of Haryana from June 12, 2017. He has an additional charge as Commissioner, Ambala Division.

1.1.4. Para 3 of the notification stated, "...the Chairman and other Members of the Commission shall hold office for a period of one year from the date of notification and the Commission shall make its report available to the Governor of Haryana on expiry of

this period". The SFC requested extending the final Report submission date till end of August 2017. The SFC is grateful for the approval of this request by the State Government.

1.1.5. The notification indicated that the SFC's Report shall cover a period of five years from 2016-17 to 2020-21.

1.1.6. By the time SFC submits its Report in August 2017, two fiscal years (2016-17 and 2017-18) would not benefit from its recommendations focusing around the theme, "Financing for Improving Outcomes". This in turn would result in the budgetary expenditure allocated for the SFC's work being less effective and economical for the State than otherwise. The SFC is however grateful that it has been accorded opportunities to suggest measures and initiatives relating to its theme even as its work was progressing. This has meant that in some areas, impact of the SFCs deliberations has been felt over a longer duration.

1.1.7. The Central Finance Commission (CFC), which makes recommendations for allocation of Central Funds to States, and to the Urban Local Bodies(ULBs) and Rural Local Bodies(RLBs), has establishment and reporting dates which are different from that of the SFC of Haryana.

1.1.8. Thus, the 14th CFC was notified in January 2014, with its Report submitted in December 2014, and the recommendation period extending from April 1, 2015 to March 31, 2020¹. If a similar schedule is followed, then the 15th CFC will be constituted by January 2018, its report submitted by December 2019, and the recommendation period extending from April 1, 2020 to March 31, 2025. Indeed, the consultations for the TOR of the 15th CFC began in middle of 2017.

1.1.9. The CFCs have remarked that their work plan is adversely affected by the unavailability of the reports of various SFCs for the period for which the recommendations for devolving of Central Government's funds are to be made, and for related governance and service delivery issues. As a result, concerns and views of the States are not being adequately reflected in the CFC's deliberations and Reports. An earlier establishment of SFC will be needed if the option of harmonizing the recommendation period of the Haryana SFC and of the CFC is to be achieved. The Report of Haryana's 4th SFC had made similar observations (para 15.16, p-332).

1.1.10. It is strongly recommended that the 6th SFC of Haryana should be established by September 2019 with the interim Report to be submitted by

1. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=115810> (Accessed on: April 30,2017)

September 2020, and the final Report by December 2020. This would facilitate adoption of the 6th SFC proposals from the 2021-22 fiscal year, which would be right after the recommendation period of the 5th SFC.

1.1.11. The current financial year of March-April was established in 1867, about 150 year ago, to align with the then existing financial year of England. The main rationale advanced by B. Debroy and K. Desai for a shift to a calendar year is that the change could enable much quicker budgetary response to the impact of the South-West monsoon from June to September in which about 70 percent of the rainfall is received. This is not currently the case as until 2017-18 fiscal year, budget allocations to the government agencies did not reach them till June, which is more than two months after beginning of the fiscal year². It is reported that the State of Madhya Pradesh is considering a shift from fiscal year to calendar year.

1.1.12. If the fiscal year of the Union Government is shifted to the calendar year, as seems likely, then appropriate changes in the date of establishment of the sixth SFC and submission of its Report should be considered. It should be ensured that the SFCs Report is submitted at least three months before the commencement of the first fiscal year of the SFCs recommendations.

1.2. Terms of Reference (TOR)

The TOR of the 5th State Finance Commission, as mentioned in para 2 of the Notification dated May 26, 2016 are:

- (a) the principles should govern:
 - (i) the distribution between the State and Zila Parishads, and Panchayat Samitis and Gram Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under part IX of the Constitution of India; and the allocation between the Zila Parishads, Panchayat Samitis and Gram Panchayats at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Gram Panchayats, Panchayat Samitis and Zila Parishads;
 - (iii) the Grants-in-aid to the Zila Parishads, Panchayat Samitis and Gram Panchayats from the Consolidated Fund of the State;

2. http://niti.gov.in/writereaddata/files/document_publication/Changing%20Financial%20Year.pdf (Accessed on May 6, 2017)

- (iv) the measures needed to improve the financial position of the Gram Panchayats, Panchayat Samitis and Zila Parishads;
- (b) the principles which should govern:
 - (i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls, and fees leviable by the State, which may be divided between them under Part IX A of the Constitution of India and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Municipalities;
 - (iii) the Grants-in-aid to the Municipalities from the Consolidated Fund of the State;
 - (iv) the measures needed to improve the financial position of the Municipalities;
- (c) In making its recommendations, the Commission shall have regard, among other considerations, to:
 - (i) the objective of balancing the receipts and expenditure of the State and for generating surplus for capital investment;
 - (ii) the resources of the State Government and demands thereon particularly in respect of expenditure on civil administration, maintenance and upkeep of capital assets, maintenance expenditure on plan schemes and other committed expenditure or liabilities of the State; and
 - (iii) the requirements of the Rural Local Bodies (RLBs) and the Municipalities, their potential for raising resources and for reducing expenditure.

1.3. Establishment and Budget of 5th State Finance Commission

1.3.1. The Fifth SFC was established on 26th May 2016, with seven members, one chairman and one Member Secretary for a period of one year. The Commission appreciates the extension of four months i.e. up to 30th September, 2017 granted by the Haryana Government for submission of its report.

1.3.2. For the establishment of the secretariat of the 5th SFC, 26 posts were created and related budget was sanctioned by the State Government vide letter dated July 26, 2016. Out of the sanctioned posts, 15 posts were administrative, 6 clerical and only 4 were for researchers and 1 for a consultant. Subsequently, staff was gradually hired over the period of couple of months. An office accommodation was allotted to the 5th SFC in

Yojana Bhawan, Sector-4, Panchkula, Haryana, in a working condition in the last week of August, 2016. No records or information left by the 4th SFC were available as a database. Actual staff strength of the SFC remained around 12-13 persons throughout, with administrative (rather than the research and data analysis staff) constituting the predominant proportion.

1.3.3. The Budget was sanctioned for the 5th SFC in the month of July 2016. Initially an amount of ₹72 lakh was sanctioned till the period ending 31st March 2017. Later, as some of the components of the Budget were required under different accounting head(s) than the 'heads' in which the sanction was made, the Budget was realigned and the total budget allocated for the same period was finally approximately ₹97 lakh. The expenditure made by 5th SFC during this period was about ₹66 lakh, and the balance of ₹31 lakh was returned back to the State treasury at the end of March 2017.

1.3.4. In the year 2017-18, an annual budget of ₹1.03 crore has been sanctioned for the 5th SFC. As the term of 5th SFC would end on 30th September, 2017, the budget may be appropriated accordingly.

1.4. The Approach of the 5th SFC of Haryana

1.4.1. The 5thSFC has been guided by Haryana government's revealed priorities and the justifiable widespread perception in the country that there is urgent need to infuse substance to the 73rd and 74th amendments of the Indian Constitution by enabling the Municipalities and the RLBs to emerge as an effective third layer of the Government, in addition to the Union and the State Government (Mohanty, 2016).

1.4.2. Addressing the ToR of the SFC, and facilitating the emergence of the effective third layer of Government involves more than just narrow mechanical exercise of financial allocation. The SFC has therefore been conscious of the need to address broader Governance and Public Financial Management (PFM) and service delivery issues. The relevant criteria by which financial revenue generation and expenditure allocation should be judged is the extent to which they improve quality of living, represented by accessibility and affordability of essential public amenities; and by improving quality of life represented by meeting the rising aspirations of the population. Hence the theme of the 5th SFC report, "financing for Improving Outcomes".

1.4.3. Under Cooperative Federalism, States are expected to be the laboratories for new ideas and experiments in policy design, implementation, and evaluation. These areas are key for improving services to the citizens with low transaction and hassle costs. There

exists scope for finding ways in specific context to enhance citizen friendliness in States, including Haryana.

1.4.4. Krishnamurthy (2017) provides examples of insufficient level of citizen responsiveness by the government agencies in the country as a whole, and suggests an approach to address this issue³. He suggests examining the complexity of the forms and documents needed to access government services; to use technology to minimize personal interactions between the citizens, and the government; and to take into account transaction and compliance costs of the citizens, businesses and taxpayers in accessing government services. The visits to different locations in Haryana by the 5th SFC and its deliberations strongly suggest that there is considerable scope for reducing this cost by appropriate majors taken by the Haryana government. This will be more fully evident from the discussion in the Chapters in the Report.

1.4.5. The 5th SFC recommends that Haryana as a State take a lead in enhancing citizen responsiveness of government agencies at all levels.

1.4.6. The above cannot be accomplished by" business as usual" attitude, with the administrative system which has not changed substantially since many decades. A mind set changed towards making India address its developmental challenges much more effectively is needed.

1.5. Administrative Arrangements

1.5.1. The 5th SFC is grateful to the Government of Haryana (GoH) for infusing expertise in public policy, law, accounting and government administration in its composition. This has facilitated research and fruitful deliberations among the SFC members, the SFC staff, and other relevant stakeholders.

1.5.2. The 5th SFC would also like to express sincere appreciation to the GoH for the timely provision of requisite office space in Panchkula and for facilitating work of the 5th SFC and travel from Delhi to Panchkula. The 5th SFC also comments the GoH for constituting the entire commission at the outset.

1.5.3. There are however areas which the 5th SFC would like to express which have hampered its smooth functioning, and affected the planned schedule for completion of the research and report writing. These are stated with a view for further improving the future SFC's administrative arrangements.

3. <http://www.livemint.com/Opinion/OPZUiBvhVN9A95j2JLqwZI/Making-state-agencies-citizenfriendly.html> (Accessed on April 30,2017)

1.5.4. **First**, a part-time (additional -charge) position of the Member Secretary made ensuring requisite performance of team work, preparation and clarity of SOPs (Standard Operating Procedures) such as the Rules of Procedure of the SFC, and coordination with relevant stakeholders much more challenging. The appointment of Dr. Vivek Joshi as full-time member Secretary on June 12, 2017, over a year after the 5th SFC was constituted, helped immensely in meeting time-line for submission of August 2017, and in greatly improving the quality of the Report. The 5th SFC would like to record special appreciation for Dr. Joshi's contribution.

1.5.5. **It is urged that in the future, the Member Secretary should be a full-time member. It is also strongly urged that standard SOPs be prepared and included as an agenda item for the first meeting of the subsequent SFCs. It is also suggested that drafting of the TOR for each SFC be undertaken through consultations some months before the SFC is constituted. While some items of TOR will continue to be common, some items should reflect particular period priorities of the GoH.**

1.5.6. **The second** factor concerns the basis for appointment of SFC staff. The current procedures, and job descriptions of the SFC staff are outdated, no longer suitable for the requirements of the new context, environment and challenges facing Haryana.

1.5.7. Unless the initial establishment and staffing issues are addressed, future SFCs may find it difficult to base its analysis of complex issues facing Haryana requiring relevant and timely data and information. It may also constrain the future SFCs in adhering to shortened time period suggested by the 5th SFC for submitting the Report.

1.5.8. **The 5th SFC urges that the staff strength, its composition and job descriptions be done in the future with the consultation of the Chairman of the SFC and of the Member Secretary. There should be a timeline for appointment of the SFC staff preferably within 30 days of the appointment of the chairman of the SFC.**

1.5.9. **The third** factor concerns the absence of standardized processes to store records, and assets (including asset registry) of the 4th SFC of Haryana. This resulted in avoidable delay in the 5th SFC's work schedule, and loss of institutional memory so vital for an effective work plan.

1.5.10. **The 5th SFC recommends that an SOP (standard Operating Procedure) document be prepared concerning day to day functioning of the commission, clearly specifying the administrative and financial powers of the Chairman and**

Member Secretary. It should also specify procedures for winding down winding-down the future SFCs, and for preserving records and assets of the SFC.

1.5.11. The fourth factor concerns the difficulties experienced by the 5th SFC in obtaining required data on ULBs and RLBs. The 4th SFC had recommended that government staff be specifically appointed to collate data from ULBs and RLBs on a continuous basis. The 5th SFC's experience is that these arrangements need to be considerably strengthened and institutionalised, and that they need to rise above routine administration tasks, especially focusing on the quality, timeliness and consistency of data. This is essential as issues become more complex, and expected response time to address them becomes shorter.

1.5.12. The 5th SFC commends the Haryana government for establishing the SJHIFM (Swarna Jayanati Haryana Institute of Fiscal Management) on November 3rd, 2016. This recognizes the need for a continuing research body with relevant expertise to support policy making, implementation, and evaluation in the area of public finances and their management in Haryana; and in continuing the work related to SFC issues. The challenge is to inject substance into SJHIFM and make it a vibrant functioning policy research organization.

1.5.13. There are variations of Haryana's pioneering initiative in establishing SJHIFM across the country. As an example, the Maharashtra cabinet has approved setting up of a Maharashtra Policy Research Institute in Pune. According to Chief Minister, Devendra Fadnavis, "this Institute is for regular assessment of policies, policy research, adopting best practices and administrative reforms via continuous training. It will also study the best policies, practices of other states, nations and suggest the government accordingly,"⁴.

1.5.14. As other States such as Maharashtra and Tamil Nadu undertake initiatives which are similar to Haryana's, it is recommended that the SJHIFM initiate and sustain networking and collaboration with similar state policy research organisations.

1.5.15. The 5th SFC strongly urges mandating the SJHIFM; which has already been established, to undertake data collection, analysis, and research; on issues, relevant to ULBs and RLBs. This would have the following advantages:(i) Regular collection and analysis of data will significantly shorten

4. Twitter Account of **Devendra Fadnavis** : @Dev_Fadnavis (Accessed on June 20, 2017)

the time for subsequent SFCs in initiating and undertaking their work agenda; (ii) it could provide policymakers empirical-evidence based analysis on specific issues faced by the ULBs and the RLBs on a continuous basis; (iii) it would help develop skills of research staff which the subsequent SFCs could usefully deploy. (iv) it could assist in monitoring the implementation of the SFC's recommendations - a task which has till now been left unexplored.

1.6. SFC's Meetings, Consultations and Workshops

1.6.1. The Commission started its operations at the outset of its constitution. The first meeting of the State Finance Commission was held on 21.06.2016 at Haryana Bhawan, New Delhi under the Chairmanship of Sh. Mukul. G. Asher which was followed by 2nd meeting on July 15, 2016 vide which composition of the Creation of Posts for the Establishment of Secretariat of 5th State Finance Commission was also finalised and the same was subsequently approved by the State Government.

1.6.2. The Commission held several meetings with the Administrative Secretaries and department of Urban Local Bodies, Department of Panchayati Raj, Finance, Public Health Engineering Department (PHED), Excise and Taxation, Department of Planning with an objective to exchange views on issues related to them and also to seek their views on empowerment of local bodies. A list of all the meetings held by SFC is provided in **Figure 1.1(A), (B),(C).**

1.6.3. The SFC organised two workshops to learn from experienced academics and administrators about new ideas and practices concerning issues and challenges which the 5th SFC of Haryana will need to address. The 5th SFC is grateful to the resource persons and to the respective institutions for their efforts.

1.6.4. The topic of the first workshop was 'Challenges and Progress of Urban Local Bodies', and it was held at Haryana Institute of Public Administration (HIPA), Gurugram, on 26.08.2016. A list of resource persons attending this workshop is provided in **Annexure 1.2**

1.6.5. The topic for the second workshop was on Urban & Rural Finances. It was held at Guru Jambheshwar University of Science & Technology (GJUST), Hisar, on 21.11.2016. A list of resource persons participating in the Second Workshop is in **Annexure 1.3**

1.6.6. The 5th SFC organised a district level seminar on empowerment of RLBs in collaboration with Haryana Institution of Rural Development (HIRD), Nilokheri on

October 4, 2016. The main objective was functioning of RLBs and to obtain insights concerning challenges being faced by the elected representative of these bodies

1.6.7. The Chairman of 5th SFC met Dr. Bibek Debroy, Member of NITI Aayog at his office in New Delhi. There were several relevant points for the SFCs work plan which emerged:

- (i) Dr. Bibek Debroy provided details of the Reports in the work being done by NITI Aayog on a pen drive, with permission to use the information.
- (ii) He indicated that under British rule there was a system of preparing gazettes for each District. This provided documentary official evidence on the activities at district level. Currently only some States still follow this practice but the impact according to his impression is very limited.
- (iii) Dr. Debroy Provided a historical record of district level gazettes for the State of Haryana. The soft copy of which, is available with the 5th SFC. This useful historical record of Haryana will be left by the SFC as institutional record.

1.6.8. The district level official records, communicated to the State level authorities at specified regular intervals (eg. Every month) would provide institutional memory, and data and information base for each district, and help in two way communication between different layers of government administration.

1.6.9. The SFC recommends that GoH may comments the practice of system of official records at district level, which would be useful for district level planning, with supporting empirical data, and for obtaining better outcomes.

1.7. Interactions with Urban Local Bodies (ULBs) and Rural Local Bodies (RLBs)

1.7.1. The SFC visited eight Municipal Corporations, namely Ambala, Faridabad, Gurugram, Hisar, Karnal, Panchkula, Rohtak, and Yamuna Nagar; Four Municipal Councils, namely Sirsa, Palwal, Shahabad, and Kaithal; Four Municipal committees, namely Nuh, Pehowa, Pundri, and Naraingarh. The 5th SFC interacted with the elected representatives and government officials of ULBs, briefed them about the objective of the SFC and sought their views about the working of these bodies including the administrative, revenue, expenditure and service delivery aspects. They shared their concerns and suggestions with the 5th SFC. The Commission requested additional

information and data from them to facilitate its work. The 5th SFC thanks these bodies for their corporations and for sharing their insights.

1.7.2. A follow up visit was made by the 5th SFC accounting team to Faridabad, Gurugram and Karnal. The main objective was to better understand the details of their system of accounting, finances, and tax collection mechanism adopted by them for various taxes, particularly the property tax. This tax constitutes a major share of own revenue for the municipalities. The 5th SFC is grateful to them for their hospitality and for sharing their insights.

1.7.3. The 5th SFC interacted with Rural Local Bodies (RLBs) at 11 locations in Haryana, namely Nilokheri, Palwal, Faridabad, Gurugram, Hisar, Mewat, Rohtak, Yamuna Nagar, Morni, Panchkula, and Sirsa. In this comprehensive coverage, the members of SFC interacted with various levels of Rural Local Bodies representatives, that is, Sarpanches, Panches, members of Panchayat Samiti, and Zila Parishad. Also, the meetings were done with the related government officials including Block Development Panchayat Officers(BDPOs), District Development and Panchayat Officer(DDPOs).

1.7.4. In some cases, the SFC members also met with the villagers during their visit to the villages. For instance, Rohini Aggarawal with her team visited Block Lakhan Majra and met with the Sarpanches and members of Zila Samiti to understand their functions, manner of keeping accounts and the issues they face in their working. The team also visited the village Bahu Akbarpur, where they met with the members of Panchayat and also with the villagers, to learn that the water supply services were in a very bad condition and the villagers did not have any recourse to their problems.

Visit to the State of Rajasthan

1.7.5. The 5th SFC of Haryana in the course of its research on the SFCs in other States was impressed with the rigor and relevance of the Interim Reports of the 5th SFC of Rajasthan. A decision was there for made to visit Rajasthan, and the willingness of Dr. Jyoti Kiran, Chairperson, 5th SFC of Rajasthan, to host the 5th SFC of Haryana is gratefully acknowledged.

1.7.6. The discussions with the Chairperson and Member Secretary of the 5th SFC of Rajasthan, provided several areas relevant to the work of Haryana's 5th SFCs:

- (i) Rajasthan's 5th SFC has adopted a philosophy of focusing not just on financial flows to ULBs and RLBs but on how to obtain better outcomes from SFC grants and other sources of revenue, and how better expenditure allocation and

management could be achieved by the ULBs and the RLBs. However, its final Report has not been completed as of end June 2017. As a result, its recommendations on specific measures regarding how Rajasthan can obtain better outcomes are not available to the 5th SFC of Haryana.

- (ii) Obtaining better outcomes from a given expenditure, however, does require significant context specific improvement in design of programs and schemes, in processes, in implementation, accounting and management, information system initiatives, and fixing accountability with enhanced transparency.
- (iii) The proactive approach adopted by Rajasthan's 5th SFC, including one instance of altering Municipal Act to address the nutrition needs of the urban poor was explained to the visiting SFC.
- (iv) It was learnt that the Rajasthan 5th SFC has attempted to communicate, and to receive feedback from its stake holders by using a multi-media approach this involved print and electronic media, as well as social media.
- (v) Rajasthan SFC arranged a visit to village Bapi (which has won the national award as Aadarsh Gram) in Dausa district. The visiting Haryana SFC members were briefed on the functioning of the village, and noted the positive impact which some of the Rajasthan SFCs grant and national schemes (such as Ujjwala Yojana) were having on the village households. The visiting commission is grateful to the Sarpanch of village Bapi and to the BDO in charge of the village for their hospitality and quality of briefing.

1.7.7. The SFC also learnt of the challenges facing Rajasthan in undertaking their work, including poor quality data and delay in providing it, which is a common concern for SFCs across the different States.

Visit by the 3rd SFC of Chhattisgarh

1.7.8. The 5th SFC of Haryana hosted six members delegation from the 3rd SFC, Chhattisgarh lead by its Chairman Chandra Shekhar Sahu from August 22nd to 24th, 2017. The 5th SFC is grateful to the GoH, for according them the status of a State Guest.

1.7.9. In addition to exchanging views with the 5th SFC members, the delegation also met the Finance Minister of Haryana and various government officials.

1.7.10. The delegations also visited Ambala Municipal Corporations and appreciated Ambala OYE! Initiative for Solid Waste Management (SWM). The delegation also met

selected representatives of RLBs. The delegation also made field visit to Ghel hale and Ghal Khund Gram Panchayat.

1.7.11. The Chhattisgarh delegation and the 5th SFC members exchanged views on the respective approaches taken by each side, and issues, challenges faced in addressing their respective mandates and possible measures to address.

1.8 A survey of ULBs and RLBs

1.8.1 The 5th SFC formulated Questionnaire for obtaining primary and secondary data on various aspects of local finances, levels of civic amenities being provided, registry of physical assets, work processes of local bodies, staff strength, budgetary support from the State and related matters from the Departments of Panchayats and from the Department of ULBs. The data requested was for the 2011-12 to 2015-16 period.

1.8.2 These were sent to ULBs through the Director Urban Local Bodies Department and Executive Officers/Secretaries of Municipal Corporations/Councils/Committees in the State for eliciting the considered views and suggestions on October 13, 2016. The SFC received a large number of responses, i.e. from 70 municipalities out of the total of 80 municipalities in the State.

1.8.3 Similar Questionnaire was sent to the Development and Panchayats Department and all the DDPOs in the State on 03.11.2016. The response as of end July 2017 has been disappointing. Only eight districts, namely Mohindergarh, Gurugram, Panipat, Jind, Sirsa, Fatehabad, Rewari, Hisar and only Pehowa block of District Kurukshetra have responded adequately.

1.8.4 If the 5th SFC's recommendations in Para 1.5.15 regarding SJHIFM continuing the data gathering and analysis on ULBs and RLBs are follows, the future SFCs may not need to rely on such questionnaires in the future, considerably speeding up the SFCs deliberations.

1.9 Commissioned Study

1.9.1 A research study on "Haryana Fiscal Management and Policy: A perspective Evaluation" was commissioned by Professor Narendra Kumar Bishnoi of Guru Jambheshwar, University of Science and Technology, Hisar, Haryana. The study made several pertinent observations and suggestions for the State and ULBs to mobilize additional resources. These have been considered at appropriate places in the SFC Report.

1.9.2 The 5th SFC formally acknowledges its appreciation for the work undertaken by the previous SFCs of Haryana. The study of the previous SFCs Reports have been a valuable learning experience about the relevant issues and arrangements in Haryana. The insights gained from the analysis and recommendations in these Reports have been taken into account in the 5th SFC's work plan to the extent they are consistent with the evolving dynamics discussed in Ch 2 and 3 of this Report.

CHAPTER: 2

The Changing Dynamics of Global, National and the Haryana State Context: Implications for the 5th SFC

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The Changing Dynamics of Global, National and the Haryana State Context: Implications for the 5th SFC

2.1 Introduction

2.1.1 The 5th SFC is of the view that several global, national, and state level developments have fundamentally altered the context within which the SFC needs to undertake its work plan, and deliberate on its recommendations. The theme of Haryana's 5th SFC's Report, "*Financing for Improving Outcomes*" is chosen keeping in view the altered context. The 5th SFC's TOR have been interpreted to be consistent with the changing dynamics, briefly described in this chapter.

2.1.2 Among the key global developments impacting on the SFC's work plan are the following. First, the global economy is facing structural problems of low productivity growth, high income inequalities, and strong justified perception that changes in global economic management and institutions are needed. These have contributed to subdued medium-term prospects for global growth. Thus, IMF's April, 2017 World Economic Outlook Report projects the global growth in 2017 and 2018 at 3.5 percent and 3.6 percent respectively, and the volume of global trade in goods and services is projected at 3.8 and 3.9 percent respectively, about the same rate as global economic growth⁵. These numbers do not fully convey the perceptions of fragility in the global economic, political, and financial environment.

2.1.3 Data from the World Trade Organisation (WTO) suggest that the relationship between economic growth and global trade has been fundamentally altered. Earlier global trade grew at nearly twice the rate of global growth, but the current and future prospects are that it will grow by around the same rate as global growth (IMF, 2017). Moreover, major part of the increase in global trade is occurring in services, including business services, tourism, education, health, and related services, rather than in merchandise or goods. Greater cross-boundary rail connectivity, and related

5. <https://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/text.ashx>

developments, has impacted on the traditional sea-based logistics and supply arrangements in global trade.

2.1.4 The experience since the 2008 global crisis suggests that Countries and States with weak, and perceived to be unsustainable public financial management practices (on a comprehensive public sector basis and not just on the basis of what a government includes in its budget; and on an accrual basis appropriate for public sector rather than on the cash accounting method basis) are likely to at least face higher borrowing costs, and reduced accessibility to financial and capital markets. Thus, the importance of competence and professionalism in public financial management has increased.

2.1.5 These global developments have several implications for the State of Haryana and for the SFC's work plan.

2.1.6 **First**, India and Haryana need to sustain broad-based high growth in a weak global macroeconomic environment, especially subdued growth and trade prospects.

2.1.7 **Second**, as at the margin, international service transactions grow faster than global merchandise trade, both India and Haryana need to substantially improve their service competitiveness and find new service niches. Technological, geo-political and other factors are requiring some of India's service sectors, such as in Information Technology Enabled services, to refine their strategies.

2.1.8 Haryana has strengths in several services, such as in health care, tourism, IT-enabled services, education and broader manpower flows. Developing strategies and effectively implementing and monitoring them, are needed for Haryana to further integrate with the global economy in goods, services, manpower flows and project management and finances.

2.1.9 The Ministry of Finance, GoI, has permitted State government agencies to directly seek loans from bilateral overseas lending agencies for infrastructure projects of over ₹5000 crore. The metro rail project of Indore and of Bhopal may serve as an illustration⁶. Thus, in Indore the total project cost of a metro is estimated to be ₹7,523 crore, and for Bhopal metro project, the estimated cost is ₹6963 crore. The central government equity in Indore's metro project is ₹1053 crore, equivalent to 14 percent of total project cost, while for Bhopal the corresponding values are ₹971 crore, which is equivalent to 14 percent. The Indore project has secured external funding from Asian Development Bank and New Development Bank (set up at the 2012 summit of the setup BRICS countries, comprising Brazil, Russia, India, China, South Africa). The Bhopal project has

6. Business standard Friday 28, July 2017

secured external funding from bilateral and multilateral foreign agencies, including the European Investment Bank⁷. This is a positive development for the States, including for Haryana. To benefit from this development, Haryana needs to develop capabilities to benefit from this provision. This is another illustration of the changing context in which the States will need to manage their public finances, including their debt. Haryana could potentially benefit from better preparedness to access the debt markets as railway, metro and other infrastructure are of high priority for the State. Its MoU with the Indian Railways to form a joint venture special purpose vehicle will require funds from the markets, which in some cases may exceed ₹5000 crore. The State should therefore will require capacity to negotiate with foreign lenders directly.

2.1.10 Third, the importance of managing public finances (not just the budgetary magnitudes, but a more comprehensive public-sector finances, which also include off - budget items), and not just on cash accounting method but an accrual accounting method, has increased substantially.

2.1.11 The global environment, and progressively India's monetary, financial and capital market policies will take into account even more rigorously public financial management of States, especially in pricing risk for State government borrowing. As an example, research study by J.P.Morgan finds that the spreads of bonds issued by the State in India over the benchmark government security has tripled from 30bps (Basis Points) to 90bps in just two years ending May 2017⁸.

2.1.12 Thus, responsibilities of the State to manage its public finances better, and also those of ULBs and RLBs, have increased. This is of direct relevance for the 5th SFC work plan

2.1.13 Among the select national level developments (in addition to those included in chapter 1) which will continue to significantly impact dynamics facing the 5th and the subsequent SFCs, the following merit brief discussion. These are Co-operative Federalism, NITI Aayog, the GST and restructuring of the CSS. Each is discussed briefly.

2.2 Co-operative Federalism

2.2.1 The concept of Cooperative Federalism represents a refreshing departure from the past practices and mind-set concerning Federal-State relations.

7. http://www.businessstandard.com/article/economy-policy/states-can-borrow-directly-from-foreign-agencies-for-infra-projects-117041900939_1.html

8. Chinoy Z Sajjid, Jain T June 2017 "India: Why worsening state finances risk delaying the investment cycle further" J.P.Morgan, June13,2017 Emerging Markets Asia, Economic and Policy Research

2.2.2 Co-operative federalism is meant to create a process and an environment of greater trust between the Union Government and the States, as without such trust, government initiatives are severely constrained in obtaining desired outcomes in India's federal structure as implementation responsibilities are with the States.

2.2.3 It is explicitly recognized that without taking decisions at the Union government level on the basis of India's national interests, designed to facilitate progress in all the States in co-operation with the Union government, and without engaging in constructive competition among the States, better outcomes in terms of public amenities and services accessible and affordable across the country cannot be achieved⁹.

2.2.4 *The importance of good performance by all 29 States, while lowering variability in performance, is indicated by the following.* According to India's Public Finance Statistics, the share of net (after sharing with the States) Union Government taxes in total combined taxes of the Union and State Governments in 2015-16 was only 38 percent, a sharp decline from 43 percent of total taxes of the Union and State Governments in 2013-14. States thus accounted for about three-fifths of the combined tax revenue. The acceptance of the recommendation of the 14th CFC to increase the share of Central taxes (divisible pool) from 32 percent to 42 percent devolved to the States, has played an important part in increasing the share of the States¹⁰.

2.2.5 The corresponding proportions for total expenditure for 2015-16 are 46 percent for the Union government and 54 percent for the State Governments. Thus, States now account for majority of combined tax and expenditure share.

2.2.6 In addition to higher tax devolution, the Union government has also taken initiatives to enable States to generate their own resources from newer sources. An example is the Centre permitting the States to benefit from the coal auctions, and from natural resources income generation. Mines and Minerals (Development and Regulation) Amendment Act, 2015 No.10 of 2015, illustrates this point¹¹. This will benefit the States with natural resources significantly as around three-fifth of India's natural resources are with the States, and only two-fifth with the Union government.

2.2.7 The increased resources to the States are being matched by increased responsibilities and accountability for the State governments. Moreover, the States are increasingly able to use the resources (such as for the CCS) according to their own contextual priorities.

9. <https://www.youtube.com/watch?v=5de4iiwkOdw>.

10. <http://fincomindia.nic.in/ShowContentOne.aspx?id=29&Section=1>, volume 1, Para 8.13

11. <http://www.indiacode.nic.in/acts-in-pdf/2015/201510.pdf>

2.2.8 The Union Government is also emphasizing measuring comparative outcomes among the States in key areas such as health, education, digital preparedness, social indicators, power sector and others. The Section on NITI Aayog (Para 2.3.1 to 2.3.16) provides further details.

2.2.9 The above suggests that an integral part of Cooperative Federalism is constructive competition among the States. A shift to Cooperative Federalism and to constructive competition among the States will not occur without conscious efforts by the political representatives and the bureaucracy. But the States which can make such efforts will be able to provide better quality of living and life. This is also very much relevant for Haryana and its leadership.

2.3 NITI Aayog

2.3.1 National Institution for Transforming India (NITI) Aayog was established on January 1, 2015. It has replaced the Planning Commission (an extra-Constitutional body existing since the 1950s), and the Economic Advisory Committee of the Prime Minister. Since the 12th five-year plan, which ended in March 2017, India no longer has official plans designed to allocate resources to various sectors and to the States

2.3.2 In the name NITI Aayog, the term '*transformation*' is significant as it implies that transformation in India's mind-set, in governance, and in design and administration of government programs and schemes at all tiers and levels of government are needed. The goal is to obtain better outcomes in terms of delivery of public amenities and services, including internal security and justice process, and make them accessible and affordable as uniformly across the country (and within States) as possible.

2.3.3 Among the major functions of NITI Aayog are to suggest measures and initiatives to obtain better outcomes from government schemes; and to act as a think tank on issues deemed important by the Union government and by the individual States.

2.3.4 The NITI Aayog released a three year (2017-18 to 2019-20) action agenda for the Union and State governments in August 2017. It contains useful practical suggestions which can be implemented by the Union and the State governments. These involve actions to sustain broad based economic growth; improve governance; enhance incomes of those engaged in agriculture; improve employability and health status of the population; address environment, forest and water management challenges; and help improve the quality of the public financial management. The agenda recognises that the

India could further benefit by perusing engagements with other countries which help broaden and deepen its economic and strategic space¹².

2.3.5 This recognizes that the knowledge and expertise are essential for improving governance and obtaining better outcomes at all levels of government. But these are scarce, and a body that has the resources and capacity to objectively analyse specific governance or development challenges in a non-partisan manner, and help measure outcomes can be an important shared service for not just the Union Government but also for the States, the ULBs and the RLBs.

2.3.6 Three reports of the respective Sub-Group of Chief Ministers, namely on rationalisation of Centrally Sponsored Schemes (CSS), on Swacch Bharat Abhiyan, and on skill development set up by NITI Aayog have been submitted (as of April 2017), and their recommendations have been translated into reforming these programs and schemes¹³.

2.3.7 NITI Aayog has undertaken useful studies on monitoring outcomes in health care, education, and water supply, areas of particular interest to Haryana. It also provides a forum and a meeting point for States to learn about and from each other. Reforms in health sector, education, and digital inclusiveness are some of the priority areas. It has expertise (or access to it), and modest resources to help incentivise the States in these areas. These three areas are of great relevance for Haryana's future economic growth, social progress, and technological preparedness.

2.3.8 As of early June 2017, NITI Aayog is in the process of short listing States for providing expertise and some financial resources in the areas of health, education and digital preparedness. Among the list of States from which final decision on which states meet NITI Aayog's criteria, Haryana State has not been included so far. It is hoped that the above will be a continuing exercise by the NITI Aayog to augment expertise, and to a lesser extent, State's financial resources.

2.3.9 The SFC urges the State Government to urgently initiate the exercise to address the implications for Statistics and how statistical agencies in the State are organized and staffed. The assistance of NITI Aayog at the Centre could prove to be helpful in this task.

2.3.10 The above strongly suggests that there is considerable merit in Haryana government focusing on how the State can qualify for benefiting from NITI

12. <http://niti.gov.in/writereaddata/files/coop/IndiaActionPlan.pdf>

13. <http://niti.gov.in/writereaddata/files/Final%20Report%20of%20the%20SubGroup%20submitter%20to%20PM.pdf>

Aayog's social sector and governance systems initiatives in the near future. The 5th SFC recommends that the State government designate a high level, liaison officer from the office of the Chief Minister for NITI Aayog. The main function would be to help tap NITI Aayog's expertise for Haryana's development. NITI Aayog's advocacy and practical experience with managing lateral entry of officials in selected government agencies may also be considered by Haryana.

2.3.11 The above represents a fundamental shift in the institutional structure and in the possibilities of interaction between the Centre and the States, and ULBs and the RLBs. NITI Aayog can be of considerable relevance to the States and their ULBs and the RLBs as a think-tank, an expert group to suggest feasible measures to improve governance and obtain better outcomes in specific areas.

2.3.12 Individual States and their ULBs and the RLBs, however will need to transform their mind-sets (from finance or money to outcomes) and appreciate the importance of outside expertise and new perspectives. They also need to establish formal arrangements for interacting with the NITI Aayog. Some States (including Maharashtra, Madhya Pradesh, Rajasthan, and Gujarat) have already begun to utilize NITI Aayog as a "think tank". Such utilization of NITI Aayog should be an integral part of "Co-operative Federalism" initiative.

2.3.13 In India's federal polity, with constitutional responsibilities divided between the Union government, the States and the ULBs and the RLBs, policy coherence (not to be confused with uniformity) and organisational coordination between different agencies in a federal structure, and within a given layer of government, are essential for better outcomes. NITI Aayog could help play a role in achieving better coherence and coordination and thereby assist in obtaining better outcomes.

2.3.14 The 5th SFC recommends that the Haryana government establish a formal liaison mechanism with designated focal person (s) and points, with the NITI Aayog, preferably in the office of the Chief Minister. This is because political commitment to achieve better outcomes must be communicated to all the Departments through the Chief Minister's office for the liaison to yield anticipated results in terms of better outcomes.

2.3.15 It would also be useful to designate a small group of officials to identify urgent challenges for the States where the expertise of the NITI Aayog could help improve governance and outcomes.

2.3.16 The 5th SFC also recommends that Haryana designate a small group of officials to identify urgent challenges for the States where the expertise of the NITI Aayog could help improve governance and outcomes. This should be followed by regular interactions with the NITI Aayog not just by the State officials, but also by select ULBs and the RLBs officials should also be considered. This is because while many services and amenities are provided by the Districts, the ULBs and the RLBs, they have limited opportunities to interact with knowledge and domain specialists who could help generate context - specific measures to address specific challenges.

2.4 The GST Initiative: Implications for Haryana and For the Work -Plan of the 5th SFC

2.4.1 India's Goods and Services Tax (GST) will tax supply of domestic goods and services under a single tax all across India uniformly. Appropriate Constitutional Amendment has been made to enable States to levy tax on supply of services in addition to tax on goods, and for the Union Government to levy tax on supply of goods in addition to tax on services¹⁴.

2.4.2 The GST will subsume many of the existing taxes on domestic goods and services levied by the Centre and by the States.

2.4.3 It could also be argued that the GST, along with complementary initiatives such as the amendments on October 25, 2016 to the Benami Transactions Prohibition Act, 1988, the Real Estate Regulation Act, 2017 and the Insolvency and Bankruptcy Act, 2016 could help increase the share of recorded economic transactions, improving the tax base, including for the GST.

Selected Features of the GST Design and Structure

2.4.4 The GST structure which has emerged is complex, with multiple tax rates applied to different goods and services (each good or service classification will have nationally uniform tax), and in a federal structure (with 29 States and 7 Union Territories), the GST is nevertheless expected to significantly address the limitations of India's current convoluted, dysfunctional taxation on domestic goods and services which has evolved over the last seven decades. Moreover, India's large population, 1.32 billion persons in 2016 makes the GST reform among the most ambitious globally. Given the above features of the GST, it is appropriate to use the term "*landmark*" to India's GST reform.

14. [http://lawmin.nic.in/ld/The%20Constitution%20\(One%20Hundred%20and%20First%20Amendment\)%20Act,%202016.pdf](http://lawmin.nic.in/ld/The%20Constitution%20(One%20Hundred%20and%20First%20Amendment)%20Act,%202016.pdf)

2.4.5 The GST, has been implemented w.e.f 1st July 2017. It has the potential to enable India to emerge as a unified market, permitting significant savings in logistics and compliance costs and in enabling economics of scale and scope in production and distribution of goods, services and in tax administration to be realized.

2.4.6 GST would not only change the structure of existing taxes on domestic goods and services, redefine the related taxable events, but would also transform the manner of levying the tax, e.g. from 'origin' to 'destination' basis and the manner of collection which will utilize the method of crediting taxes paid on inputs from the output tax, so that only value addition is taxed at each stage. This manner of collection implies that those entities which are 'exempt' i.e. not registered for GST, will still need to pay applicable GST on their inputs, but will not be able to claim these taxes as input tax credit. This implies that for exempt entities, only the value added by such entities is not liable to the GST.

2.4.7 Under the 'origin' basis arrangements, tax collection is done by the State where the goods and services are produced (or originate); while under the 'destination' basis arrangement, tax revenue occurs to the State of consumption of goods and services. Globally, destination basis is the norm. Therefore, India's GST reform aligns its domestic taxes on goods and services with the global norm.

Broad Implications of the GST for the States, ULBS and PRIs

2.4.8 The GST will have two broad implications for the States and its ULBs and PRIs, and therefore for the work plan of the SFCs, including the 5th SFC of Haryana.

2.4.9 First, the Centre has committed itself to providing 14% growth each year for five years, beginning from the 2015-16 base year, for agreed upon VAT and related tax collections by each State. To provide transparency and confidence to the States, the GST (compensation to the States) Act, 2017 has been passed by the Parliament. The rationale is to ease the transition period as for the States will need to become adept at levying taxes on services and States will need to adept to the complexities of the GST design and implementing requirements.

2.4.10 The States will need to explicitly plan to ride on the GST '*learning curve*'. Those States which focus on the '*learning curve*' will gain competitive advantage over other States. Thus, the GST also shifts some of the responsibilities and accountability to the States.

2.4.11 As State tax revenues, of which VAT currently constitutes a large share, forms part of the revenue base for allocating SFC grants to the ULBs and to RLBs, any SFC would need to analyse this aspect carefully. The 2015-16 base year revenue will also include taxes which a State is required to subsume under the GST. This aspect will also need to be carefully analysed. This will also involve examining whether under the GST structure, additional tax revenue sources could be made applicable to the ULBs and to the RLBs.

2.4.12 Second, selected transactions of the ULBs and the RLBs will be subject to GST. This has implications for their tax and expenditure levels, and for the need to create capacities and capabilities for GST collections, deductions and filing of returns. The legal compliance with GST will need to be ensured. Currently, these bodies do not perform these functions. So, the State must decide how these functions will be performed by the ULBs and the RLBs.

2.4.13 Third, currently, the State Finance Commissions (SFCs) of several States are in the process of deliberating on their reports to the State governments. The main Constitutional responsibility of an SFC is to recommend allocation of State resources to the ULBs and the RLBs, to suggest ways to strengthen public financial management, and to suggest how public services and amenities could be better delivered to the ULBs and the RLBs. The GST arrangements, noted below, will therefore impact on the work-plan and the recommendations of the SFCs as well.

Implications of GST for ULBs and RLBs in Haryana

2.4.14 The GST has been implemented by the Government of India from 1st July 2017. The GST regime has been in force since then and part of the current financial year, i.e., 2017-18; and also the times ahead including the next three financial years from 2018-19 to 2020-2021 are covered under the 5th SFC recommendation period. Thus, it is essential to assess the implications of GST on the ULBs and the RLBs.

2.4.15 **Tax Revenue Base of the State of Haryana:** GST will continue to be the single largest source of tax revenue. Thus, for 2015-16, Haryana State has reported to the Centre that under VAT and other Taxes to be subsumed under the GST, it collected ₹15,168.06 Crore, equivalent to 49 percent of its 2015-16 Own Tax Revenue and 3.08 percent of its GSDP. Haryana has officially reported that the following taxes will be subsumed under the GST. They are *Value Added Tax(VAT), Central Sales Tax(CST), works contract, Entertainment Tax collected at State level, Lottery, Betting and Gambling, Luxury Tax, Entry Tax not in lieu of Octroi, Entry Tax in Lieu of Octroi/Local*

bodies Tax, Cesses and Surcharges, Advertisement Tax, Purchase Tax, ITC Reversal, Excise Duty, Medical and Toilet Preparations Act 1955 (MNTP Act).

2.4.16 The 5th SFC has taken into account the revenue base of the year 2015-16 relevant for the GST compensation promised by Centre to the State of Haryana in its work-plan and recommendation.

2.4.17 It should be noted that the 14 percent guaranteed compensation is what the Centre has promised. If a State can grow its GST revenue more than 14 percent, it will be able to generate greater fiscal space. This is what the State of Haryana should aim to achieve.

2.4.18 **Shift in the power of local bodies to levy specific taxes:** Under the powers granted by the Constitution of India, the State of Haryana has empowered the local bodies (both Municipalities and Panchayati Raj Institutions) to levy certain kind of taxes and fees through the respective State Legislations and Delegated Legislations. For instance, municipalities in Haryana may levy property tax, advertising tax, water charges, octroi, toll tax, tahebazari, entertainment tax etc. under the respective legislation.

2.4.19 In the GST scenario, local bodies may not be having powers to levy some specified taxes like advertisement tax and octroi. A view of the revenue configuration of some of the Municipal bodies such as Gurugram and Faridabad suggests that advertisement revenue constitutes a good amount therein. This part may need to be examined in detail by the legal division of the State of Haryana as entry 55 in List II of Schedule VII to the Constitution of India empowering States to levy tax on advertisements has been omitted by the Constitution (101st) Amendment Act effective from 16th September 2016. Whether the State would still be empowered to allow the Municipalities to levy the said tax under Article 243 X of the Constitution of India needs to be examined before allowing the local bodies to continue to levy advertisement tax during the GST regime.

2.4.20 **Local Bodies may start levying and collecting Entertainment Tax:** In the present context, though the power to levy entertainment tax resides both with the State as well as the local bodies; in Haryana, this tax is levied and administered only at the State level, the local bodies currently do not levy this tax. During the GST regime, the States would no longer be able to levy this tax as it is subsumed under the GST. But the local bodies will continue to have the power to levy and collect entertainment tax. Accordingly, there would be a need to realign the tax legislation, with appropriate tax

design and administrative and compliance arrangements to levy and to collect entertainment tax in Haryana.

2.4.21 The present collection of entertainment tax revenue by the State of Haryana is not being directly shared by the State with the local bodies, and thus forms part of the State tax revenue. Under the GST, if the local bodies acquire capabilities to levy this tax, they may have an additional source of revenue available, positively impacting their potential to generate Own-Tax-Revenue(OTR). To realize this potential, willingness to that and capacity to collect this tax will need to be effectively addressed. This will not be addressed automatically.

2.4.22 The GST also provides an opportunity for the local bodies of Haryana to earn higher revenues under this head by realigning the basic coordinates of entertainment tax keeping into account the newer electronic mediums of entertainment like cable TV etc. The need would also be to create robust tax collection mechanisms.

2.4.23 The 5th SFC therefore recommends that relevant tax and other authorities (those dealing with ULBs and the RLBs and the Finance Department) explicitly co-ordinate to address the issue of the entertainment tax at the local level.

2.4.24 **Implications for Selected State and Local Level Fees:** Haryana Rural Development Fee (HRDF) may not be collectible in the GST regime, this will affect the funds available for rural development. The Haryana Rural Development Board (HRDB) has the responsibility to improve quality of agricultural produce, to facilitate marketing, and to improve agricultural value chain infrastructure. For this purpose, a fee on ad valorem basis, at the rates of *2% of the sale proceeds of the agricultural produce bought or sold or brought for processing* in the notified market area is levied and collected. The amount so collected is spent by the Board in the Rural areas for development of roads, establishment of dispensaries, sanitation, other public facilities, and for any other purpose considered appropriate by the Board.

2.4.25 The HRDF is presently levied under entry 66 of List II of the Schedule VII to the Constitution of India. The said entry is the last entry of the List II and reads as follows – “Fees in respect of any of the matters in this List, but not including fees taken in any court”. The above entry therefore empowers a State to levy a fee in respect of the subjects listed in List II of the Schedule VII to the Constitution of India.

2.4.26 Since the Constitution (101st) Amendment Act has omitted entry 54 from this list relating to the subject matter of ‘sale of purchase of goods’, a fee on *agricultural produce*

bought or sold may not be allowed to be levied under entry 66 of the same List II. This aspect also requires the State to form a legal view in this regard.

2.4.27 The SFC recommends that the State authorities review arrangement for the HRDF levy, and other similar levies and ensure that their objectives in meeting needs of rural development and PRIs continue to be met under the GST.

2.4.28 *Applicability of GST on Local Bodies:* As the concept of GST law is broadly based on near universal coverage of transactions and input tax credit method, most of the activities of the governments, ULBs and the RLBs are, in principle, covered under the GST.

2.4.29 Some specific exclusions have however, been made for the basic functions of the ULBs and the PRIs from the of GST. For instance, Services provided by a Government or local authority to individuals in discharge of its statutory powers or functions such as issuance of passport, visa, driving license, birth certificate or death certificate; and assignment of right to use natural resources to an individual farmer for the purpose of agriculture are not subject to GST.

2.4.30 Services provided by a local authority by way of any activity in relation to any function entrusted to a municipality under Article 243 W of the Constitution of India; or any activity in relation to any function entrusted to a Panchayat under Article 243 G of the Constitution of India; health care; and education are not subject to GST. There are also many specific activities of the ULBs and the RLBs on which GST would not be applicable.

2.4.31 However, there are likely to be some activities of the ULBs and the RLBs on which GST could be applicable. For instance, various local bodies are doing some income generating activities by way of auction of land for limited period or renting of property etc. These activities are likely to be subjected to GST if the taxable revenue crosses ₹20 lakh of threshold limit.

2.4.32 *Responsibility for GST Compliance in relation to TDS and Information Returns:* The GST Law contains provisions in Section 51 thereof to require the persons including ULBs and the RLBs to deduct and deposit taxes from the payments to be made to the suppliers of goods and services or both to them, in case the value of such procurements exceed specified threshold (e.g. ₹2.5 lakh).

2.4.33 Further, the ULBs and the RLBs may be required to furnish Information Returns (IRs) under Section 150 of the Central GST Act wherein persons responsible for maintaining record of registration or statement of accounts, or any periodic return or document containing details of the payment of tax and other details of transaction of goods or services or transaction of purchase, sale or exchange of goods or property or right or interest in a property, under any law in force, shall be required to furnish an information return of the same in respect of such periods, within such time, in such form (including electronic form) and manner, to such authority or agency as may be prescribed.

2.4.34 This is a requirement which the ULBs and the RLBs have not been asked to meet in the past. **The 5th SFC therefore strongly recommends that the State authorities, particularly the Finance Department, and the Urban and Rural Departments of Haryana, co-ordinate to ensure that the ULBs and the RLBs are capable of meeting the above requirement in compliance with the GST regulation.**

2.4.35 The above discussion thus leads to the three key areas of GST's impact on local bodies in Haryana. First, the functions/activities of local bodies will need to be mapped to identify such activities on which GST would be leviable. Second, in case of possible tax position, local body would need to create capabilities and capacities for related compliance.

2.4.36 Third, Haryana State Agencies at all levels will need to function under a different mind-set and administrative arrangements if GST is to be effectively and competently implemented. The 5th SFC report has attempted to take into account these three key areas.

2.5 Rationalization of Centrally Sponsored Scheme (CSS)

2.5.1 In India's Federal-State relations, Centrally Sponsored Scheme (CSS) have come to play a major role. The total budgetary expenditure by the Union Government on the CSS was ₹ 2.26 lakh crore in 2016-17, equivalent to one-sixth of its Current (Routine) expenditure, and 1.5 percent of 2016-17 GDP.

2.5.2 The CSS cover social sector services deemed to be of national importance, primarily rural employment provision, health, education, improving agriculture and horticultural sectors, urban amenities and management as exemplified by the Smart City and AMRUT (Atal Mission for Rejuvenation and Urban Transformation) initiatives, old age

pension, and support for population which is currently economically and socially in need for it.

2.5.3 Economic reasoning behind the CSS is as follows. Sharing of funds between the Centre and the States reduces relative price of activities involved in the CSS to the States. As demand curve is downward sloping, lower relative price can be expected to increase the quantity demanded of the concerned activities by the State. This enables India as a country to provide at least the minimum level of public services and amenities throughout the country. However, the extent to which the increase in public services and amenities is actually realized depends on the individual State's willingness and capacity to leverage on the CSS.

2.5.4 Among the key characteristics of the CSS are co-funding by the Centre and States, and implementation of the Schemes by the States, most often without additional resources being provided in the CSS for additional staff, for data gathering and management, and for evaluating the impact. In some cases, the scope and design of CSS are altered (such as requiring MGNREGA funds to be blended with other schemes, and emphasizing creation of economically productive assets, rather than mechanical provision of number of hours of employment), but staffing, data and monitoring aspects appear to have been left unchanged.

2.5.5 In addition, most States have initiated their own schemes, some of which are consistent with the design and objective of the CSS, and some are not. The tendency of the both the Centre and of the States is to initiate plethora of schemes, but without adequate consideration of the incentive structures implied by the design and method of implementation, and without incorporating periodic outcome- based reviews with a view to refine them or to take a strategic view of their role. The focus on individual Scheme(s) and not on how they fit into a given objective or goal has also been evident.

2.5.6 The above characteristics thus require effective co-ordination and policy coherence between the Centre and the individual States, and among the Central government agencies, and agencies in individual States. They also require better governance and more result-based administrative structures and a change in process-oriented to outcome – oriented mindset of the government officials and political leadership.

2.5.7 Effectively communicating intent and procedures for such large number of Schemes, particularly to elected representatives and government officials in the ULBs and the RLBs has also proved to be a major challenge. Over centralization of the administration in many States further accentuates these adverse effects.

2.5.8 The 2016-17 Economic Survey of India has reported empirical evidence that social sector spending is spatially misallocated. To quote: “the districts with the most poor are the ones that suffer from the greatest shortfall of funds in social programs. The districts accounting for the poorest 40% receive 29 % of the total funding”.

2.5.9 This suggests that better outcomes from spending could be achieved by addressing the reasons for this misallocation. This also applies to Haryana.

2.5.10 There has been welcome recognition by the Union and State governments of the need to revisit the role, design, and financing patterns of the CSS. A Sub- Group of Chief Ministers was formed for the rationalizing CSS on March 9, 2015 by NITI Aayog. Its Report was submitted in 2015¹⁵.

2.5.11 The above Report not only recommended reducing the number of CSS, but also accepted that NITI Aayog will have concurrent jurisdiction in monitoring of CSS in Central and State Ministries; and that it would conduct third- party evaluation.

2.5.12 The Report has formed the basis for rationalizing the CSS. It is however essential that if new schemes are initiated by the Centre, or grouping of existing schemes in fewer categories is undertaken, then clarity should be provided about the classification or category, fund-sharing, and other aspects.

2.5.13 It is essential to briefly note key fiscal and Public Financial Management (PFM) implications of the CSS arrangements.

2.5.14 **First**, large number of CSS, most requiring some funding from the States pre-empt their fiscal resources or fiscal space reducing fiscal Flexibility. Absence of outcomes reviews and sunset clauses for the Schemes accentuate this phenomenon.

2.5.15 As the Report on rationalizing CSS submitted to NITI Aayog observed (2015), “...The States contend that the proliferation of CSS and the gradual reduction in untied Block Grants under Plan, has led to shrinking fiscal space for States. Moreover, there is an overwhelming emphasis on a process-centric approach and lack of flexibility in designing and implementing the CSS that has diffused the focus on their outcomes”.

2.5.16 **Second**, as there is sharing of finances between the Centre and the States, relative price of a particular activity for a State falls. Thus a 50:50 sharing formula for a Scheme would imply that if a State spends from its own resources ₹1, it could get ₹ 2 worth of the activities under the Scheme. Thus, relative price of the concerned

15. <http://niti.gov.in/writereaddata/files/Final%20Report%20of%20the%20Sub-Group%20submitter%20to%20PM.pdf>

activity the State facing becomes half. The rationale for sharing is that as a result of a reduction of relative price, the State would be encouraged to undertake greater quantity of activity desired by the Centre. However, it should be stressed that the integral salient feature of the design should be that relative price reduction is provided for only those activities which would enhance household welfare and which without such reduction would not have been undertaken in desired quantity. If this is not forthcoming, then the Centre needs to redesign and restructure the concerned CSS. This also applies to the similar schemes at the State of Haryana.

2.5.17 Money being fungible (within limits), and with too many schemes, complexity of monitoring both the fund flows and whether conditionality's are being met becomes challenging. These limitations are accentuated in the absence of a robust PFMS (Public Financial Management System). As discussed in para 2.6.1 to 2.6.7, on December 2, 2014, the Ministry of Finance, GoI, directed the CGA to proceed with Digitization of government accounts through PFMS. This will further strengthen the requirements for Haryana State, its ULBs, and its RLBs to access the CSS funds.

2.5.18 **Third** excessive number of schemes, mostly without additional staff being provided (MGNAREGA is an exception). Without provisions for data management, outcome evaluation, and without sunset clauses, it is very difficult to realize the CSS objectives as a result, outcomes in terms of improving accessibility, affordability, and the quality and timely delivery of public services and amenities¹⁶.

2.5.19 The SFC concurs with proposal of the MoF, GoI that as part of outcome budgeting, all government schemes should have a sunset clause and that they must be coterminous with tenure of the Finance Commission¹⁷.

2.5.20 The 5th SFC recommends that the outcome review of the government schemes should be on a continuous basis, with appropriate systems established, and organizational responsibilities specified. At the end of the specified, a more strategic view of given scheme can be taken. Thus, the first such strategic review should be coterminous with the end period (i.e. 2020-21 financial year) of the 5th SFC's recommendations.

16. <https://pfms.nic.in/Users/LoginDetails/Login.aspx>

17. <http://www.livemint.com/Politics/T9CkGMEfpjbnlpeml8AjyO/Govt-may-cut-down-social-schemes-to-improve-quality-Finance.html> (Accessed on April 30, 2017)

2.6 Public Financial Management System(PFMS)

2.6.1 Transfer to States from Central Government has been a long-standing feature of the fiscal federal structure in the country. Historically, these transfers were made as Finance Commission Grants, Normal Central Assistance (NCA), Additional Central Assistance (NCA) and grants released as part of Centrally Sponsored Schemes (CSSs).

2.6.2 Consistent with the substance envisaged in the "Cooperative Federalism", the Central Government has initiated a shift from tied to untied funds to the States and is extending greater flexibility in scheme design to the States to meet the local requirements. However, the concerns about more effective utilization of the transfers made for achieving intended outcomes of the Central Outcomes remain. Effectively addressing these concerns is a necessity is for better expenditure management.

2.6.3 To address challenges related to monitoring of Central government (at that time schemes under the five-year plans) schemes; initiation of Public Financial Management System (PFMS) was made in 2008-09. CPSMS (Central Plan Scheme Monitoring System) was announced as the Plan Scheme of Government of India with an initial outlay of ₹24.25 crore for conducting a pilot. The mandate of CPSMS was to bring disbursement of funds and expenditure against the Central government funds under the ambit of CPSMS.

2.6.4 As a proof of concept (POC), essentially a pilot CPSMS made it possible for scheme managers to release funds to the State agencies and track the fund devolution up to the implementing agency. The success of CPSMS in depicting the floats i.e. funds disbursed to the States but remaining unspent, at each level helped the scheme managers in expenditure control through monitoring of funds flow. The next challenge was to scale up this "Proof of Concept" into a widely used system by all the stakeholder.

2.6.5 To scale up the POC, a Detailed Project Report (DPR) was drawn for country-wide introduction of CPSMS. The Union Cabinet approved the nationwide introduction of the POC with an outlay of ₹1080 crore and a four-tier project structure for supervision and monitoring in 2014. A key objective of the country-wide introduction of CPSMS was to reduce the float in the relevant Centre-State fiscal transfers, thereby obtaining better desired outcomes from a given outlay or expenditure. This is an essential component of generating additional fiscal space, and the progressing towards the goal of fiscal consolidation. Owing to its above envisaged role, the name of the CPSMS was changed to Public Financial Management System (PFMS). This term better emphasizes the 'management' and 'system' aspects of Public Finances.

2.6.6 During the course of scheme implementation for part of the XII Plan period (2007-12), certain developments in the project took place, which encouraged Ministry of Finance to further expand the scope of the project to include use of PFMS for all categories of expenditure and receipts.

2.6.7 The advent of Direct Benefit Transfers (DBT) further changed the course of PFMS implementation. The PFMS is to be equipped to transfer money directly to the beneficiaries' (called DBT) account using linkages with large network of banks. The process of DBT has begun (as July 2017), and is expected to gather pace in the coming years. With States becoming equal partners in the fiscal federal architecture of country, a holistic view of Centre and States finances has become necessary. The scope of PFMS was further increased to meet the objectives of Just-in-time transfer of funds; and providing a platform for complete tracking of funds till the end beneficiary in scheme implementation hierarchy including end use. The PFMS has thus become a vital instrument of outcome-oriented and effective expenditure management, helping to expand fiscal space of the country.

2.7 Fiscal Responsibility and Budget Management (FRBM)

2.7.1 The first FRBM Act for the Union Government was enacted in 2003 under Article 292 of the Constitution (read with Article 283). Article 293 stipulates the restriction on the power of State Government to borrow. The Union Government appointed the FRBM review Committee (Under the Chairmanship of Mr.N.K.Singh), which submitted a four Volume Report in January 2017.

2.7.2 As the review Committee notes, inherent in any FRBM Rules, there is a need for two sets of trade-offs. First, *flexibility in implementation should be traded off against the fiscal anchor under the FRBM Rules*. The second trade off concerns *balancing flexibility with simplicity*.

2.7.3 Often, flexibility in FRBM implementation adversely affects simplicity, transparency, ease of monitoring and clear communication to key domestic and global economic agents¹⁸.

2.7.4 The Review Committee has argued that Government of India (GoI), and State governments need to re-examine the current FRBM Rules and Fiscal Framework. The

18. <http://dea.gov.in/sites/default/files/Volume%201%20FRBM%20Review%20Committee%20Report.pdf>
Volume-I page-37

Committee suggests that medium term debt ceiling, achieved in a progressive gradual manner, be set as an anchor for fiscal policy¹⁹.

2.7.5 The role of the anchor is to firmly set the goal of fiscal policy, with the government's policies and behaviour designed to give confidence to domestic and global economic agents, so that they can base their decisions with high degree of confidence. The Review Committee recommends combining the medium-term debt ceiling target with an operational target for fiscal policy.

2.7.6 The main policy recommendations of the Review Committee are stated below:

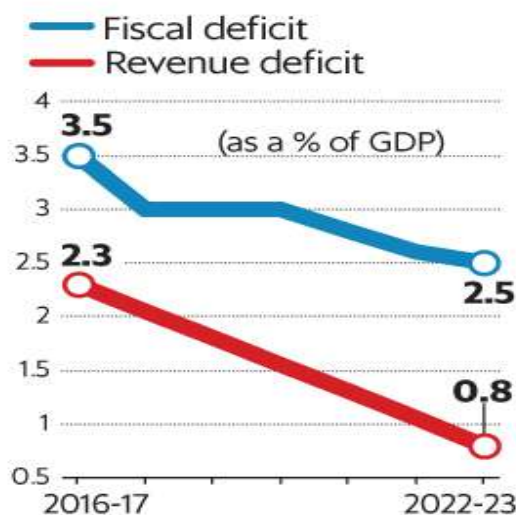
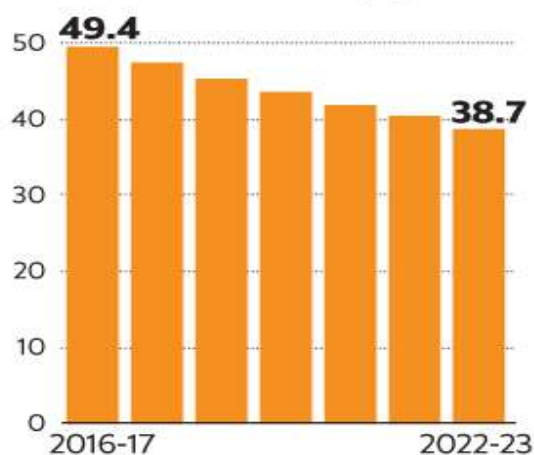
- 1) Adopt a prudent medium-term ceiling for general government debt of 60% of GDP, to be achieved by FY23.
- 2) Within the overall ceiling specified above, adopt a ceiling of 40% for the centre, and the balance 20% for the states.
- 3) Adopt fiscal deficit as the key operational target consistent with achieving the medium-term debt ceiling.
- 4) A path of fiscal deficit with fixed operational targets rather than a range.
- 5) A path of fiscal deficit to GDP ratio of 3.0% in FY18-FY20, 2.8% in FY21, 2.6% in FY22, and 2.5% in FY23.
- 6) Reduce revenue deficit to GDP ratio steadily by roughly 0.25 percentage points each year, to reach 0.8% by FY23.
- 7) The FRBM Review Committee Report, Volume 1, P.65.

¹⁹<http://dea.gov.in/sites/default/files/Volume%201%20FRBM%20Review%20Committee%20Report.pdf>
Volume-I Chapter-4

Graphically, the above recommendations are summarized in Figure

PROPOSED TARGETS

Debt-to-GDP ratio (%)



Source: N.K. Singh committee report

Source: <http://www.livemint.com/Politics/XhpJxHhdc3l80YJjFRPajO/NK-Singh-panel-recommends-25-fiscal-deficit-target-by-FY.html>

2.7.7 The views of the Review Committee are consistent with the findings of the IMF that FRBM type of arrangements are more conducive in "...lower(ing) financing costs if they are accompanied by independent monitoring mechanisms"²⁰.

2.7.8 The Union and individual State will find it challenging to meet the Committees FRBM targets. This is because the Outstanding Liabilities of the Union Government in 2017-18(Budget Estimates) was 47.3 percent of GDP; and for the State Governments it was 24.1 percent, with large variations observed among the States (Chakraborty et al, 2017).

2.7.9 The recommendations of the FRBM Review Committee will have a significant impact on the way the individual States, Haryana, set the FRBM targets; and on how FRBM processes and targets are implemented and monitored. The State guarantees of loans are likely to be monitored more closely. The role of an independent monitor, such as India's CAG (Comptroller and Auditor General) is also likely to become more prominent. Haryana specific aspects of FRBM are discussed in Chapter 3 of this Report.

20. <http://www.imf.org/en/Publications/FM/Issues/2017/04/06/fiscal-monitor-april-2017> pp.35-36

2.8 Educational Qualifications for PRIs representatives

2.8.1 Among the select Haryana State level developments changing the overall dynamics, and having significant impact on the 5th SFC's work plan, mandating educational qualifications for PRI representatives merit inclusion. The State of Haryana made historic Amendments to the Panchayati Raj Act 1994, Haryana in this regard.

2.8.2 Under Article 40 and 246(3), the Constitution of India grants power to the States to make laws to enable the functioning of self- government units. Accordingly, in September 2015 Haryana's Government, amended the Haryana Panchayati Raj Act, 1994. It introduced several prerequisites for contesting election to the Panchayati Raj Institutions (PRIs) which are historic.

2.8.3 This is because they have positively altered the dynamics of local elections and representation, and could in the future, also do so for elections after the state and national level as well.

2.8.4 Introduction of minimum educational qualification was considered essential as because illiteracy has been attributed as a common excuse by the elected representatives for poor functioning of GP, PS and ZP.

2.8.5 It was observed in Haryana that most of the panchayat representative of PRIs were dependent on their relatives, friends and government functionaries for execution of development work of panchayats.

2.8.6 This created a classic agency problem as elected representative who was a principal could always rely on others i.e. its agents to pursue the principal's interest. Now the PRIs educated elected representative can play a vital role between the functions and functionaries of the government.

2.8.7 Rajasthan adopted similar requirements for Panchayat election in 2014. Unlike Haryana, Rajasthan did not face any Court challenges and therefore could implement them smoothly. State of Haryana exhibited commendable competence, energy, and political leadership in presenting its case before the Supreme Court of India. Recourse to Courts even when such Amendments are essential for the State's and the Nation's future progress merit support of all sections of Haryana's political class.

2.8.8 The Court gave a judgement in favour of the State of Haryana on December 10, 2015, in the case of **Rajbala vs. State of Haryana** (writ petition Civil No. 671/2015)²¹

2.8.9 The Court observed that "...it is only education which gives a human being the power to discriminate between right and wrong, good and bad. People do not choose to be illiterate. Therefore, prescription of an educational qualification is not irrelevant for better administration of Panchayats". The Court concluded that, therefore, "...there is *intelligible differentia* and a rational nexus between the object sought to be achieved by the law and the classification itself".

2.8.10 In line with the directions of the Supreme Court, these prerequisites for contesting elections for the seat of Sarpanch, Panchayat Samiti, Zila Parishad, and Panch, certain disqualification have been added vide sub-clauses (t), (u), (v) and (w) of Section 175(1) of the Panchayati Raj Act 1994, Haryana. The corresponding Clauses in Section 175(1) are as under:

- fails to pay any arrears of any kind due to him to any Primary Agriculture Co-operative Society, District Central Co-operative Bank and District Primary Co-operative Agriculture Rural Development Bank- **Section 175 s(t)**
- fails to pay arrears of electricity bills. -**Section 175(u)**
- has not passed matriculation examination or its equivalent examination from any recognized institution/board:

2.8.11 Provided that in case of a woman candidate or a candidate belonging to Scheduled Caste, the minimum qualification shall be middle pass:

2.8.12 Provided further that in case of a woman candidate belonging to Scheduled Caste contesting election for the post of Panch, the minimum qualification shall be 5th pass. – **Section 175(v)**

- fails to submit self-declaration to the effect that he has a functional toilet at his place of residence. – **Section 175 (w)**²²

2.8.13 Post the above amendments in the PRIs Act, all the elected representatives of the PRIs are educated and persons of credibility.

21. <https://indiankanoon.org/doc/181312133/>
 22. <https://indiankanoon.org/doc/181312133/>.

Table 2.1**The Number of Elected Representatives in 2016 PRIs Elections in Haryana.**

PRIs Representative (2016)	Numbers
Zila Parishad	416
Block Samiti	2,997
Sarpanch	6,186
Panch	60,436
Total	70,035

Source: Panchayati Raj Institution- Haryana Dashboard (<http://164.100.148.106/panchnominations/> Accessed on May 23, 2017)

2.8.14 The total number of elected representative exceed 70,000, while the number of the candidates who contested in elections, who also had to meet similar education and other requirements, elections was much higher.

2.8.15 Some of the other key characteristics of the 2016 Elections for the PRIs were that 85 percent of the voters participated, comparable to earlier elections; among those elected, 42 percent were women. This comfortably exceeds 33 percent women representation considered desirable norms in the country.

2.8.16 The State government has awarded ₹11 lakh to every panchayat where there were no opposition candidates. The rationale is that reaching consensus in a given PRI raises social harmony (the Hindi word is Bhaichara), lower election related costs potentially enabling wider participation, the decision making and implementation of the governance decisions.

2.8.17 The number of unopposed elected candidates increased from 39 percent of the total in 2010 to 56 percent in 2016²³.

2.8.18 Participation of younger persons has increased as reflected by the average age of the elected PRI representatives. The average age of elected representatives in 2016 was 34, 36, 34 and 35 years for Panch, Sarpanch, Block Samiti and Zila Parishad respectively. In contrast, in the 2010 elections, only 58, 50, 62 and 62 per cent of Panch, Sarpanch, Block Samiti and Zila Parishad respectively were below the age of 40. The average age of all PRIs representatives was 58 years or more in 2010 elections.

2.8.19 The average age of women representatives in the 2016 elections was 31, 33, 31 and 32 years for members of panchayat, sarpanches, Block Samiti, and Zila Parishad respectively, lower than that of men²⁴.

23. www.elections.in/election-commission/haryana.html

2.8.20 This augurs well for future emergence of women leaders in Haryana, particularly if they are given requisite further governance and policy training and skills.

2.8.21 According to Census 2011 Haryana has 16.5 million rural population of which 9.6 million (57 percent) are above 20 years, minimum age for participating in local election is 21 years.

2.8.22 **Issues raised by PRIs representatives during the 5th SFC Visits:** The capabilities of new young elected representative, especially women have to be improved by training them to deal with people and the functioning of panchayats. At the gram panchayat level, a sarpanch is entrusted with all powers and responsibilities and the role of Panch and Zilla Parishad is negligible. Educated Panch, and Zilla Parishad, some of them up to the graduation level, can be involved in decentralisation. Due to increased expectations of villagers from educated representatives, more funds would have to be provided by the Centre and the State government to the RLBs, but with appropriate accountability and system-based monitoring.

2.9 Beti Bachao Beti Padhao (B3P) Scheme: The Haryana Context

2.9.1 As part of a broader response to the need to urgently address the gender imbalance in the country, Prime Minister Narendra Modi launched the **Beti Bachao, Beti Padhao (B3P)** (save the daughter, educate the daughter) campaign from the District Panipat, Haryana on 22 January 2015²⁵.

2.9.2 The launch of B3P from Haryana was appropriate as since the last three population Censuses (1991, 2001, and 2011), Haryana ranks among those with highly adverse sex ratio (this ratio is the number of female per 1000 male), and child sex ratio (number of girls born per 1000 boys).

2.9.3 Table 2.2– provides data concerning India and Haryana's Sex Ratio, and Child Sex Ratio (CSR) for the 1991, 2001, and 2011 population Census. The following observations may be made from the data in Table 2.2.

24. www.elections.in/election-commission/haryana.html

25. <https://india.gov.in/department-women-and-child-development-haryana>

Table 2.2**Sex Ratio and Child Sex Ratio; Population Census Data for India and Haryana**

	Sex Ratio			Child Sex Ratio		
Year	1991 Census	2001 Census	2011 Census	1991 Census	2001 Census	2011 Census
India	927	933	940	945	927	918
Haryana	865	861	861	879	819	834
Range among 29 States)	827-1036	821-1058	861-1084	875-993	798-975	834-972

Source: -<http://www.censusindia.gov.in/2011census/missing.pdf> accessed on May 22, 2017

2.9.4 First, the value of these ratios reflects mean averages, but the range within India, and within each State is large. As an example, the range for sex ratio for India in the 2011 census is from 861 to 1084; and for the child sex ratio from 834 to 972. For Haryana, for the January to December 2014 period, according to the data provided by the Civil Registration System of the State (CRSS), the range among the 22 Districts was from 745 to 918, with only two districts exhibiting ratio of over 900.

2.9.5 Such wide gender imbalance is indeed an area of serious concern as societies with such large imbalances face severe challenges to sustain their social, economic and political structures. Thus, narrowing the measures to narrow the range among the States and within States are also needed.

2.9.6 It follows that unless child sex ratio in successive periods is not higher than the average sex ratio, the latter cannot arithmetically show improvement. Accordingly, the major objectives of B3P are to prevent gender- based sex -selective elimination of a girl child before birth; to encourage survival and protection of the girl child once born; and to facilitate education and participation of the girl child in the society. To the extent progress is made in achieving these goals, the status of women in the society can be expected to improve, a desirable outcome for the State and for India.

2.9.7 To progress towards the objectives of B3P, altering deep-rooted mindsets of parents, relatives, teachers, government officials, and others is essential. Only then, the behavioural change can manifest itself. Neither mind set change, nor behavioural change affecting the above three areas of B3P can be accomplished rapidly. The progress will therefore vary for each of the above goals of B3P.

2.9.8 In Haryana, it is Department of Women and Child Development, Department of Education, and Department of Health who have been entrusted with the responsibilities

for the B3P. The implementation of delivery of services and amenities is however at the District and local levels²⁶. This arrangement requires effective coordination among Departments and among health, education, and other services essential for the B3P at the State level as well as at the District and local levels.

2.9.9 It appears that no additional human resources have been provided under the B3P Scheme. Reporting and monitoring systems, and ensuring capacity to generate accurate and timely data, have also not been set up for the B3P.

2.9.10 Addressing the above issues is essential but must be appropriately motivated and structured. SFC research and visits in Haryana Districts strongly suggest that such inter- Departmental co-ordination, extending up to the district and local level has been weak in Haryana.

2.9.11 Designating arbitrary guidelines, such as the six Divisional Commissioners achieving a 10- point increase in the child sex ratio per year, are often found elsewhere to be not conducive to achieving the desired outcomes. It is suggested that one of the indicators which need to be monitored is the extent to which intra-district sex ratio, and child sex ratios are lowered.

2.9.12 The 5th SFC strongly recommends that the Haryana government initiate measures to address the coordination issues, and set up appropriate reporting, monitoring and data gathering systems essential to realize the objectives of the B3P Scheme.

2.9.13 The 5th SFC has noted the developments in Rewari and elsewhere that the girl students have been persisting in their requests to upgrade their schools, in one case to Senior Secondary School. (The Tribune, May 22, 2017).

2.9.14 Such aspirations augur well for role of women in Haryana, and for nurturing of skills and mind-set essential for the 21st century. As Haryana (and India) progress further, such aspirations can also be expected to manifest themselves more broadly and more frequently.

2.9.15 While operational merits of upgrading schools is beyond the scope of the 5th SFC mandate, the shared services concept elaborated in Chapter 4 and 5 of this Report, could be refined to address enhancing quantity and quality of education (and health) services to a cluster of villages, with appropriate supporting human, physical, and financial resources.

26. <http://wcd.nic.in/BBBPScheme/Implementationguideline.pdf>

2.9.16 The above represents a qualitative change which the 5th SFC (and the subsequent SFCs) as well as the State administration cannot overlook. It is for this reason that the B3P scheme is included in this chapter examining the changing dynamics.

CHAPTER -3

Haryana's Public Finances: An Overview, Key Issues, and a Framework for Generating Fiscal Space

CHAPTER -3

Haryana's Public Finances: An Overview, Key Issues, and a Framework for Generating Fiscal Space

3.1 Introduction

3.1.1 Haryana has a well-deserved reputation for good financial management. This Chapter provides an overview of the public finances of the State, examines key public financial management issues and challenges, and provides a framework for generating fiscal space in Haryana.

3.1.2 This chapter therefore addresses the substance of one of the areas contained in the 5th SFC's TOR, Notification No. 18/1/2010-2POL, Government of Haryana, dated May 26, 2016.

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

- i) The objective of balancing the receipts and expenditure of the State and for generating surplus for capital investment;
- ii) The resources of the State Government and demands thereon particularly in respect of expenditure of Civil Administration, maintenance and upkeep of capital assets, maintenance expenditure of plan scheme and other committed expenditures or liabilities of the State.

3.2 Public Finances of Haryana: An Overview

3.2.1 To set the national context, findings of the RBI's study of State Finances for 2016-17 concerning aggregate fiscal expenditure (Table 11.4) of all States combined may be summarized as follows²⁷.

- (i) The aggregate expenditure to GDP ratio for all States combined has shown a tendency to increase, from 14.7 percent in 2011-12 to 18.0 percent in 2015-16 (Revised Estimates)

27. https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=40437

- (ii) The current expenditure to GDP ratio increased from 12.3 percent of GDP in 2011-12 to 14.5 percent of GDP in 2015-16(Revised); while corresponding percent for capital expenditure were 2.4 percent and 3.4 percent respectively.
- (iii) These data are based on the budgets reported by the States. As off-budget expenditure and receipts (e.g. of public enterprises, Development Authorities etc.) are not fully captured, these data, while helpful, need to be interpreted cautiously.
- (iv) Moreover, the RBI data uses India's GDP as denominator. While individual State Data are based on GSDP as a denominator. There are guidelines to make GSDP conformed to the GDP methodology, states utilized significant discretion in their GSDP estimation. This is an area, while beyond the scope of the 5th SFC, merits examination by the individual States and by Union Governments statistical agencies. It would be useful if there is transparency in reconciling the State GSDP data with that of India's GDP on a routine basis, and opportunities be provided to analyze the reasons for the discrepancies and how to address them.

3.2.2 It may be useful to begin the analysis of Haryana's aggregate fiscal indicators with the trends in Total Revenue and Non-Debt Capital Receipts(TRNDCR) for the period of 2011-12 to 2015-16. The main focus is on the trends in various aggregate indicators. Nevertheless, when relevant, the level of an indicator is also discussed.

Space intentionally left blank for ease of reference to table 3.1

Table 3.1

**Haryana, Total Revenue and Non-Debt Capital Receipts (TRNDCR),
2011-12 to 2015-16**

	Category	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total Revenue and Non debt Capital Receipts (1 + 7)	30,861	33,994	38,284	41,091	47,915
	As % of Revenue Expenditure	96.4	89.3	91.4	83.7	80.9
	As % of Total Disbursement	52.1	47.6	48.4	47.0	41.5
	As % of Expenditure out of Consolidated Fund	73.4	67.6	70.2	66.4	55.3
	As % of GSDP	10.37	9.80	9.56	9.39	9.88
2	Revenue Receipts (3+4+5+6)	30,558	33,634	38,012	40,799	47,557
	As % of Revenue Expenditure	95.4	88.3	90.7	83.1	80.3
	As % of TRNDCR	99.0	98.9	99.3	99.3	99.3
	As % of GSDP	10.27	9.69	9.49	9.33	9.80
3	Tax Revenue	20,399	23,559	25,567	27,635	30,929
	As % of Revenue Expenditure	63.7	61.9	61.0	56.3	52.2
	As % of Expenditure out of Consolidated Fund	48.5	46.8	46.9	44.6	35.7
	As % of TRNDCR	66.1	69.3	66.8	67.3	64.5
	As % of GSDP	6.86	6.79	6.38	6.32	6.37
4	Non-Tax Revenue	4,722	4,673	4,975	4,613	4,753
	As % of TRNDCR	15.3	13.7	13.0	11.2	9.9
	As % of GSDP	1.59	1.35	1.24	1.05	0.98
5	State's share in Union taxes and duties	2,682	3,062	3,343	3,548	5,496
	As % of TRNDCR	8.7	9.0	8.7	8.6	11.5
	As % of GSDP	0.90	0.88	0.83	0.81	1.13
6	Grants-in-aid from Government of India	2,755	2,340	4,127	5,003	6,379
	As % of TRNDCR	8.9	6.9	10.8	12.2	13.3
	As % of GSDP	0.93	0.67	1.03	1.14	1.31
7	Non-Debt Capital Receipts *	303	360	272	292	358
	As % of TRNDCR	1.0	1.1	0.7	0.7	0.7
	As % of GSDP	0.10	0.10	0.07	0.07	0.07

*Defined as Revenue Receipts plus Miscellaneous Capital Receipts Plus Recoveries of loans and advances;

Source: 5th SFC's adaptation from "State Finances" Report no. 4 of the CAG, 2016

3.2.3 Table 3.1 provides the relevant data on Haryana's TRNDCR, on the basis of which the following observations may be made.

- i) The TRNDCR in Haryana has been financing declining share of the expenditure from the Consolidated Fund (declining from 73.4 percent in 2011-12 to 55.3 percent in 2015-16); and of Revenue Expenditure (from 96.4 percent in 2011-12 to 80.9 percent in 2015-16). However, the TRNDCR has been essentially constant at around 10 percent of GSDP during this period.

- ii) The data suggest that the share of Non-Debt Capital Receipts has been particularly low during this period. These receipts primarily comprise recoveries of loans and advances.
- iii) A similar declining trend is observed for the revenue receipts, for the tax revenue, and for non- tax revenue, both of which are a part of TRNDCR.
- iv) In contrast to declining trend in TRNDCR, Haryana's reliance on share of Union taxes and Duties and on Grants- in- aid from the government of India have increased during the period. Thus, revenue from these two categories increased from 1.83 percent of GSDP in 2011-12 to 2.44 percent of GSDP in 2015-16. Obtaining better outcomes from the Union Government grants therefore deserves greater focus of the policy makers.

3.2.4 The 5th SFC suggests that the above declining trend in TRNDCR be addressed by a combination of greater revenue generating measures and better expenditure management. Throughout the Report, the 5th SFC has made suggestions for specific measures in this regard, within the context of a framework for generating fiscal space in Figure 3.5, which could assist in addressing the declining trend in TRNDCR.

Haryana's State Own Tax Revenue (SOTR):

3.2.5 On the basis of data in select indicators of Haryana's SOTR for 2011-12 to 2015-16 presented in Table 3.2, the following observations may be made.

- (i) As with the trend observed for the TRNDCR (Table 3.1) the share of revenue expenditure plus repayment of public debt by Haryana's SOTR has also exhibited a declining trend, from 56.6 percent in 2011-12 to 46.5 percent in 2015-16
- (ii) Haryana's reliance on taxes on sales and trade is not only high (little over two-third of SOTR is from this category), but has been increasing slightly. As GST has replaced the sales tax, the importance of competently implementing GST, and sustaining high degree of compliance, with low compliance costs to the GST taxpayers, cannot be overestimated. (This is further discussed under the GST section in this Chapter).
- (iii) Among the other taxes, only excise and stamp duty and registration fees contribute more than 10 percent of SOTR. The declining share of revenue from Stamp duties and registration could be addressed by enforcing the RERA (Real Estate Regulation Act) passed in 2016 and; by improving processes and systems of property purchase and transfers. Of July 31, 2017, only 15 out of

29 States, and all seven Union Territories have notified final rules pertaining to RERA²⁸. Haryana is one of the States which has notified the RERA rules. The challenge in Haryana is to implement the provisions of RERA to modernize the real estate sector, and make it better serve property purchase's interests.

3.2.6 Select tax revenue assessed but not yet realized by the state is relatively large. Thus, the total tax arrears as at end 2015-16 accounted to ₹29220 crore, equivalent to 2.5 percent of GSDP. Of this amount, ₹16,944 crore (58 percent of the total) was under dispute, and ₹12276 crore (42 percent of the total) was not under dispute. Details are provided in *Annexure 3.2* of this report.

3.2.7 Taxes on Commodities and services, particularly Value Added Tax(VAT), and Central Sales Tax combined, accounted for 88 percent of the tax arrears. Since both these taxes are subsumed under the GST, the 5th SFC recommends that the State devise strategies to collect these arrears as early as possible.

3.2.8 The SFC also urges the concerned Department to review the reasons for such large tax arrears, the initiate measures to minimize them.

Space intentionally left blank for ease of reference to table 3.2

28. <http://economictimes.indiatimes.com/wealth/personal-finance-news/rera-deadline-ends-15-states-notifies-rules-only-7-states-are-online/articleshow/59806349.cms>

Table 3.2

**Haryana: State Own Tax Revenue (SOTR) and its Compositions,
2011-12 to 2015-16**

S.No	Category	2011-12	2012-13	2013-14	2014-15	2015-16
1	State Own Tax Revenue (SOTR) (₹ crore)	20,399	23,559	25,567	27,635	30,929
	As % of GSDP	6.86	6.79	6.38	6.32	6.37
	Revenue Expenditure plus repayment of public debt (RERPD)	36,052	44,023	49,855	57,345	66,451
	As % of Revenue Expenditure plus repayment of public debt	56.58	53.52	51.28	48.19	46.54
2	Taxes on sales, Trade, etc. (₹ crore)	13,384	15,377	16,774	18,999	21,060
	As % of own Tax Revenue	65.6	65.3	65.6	68.7	68.1
3	State Excise (₹ crore)	2,832	3,236	3,697	3,470	4,371
	As % of own Tax Revenue	13.9	13.7	14.5	12.6	14.1
4	Taxes on Vehicles (₹ crore)	740	887	1,095	1,192	1,401
	As % of own Tax Revenue	3.6	3.8	4.3	4.3	4.5
5	Stamps duty and Registration fees (₹ crore)	2,793	3,326	3,203	3,109	3,191
	As % of own Tax Revenue	13.7	14.1	12.5	11.3	10.3
6	Land Revenue (₹ crore)	11	13	12	15	15
	As % of own Tax Revenue	0.1	0.1	0.0	0.1	0.0
7	Taxes on goods and passengers (₹ crore)	429	471	498	527	554
	As % of own Tax Revenue	2.1	2.0	1.9	1.9	1.8
8	Taxes and Duties on Electricity (₹ crore)	166	192	219	240	257
	As % of own Tax Revenue	0.8	0.8	0.9	0.9	0.8
9	Other Taxes (₹ crore)	44	57	69	89	80
	As % of own Tax Revenue	0.2	0.2	0.3	0.3	0.3

Source: 5th SFC's adaptation from "State Finances" Report no. 4 of the CAG, 2016,

3.2.9 The 5th SFC is of the view that the States will increasingly need to adopt many of the supplementary statements provided by the Union Government when it present its annual budget. The State can use the methodology of the Union Government in preparing such statements, but will need to modify them to suit their own context and policy objectives. It is in this context that the 5th SFC suggests that the Haryana consider including a tax expenditure statement in its budget document.

3.2.10 Tax expenditure indicate how much more revenue could have been collected by the Government, as a result of tax incentive or tax subsidies provided in the tax laws of the state²⁹.

3.2.11 The Union Government has been providing such a statement since 2006-07 in one of the Annexure of the Receipts Budget. Preparing this statement is challenging. The State may therefore consider estimating tax expenditure initially for internal discussion on Haryana's public finances.

3.2.12 As the tax expenditure estimates become more robust over time, the State may consider following the Union Government in including the tax expenditure statement as part of budget document.

3.2.13 Table 3.3 provides data on expenditure and disbursements of Haryana government for the period 2011-12 to 2015-16. The government expenditure includes expenditure from only the Consolidated Fund, but disbursement also include expenditure from the Contingency Fund and from the Public Accounts.

3.2.14 It is the disbursements which indicate the resources flow through the Haryana government. The Budget and Consolidated Fund are only a part, albeit dominant part of the resource flows.

3.2.15 It may be noted that the resource flows of Haryana in Table 3.3 do not include the operations of State Public Enterprises (SPEs). The role of public sector, including SPEs, is therefore much greater than indicated in Table 3.10. The 5th SFC has undertaken a brief analysis of the SPEs in *Para 3.6.1 to 3.6.19* of this Chapter.

3.2.16 On the basis of data in Table 3.3, the following observations may be made:

- i) Total Disbursement of the state were equivalent to 23.8 percent of GSDP in 2015-16. This is nearly 25 percentage points higher than the expenditure from the Consolidated Fund. This is due to Disbursement from the Public Accounts. Public Account include Small Savings, Provident Funds, Reserve Funds, Deposits, Advances, Suspense, and Miscellaneous Remittances.
- ii) The composition of the expenditure from the Consolidated Fund exhibited the following trends.
 - a. **First**, between three-fourth and four-fifths of the share is devoted to revenue (or current) expenditure. The lower share of 68 percent in 2015-

29. www.arthapedia.in/index.php?title=Tax_Expenditure

16 is due to a sharp increase in Disbursement of loans and Advances in that year. If Repayment of public debt is included, then the revenue expenditure increases to between 85 and 90 percent of expenditure from Consolidated Fund leaving little room for capital expenditure.

- b. **Second**, while the fiscal liabilities of the State are discussed in the section on FRBM, expenditure on repayment of public debt formed between 10 and 15 percent of expenditure from the Consolidated Fund between 2011-12 and 2014-15. The 5th SFC notes the welcome trend in the decline in expenditure of this category as percent of GSDP since 2014-15. The future trend in this category will depend on the formation of new debt and interest cost of it; interest rates at which existing debt is rolled over, and future growth of GSDP.
- c. **Third**, the share of capital expenditure is not only relatively low, but has been declining during the period. There has been an increase in the capital expenditure to GSDP ratio from 0.85 percent of GSDP in 2014-15 to 1.42 percent in 2015-16.

3.2.17 As the Public Accounts category constitutes a significant share in total disbursements, the 5th SFC suggests that its various components be included as an integral part of the policy discussions and decisions concerning Haryana's public financial management.

3.2.18 The low share of capital expenditure in GSDP does not augur well as capital expenditure (and its efficiency) is a necessary (though not sufficient) for sustaining high growth and for improving public amenities for citizens. If off- budget agencies, such as HUDA, HSIIDC etc. are to be relied on for capital expenditure for the State, then a more comprehensive budget (or at least supporting budget statements) need to be presented for sound expenditure arrangement.

Space intentionally left blank for ease of reference to table 3.3

Table 3.3
Haryana, Composition of Governments Expenditure and Disbursements,
2011-12 to 2015-16

S.No.	Category	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total Disbursement by the State (₹ crore)(2+3+4)	59,270	71,381	79,126	87,513	1,15,322
	As percentage of GSDP	19.92	20.57	19.75	20.00	23.77
2	Expenditure out of Consolidated Fund (₹ crore)	42,051	50,307	54,566	61,904	86,609
	As % of GSDP	14.13	14.50	13.62	14.15	17.85
	As % of Total Disbursement	70.94	70.47	68.96	70.73	75.10
3	Contingency fund Disbursements (₹	168	0	0	0	63
	As % of GSDP	0.06	0.00	0.00	0.00	0.01
	As % of Total Disbursement	0.28	0.00	0.00	0.00	0.05
	As % of Consolidated Fund	0.40	0.00	0.00	0.00	0.07
4	Public Accounts Disbursements (₹ crore)	17,051	21,074	24,560	25,609	28,650
	As % of GSDP	5.73	6.07	6.13	5.85	5.90
	As % of Total Disbursement	28.77	29.52	31.04	29.26	24.84
	As % of Consolidated Fund	40.55	41.89	45.01	41.37	33.08
5	Revenue Expenditure (₹ crore)	32,015	38,072	41,887	49,118	59,236
	As % of GSDP	10.76	10.97	10.45	11.23	12.21
	As % of Total Disbursement	54.02	53.34	52.94	56.13	51.37
	As % of Consolidated Fund	76.13	75.68	76.76	79.35	68.39
6	Capital Expenditure (₹ crore)	5,372	5,762	3,935	3,716	6,908
	As % of GSDP	1.81	1.66	0.98	0.85	1.42
	As % of Total Disbursement	9.06	8.07	4.97	4.25	5.99
	As % of Consolidated Fund	12.77	11.45	7.21	6.00	7.98
7	Disbursement from Loans and Advances	627	522	776	843	13250
	As % of Consolidated Fund	1.49	1.04	1.42	1.36	15.30
8	Loans and Advances from Government of India (₹ crore)	225	126	168	154	176
	As % of GSDP	0.08	0.04	0.04	0.04	0.04
	As % of Total Disbursement	0.38	0.18	0.21	0.18	0.15
	As % of Consolidated Fund	0.54	0.25	0.31	0.25	0.20
9	Repayment of Public Debt (₹ crore)	4,037	5,951	7,968	8,227	7,215
	As % of GSDP	1.36	1.71	1.99	1.88	1.49
	As % of Total Disbursement	6.81	8.34	10.07	9.40	6.26
	As % of Consolidated Fund	9.60	11.83	14.60	13.29	8.33

Source: - Calculations by the 5th SFC from data provided in CAG "State Finances" Report no. 4 of the 2016,P-64

3.2.19 The SFC welcomes the urging by the NITI Aayog in its three-year Action Plan to use more scientific method to estimate revenue and link it with economic growth. Similarly, expenditure estimates in the budget also need better techniques³⁰ and expenditure forecasting.

30. <http://niti.gov.in/writereaddata/files/coop/ActionPlan.pdf> (accessed on May 5,2017)

3.2.20 The 5th SFC strongly urges the Haryana government agencies involved in budget preparation to review the basis for its revenue and expenditure projections in the budget.

3.2.21 Haryana's fiscal balance and its public debt and fiscal liabilities are discussed in the next section:

3.3 FRBM Arrangements and Progress in Haryana

3.3.1 Haryana passed Fiscal Responsibility and Budget Management (FRBM) Act in 2005. In response to the FRBM Review Committee (N. K. Singh Committee), the Haryana Government provided details to the Committee concerning the operations of the FRBM in Haryana (see Annexure 3.1 for the full response of the Haryana Government).

3.3.2 The Review Committee requested the Haryana State whether there are legal limits on guarantees given by the State Government on debt. The response of the Haryana Government was that there is no legal limit on State guarantee. As per Haryana Government instruction dated August 8, 2001, 2 percent guarantee fees have been charged by the State Government from Boards, Corporations, Public Sector Enterprises (PSEs) for raising loan from financial institution with State Government guarantee.

3.3.3 The outstanding guarantees as on 31 March 2016 were ₹16,876 crore, equivalent to 3.5 percent of GSDP. The Haryana State Government has created a Guarantee Reduction Fund (GRF) and the guarantee fee is being deposited in the GRF annually. As on March 31, 2016, balanced in GRF was 843 crore. So far there have been no occasion when the guarantee has been called upon.

3.3.4 In response of to the query regarding disclosure off budget borrowing and contingent liabilities, the State responded as follows. Haryana State is providing the statement of contingent liability (guarantee) in budget document every year while presenting budget before the State Legislature.

3.3.5 As mandated, FRBM statement was presented as part of Haryana's 2017-18 Budget. It stated that:

"...as per recommendations of 14th Finance Commission (FC) targets, the outstanding debt as percentage of GSDP is to be 25 percent during 2015-16 to 2019-20. The 14th FC Commission has assumed the Haryana as revenue surplus State and recommended the target of Fiscal Deficit and Net borrowings at 3.25 percent of GSDP from 2015-16 to 2019-20. However, being a revenue deficit State, the Ministry of Finance, Government of

India has fixed the target of Net borrowings of the State as 3.0 percent of GSDP for 2016-17. For making the amendment in the Haryana FRBM Act, 2005 with new set of 14th FC targets, guidelines have not been finalized by the Government of India. Necessary amendment in the Haryana FRBM Act, 2005 would be made on receipt of the requisite guidelines from Government of India³¹.

Table 3.4-
Haryana: Select Budget Deficit Indicators, 2011-12 to 2015-16

Category	2011-12	2012-13	2013-14	2014-15	2016-17
					(Revised Est)
Revenue Deficit (₹crore)	1457	4438	3875	8319	12221.7
As % of GSDP	0.49	1.28	0.97	1.9	2.23
Fiscal Deficit (₹crore)	7153	10362	8314	12586	23348.3
As % of GSDP	2.4	2.99	2.08	2.88	4.27
Primary Deficit (₹crore)	3152	5618	2464	5658	13732.2
As % of GSDP	1.06	1.62	0.61	1.29	2.51

Note: **Fiscal Deficit**= Total Revenue and non-debt Capital receipt less sum of Revenue Expenditure, Capital Expenditure and Disbursement of Loans

Revenue Deficit= Revenue Receipt less Revenue Expenditure

Primary Deficit= Fiscal Deficit less Interest Payments

Source: Calculated from the CAG Report no 4 of 2016 'State Finances' (Page 64, Appendix 1.4), Haryana Budget 2017-18:FRBM(page-4 and 6) <https://openbudgetsindia.org/dataset/haryana-budget-2017-18-frmb>

3.3.6 Haryana will however need to respond to the FRBM Review Committee's recommendations on debt-ceiling, fiscal deficit, and revenue deficit targets. As stated in Haryana's medium Term Fiscal Framework, (Table 3.5), in 2016-17, Haryana's fiscal deficit to GSDP ratio was 4.27 percent with UDAY (2.49 percent of GSDP without UDAY); and the corresponding revenue deficit ratio was 2.23 percent (with UDAY) and 1.33 percent without UDAY).

Space intentionally left blank for ease of reference to table 3.5

31. <https://openbudgetsindia.org/dataset/haryana-budget-2017-18-frmb> (Page 2 para 3)

Table 3.5
Haryana, Medium Term Fiscal Policy Statement

	Previous Year (Y-2) Actual (2015-16)		Current Year (Y-1) Budget Estimates (2016-17)		Current Year (Y-1) Revised Estimates (2016-17)		Ensuing Year (Y) Budget Estimates (2017-18)		Targets for next Two Years	
	With UDAY	Without UDAY	With UDAY	Without UDAY	With UDAY	Without UDAY	With UDAY	Without UDAY	Y + 1 (2018-19)	Y + 2 (2019-20)
1. Revenue Deficit as percentage of Total Revenue Receipts (TRR)	24.56	16.37	19.51	10.23	20.26	12.04	16.17	8.45	Revenue Surplus	Revenue Surplus
2. Fiscal Deficit as Percentage of GSDP	6.49	2.92	4.27	2.47	4.27	2.49	2.84	2.61	3.00	3.00
3. Total outstanding Debt liabilities as percentage of GSDP	20.96	17.40	23.96	19.55	22.82	18.08	22.93	18.74	20.45	20.92

Source: FRBM budget document 2017-18 <http://web1.hry.nic.in/budget/frbm.pdf> A. Fiscal Indicators – Rolling Targets (Form F-2)

3.3.7 The Haryana Government projects in 2017-18, the fiscal deficit as percent of GSDP will be 2.84 (with UDAY), and 2.61 without UDAY. The flexibility in deficit, and debt ratios given due to participating in the UDAY scheme will end in 2017-18.

3.3.8 The above analysis suggests that the Haryana Government will find it a challenging task to meet the Review Committee's targets of 3 percent of GSDP for fiscal deficit, and 0.8 percent of GSDP for the revenue deficit (0.8 percent of GSDP). There is therefore urgency in ensuring that operating efficiency gains on which the UDAY Scheme is based are realized.

Table 3.6 provides data for 2011-12 to 2015-16 on fiscal liabilities of Haryana, on the basis of which the following observations may be made.

Table 3.6
Haryana: Trends in Fiscal Liabilities from 2011-12 to 2015-16

₹ in crore

Components of fiscal liability	2011-12	2012-13	2013-14	2014-15	2015-16
Internal debt	39343 (72.1)	48680 (75.1)	58143 (76.2)	68797 (77.8)	99660 (82.6)
Loans from Central Government	2053 (3.8)	1978 (3.1)	2151 (2.8)	2128 (2.4)	2049 (1.7)
Public Account Liabilities	13144 (24.1)	14160 (21.8)	15969 (21.0)	17521 (19.8)	19009 (15.7)
Total	54540 (100.0)	64818 (100.0)	76263 (100.0)	88446 (100.0)	120718 (100.0)
Growth Rate	17.84	18.84	17.66	15.97	36.49
Percentage of revenue receipt	178.48	192.72	200.63	216.78	253.84
Buoyancy* with respect to revenue receipts	0.91	1.87	1.36	2.18	2.20
As % of GSDP	18.13	18.50	19.27	20.02	24.50

* Buoyancy is defined as percentage change in fiscal liabilities divided by percentage change in revenue receipt

Figures in Bracket are percent of Total

Source:-5th SFC's adaptation from "State Finances" Report no. 4 of the CAG, 2016, p.29

3.3.9 First, Haryana's internal debt alone in 2015-16 had reached nearly ₹1.0 trillion, while total liabilities were ₹1.2 trillion, equivalent to 24.5 percent of GSDP, a far higher figure than 20 percent recommended by the FRBM Review Committee. It should be noted that it is the total liabilities, rather than just the internal debt that is relevant for analyzing debt management and its sustainability.

3.3.10 Haryana's projected total outstanding debt liabilities in 2017-18 as percent of GSDP are projected to be 22.93 (with UDAY) and 18.74 (without UDAY). The 2017-18 Budget of Haryana reports that in 2017-18, outstanding liabilities would be ₹115904 crore (without UDAY) and ₹141854 crore (with UDAY).

3.3.11 Second, the internal debt has been growing at a much higher rate than GSDP and revenue receipts, even before the liabilities assumed under the UDAY scheme. This enhances the urgency to ensure that operational efficiencies envisaged under the UDAY scheme are realized. It also accentuates the need to focus on substantially improving public financial management, using the integrated Generating Fiscal Space Framework provided in Figure 3.5.

3.3.12 The liabilities profile, and borrowing costs of the Haryana government are presented in **Annexure 3.3**, on the basis of which the following observations may be made.

3.3.13 In 2016-17, the market borrowing of the States ₹81,180 crores (55 percent of total liabilities), while the interest rate during the year was 7.35 percent. In contrast the power bonds, constituted 18 percent of total head borrowing cost of 8.13 percent. The borrowing from the National Small Saving Fund(NSSF), constituted about 8 percent of total borrowing, exhibited much higher borrowing cost in 2016-17 at 9.5 percent.

3.3.14 Haryana may also face challenges in meeting FRBM goals due to the recent indications that the borrowing costs of the States are increasing. Any State perceived by the market, in an environment of growing tendency to price government debt in market determined rather than administratively determined manner, would find their fiscal choices severely constrained. This in turn will adversely impact their ability to benefit from the Cooperative (and constructively competitive federalism) initiatives.

3.3.15 J.P Morgan in its Asia Pacific Emerging Markets research report of 13th June 2017 has argued that there are indications of worsening state finances in general. It reports that even without taking into account the impact on state's salary and pension bill of the 7th Pay Commission report, and of firm loan weavers, in some states, the state deficits have widen by almost 1 percent of GDP over the last five years³².

3.3.16 J.P.Morgan research also finds that the borrowings by the states are rising at a much faster rate than that of the Union Government. Thus, in 2013-14, market borrowing by states was equivalent to 34 percent of the Union Government's borrowing, but by 2016-17 the equivalent share of the States was 84 percent. There are indications that market borrowing of the state could exceed that of the Union Government in the near future.

3.3.17 Another indicator reported is that the spreads of the state bond over the benchmark government security has tripled from thirty bps (basis points) to 90 bps in just two years. The states thus, face higher cost of rollover of their debt as well as when issuing new debt.

3.3.18 The higher borrowing cost has also implications for other borrowers such as the corporate sector, and therefore for the private investment levels. This is relevant for Haryana as it seeks to rely more on private sector as an engine of growth.

32. <http://7cpc.india.gov.in/pdf/sevencpcreport.pdf>

3.3.19 The 5th SFC is of the view that the FRBM Review Committee's suggestion of independent monitoring of legislated FRBM arrangements, preferably by the CAG, merits thoughtful consideration by the Haryana government.

3.3.20 A Statement of Contingent Liabilities: The 5th SFC is of the view that there is considerable merit in Haryana considering preparing a statement of its contingent liabilities. The cash basis of accounting used in preparing the financial accounts does not adequately enable recognition of future fiscal liabilities. These however need to be considered in managing the State's fiscal liabilities.

3.3.21 The 5th SFC suggests that for preparing a Statement on Contingent Liabilities, Indian Government Financial Reporting Standard(IGFRS)-5 on *Contingent Liabilities (other than guarantees)* and *Contingent Assets*³³ be adopted.

3.3.22 Contingent liabilities are obligations which are conditional upon occurrence of certain events, requiring payments by the government, to which the government had agreed in the past to make good such liabilities regardless of its financial health³⁴.

3.3.23 They are thus, an important part of fiscal risk of the State. In the case of Haryana, future pension and health care liabilities arising from the promises made; potential liabilities arising from the government guarantees and others. To the extent contingent liabilities can be asserted with high degree of probabilities, they should as far as possible funded, i.e. an amount should be set aside for meeting them in an orderly manner. Those that are unfunded should be minimized.

3.4 PFMS in Haryana

3.4.1 The PFMS initiative of the Union Government was explained in Chapter 2. Here, its operations in Haryana are analyzed. The State Project Management Unit (SPMU) for implementation of PFMS was established in September 2016. It has relatively small staff comprising one Advisor cum Consultant, one Senior Accounts Officer, one Accounts Officer and four technical staff. The Departments in Haryana Government without bank accounts are being paid directly from the Treasuries and are being monitored by the Central Project Management Unit(CPMU). This has become possible as treasuries in the State have been integrated with PFMS.

33. <http://gasab.gov.in/pdf/igfrs-5.pdf>

34. http://www.arthapedia.in/index.php?title=contingent_Liabilities

3.4.2 The Departments/Organizations having Bank Account are supposed to register on PFMS as parent agency for onward transfer of funds to respective agencies at District, Block and Panchayat or end-user level.

3.4.3 Funds during the FY 2016-17 were released under 62 schemes; out of which 53 schemes have been mapped with PFMS. At present seven schemes are still unmapped with PFMS. The SPMU has been vigorously following up with the concerned Departments (Food and Supply, Social Justice and Empowerment, Home, Town and Country Planning, Health, Medical Education and Revenue) to initiate steps for mapping.

3.4.4 Due to the changes in the PFMS functional structure by the Central Government, the Schemes are to be re-mapped in FY 2017-18. Till July, 2017 only twenty seven schemes have been created by SPMU, which are yet to be mapped by the State Finance Department. Since the inception of SPMU, 71 schemes of different Departments have been created and more than 3,400 agencies/child-agencies under these schemes have been registered on PFMS portal. Fourteen State Scheme Managers (SSM), twelve Agency Approver Level 2 and five MIS Users for 71 schemes have been created till July, 2017.

3.4.5 Notable progress has been made under the National Health Mission(NHM) in which, 95% of child agencies has been registered and modules of Expenditure, Advance & Transfer (EAT) on PFMS have been implemented. Various reports can be accessed on PFMS portal. Satisfactory progress has been made in Sarva Shiksha Abhiyan (SSA), where more than 95% schools in the State have been registered and post-dated entries up to 31-05-2017 have been completed. A total of 96 officials have been trained on agency creation and Expenditure Advance & Transfer Module (EAT). A total of 14,016 schools have been registered and mapped under SSA out of 14,505 schools in the State till July 2017.

3.4.6 Some progress has been made under the Schemes of Secondary School Education Department, Command Area Development Agency, Development and Panchayat, Urban Local Bodies and Forest Department, but there is urgency in ensuring more rapid progress.

Development & Panchayat Department (D&PD)

3.4.7 A workshop on 26.04.2017 was conducted at Panchayat Bhawan Sector-28, Chandigarh, for Development and Panchayat Officers (DDPOs), Block Development and Panchayat Officers (BDPOs) and officers of Development and Panchayats Department (D&PD) to familiarize them with the requirements for functioning of the PFMS. Two parent agencies – one for Development and other for Panchayat Department were

created at headquarter level. A total of 18 schemes have been created on PFMS portal, out of which two are shared schemes between the Centre and the State. They are Other Rural Development Program on 50:50 basis and Swachh Bharat Mission (Gramin).

3.4.8 A total of 23 Panchayats of Barwala block in Panchkula District have been registered as parent agency under various schemes of D&PD. Post-Dated entries for these Panchayats have been carried out w.e.f 01.04.2017. The Department has been requested to arrange a training for District Development and Panchayat Officers(DDPOs), Block Development and Panchayat Officers(BDPOs) and Gram Sachives at Block level. There are 140 Blocks and 6205 Panchayats in 22 Districts. The work has been started only in one Block of Panchkula District. Hence, much needs to be done by the D&PD. Effective steps are yet to be taken by the D&PD. As most of the funds are being released by the Central/State Government directly to the Panchayats; the Panchayats are to be registered as parent agencies. Therefore, there is an urgent need for training of DDPOs/BDPOs and Gram Sachives by the D&PD on a massive scale. The 5th SFC recommends that the requisite monetary and other resources should be made available by the D&PD for equipping DDPOs/BDPOs and Gram Sachives to effectively implement PFMS in Haryana.

Department of Urban Local Bodies (DULB)

3.4.9 Under the Department of Urban Local Bodies (DULB), there are 10 Municipal Corporations, 52 Municipal Committees and 18 Municipal Councils (total 80). Additionally, DULB is responsible for two Boards and one Urban Authority, namely- Haryana Slum Clearance Board (HSCB); Haryana Urban Infrastructure Development Board (HUIDB), and State Urban Development Authority (SUDA).

3.4.10 Through these Boards/Authorities (to be registered as parent agencies), the funds under various schemes are being released and implemented by 80 Municipal Bodies (to be registered as child agencies). Swachh Bharat Mission (Urban) is being implemented through the HSCB. This scheme has been created at the headquarter level under PFMS and HSCB has been registered as parent agency. Forty-nine child agencies have also been registered as against a total of 80 child agencies.

3.4.11 The registration process in the Department is very slow, even after a lot of persuasion by State Programme Management Unit (SPMU).

3.4.12 HUIDB is implementing Atal Mission Rejuvenation to Urban Transformation (AMRUT). AMRUT has been created in PFMS and HUIDB has been registered as parent agency. Fourteen child agencies have been also registered as against total 18 child

agencies. SUDA is implementing two other schemes namely National Urban Livelihood Mission (NULM) and Pradhan Mantri Awas Yojna (PMAY-Urban).

3.4.13 SUDA has been registered as parent agency for both the schemes. Only seven child agencies out of 80 at implementation level have been created/registered by the DULB. Five child agencies out of 80 child agencies at district level have been also created by the DULB and mapped in PMAY-Urban.

3.4.14 The 5th SFC is concerned about slow progress by DULB in PFMS preparedness in the State. It recommends that the DULBs leadership exhibit stronger and sustained commitment to rapidly progress towards effective PFMS implementation.

3.4.15 The 5th SFC also recommends giving priority to requisite training and capacity generation for operating the PFMS portal by the officers at the headquarter and at the district level.

3.5 An Analysis of Funds Flow of CSS in Haryana

3.5.1 In the revenue and expenditure of Haryana State and its ULBs and PRIs, Centrally Sponsored Scheme (CSS) also play an important role. Thus, in 2015-16, the Center released ₹3479.4 crore for CSS (41.5 percent of the total amount released), while the State government released ₹4920.5 crore (58.7 percent of the total) (Table 3.7).

3.5.2 The actual expenditure on CSS in 2015-16 on CSS was however, ₹7795.7 crore (about one-fifth of actual budget expenditure on all Schemes; and about 10.0 percent of total budgetary expenditure), with State spending ₹4617.7 crore (59.2 percent of the total), and the spending by the Centre was ₹3194.8 (41.0 Percent of the total).

3.5.3 It is in the above context that aggregate analysis of CSS in Haryana has been undertaken by the 5th SFC for the years 2015-16 and 2016-17 in Table 3.7 and 3.8 respectively. Purely Financial analysis of the funds flow is undertaken below. An analysis of effectiveness of selected CSS in delivering services is undertaken in Chapters 4 to urban services, and Chapter 5 to rural services.

3.5.4 *On the basis of the data in Table 3. 7 and 3.8, the following observations may be made:*

- (i) In 2015-16, among the four Categories of CSS, the “Core of the Core” Schemes (defined as those Schemes which retain their pre-2015 cost-sharing framework), constituted 44 percent of total actual expenditure in 2015-16. The respective

shares of the "Core-Schemes" (where financing is shared in the proportion of 60 percent by the Centre and 40 percent by the State) were 46 percent; Optional Schemes (where financing is equally shared), accounted for only 0.4 percent and "Other Schemes" (where financing is shared in varying proportions depending on the scheme), 10 percent. A similar pattern was observed in 2016-17.

- (ii) The amount involved in 'Optional Schemes' and in 'Other Schemes' are relatively small, but the number of Schemes are relatively large. The SFC therefore strongly urges that the outcome review and feasibility of sunset clauses to them be undertaken by the Haryana government at an early stage, as relatively clear-cut decisions on them could be quickly reached, while rationalizing expenditure on Schemes which accounted for nearly half of total government expenditure in 2015-16.
- (iii) For all Schemes combined, actual expenditure as a percent of revised expenditure for both the years was around three- fourths of the total. The ratio was much higher for the State funds (86.7 percent in 2015-16, and 83.3 percent in 2016-17) than for the Central funds (68.5 percent and 57.3 percent respectively).

3.5.5 Even in the 'Core-of-the-Core schemes' where three Schemes are prominent, the ratio varies significantly by each Scheme. The NSAP accounted for 84 percent of the revised expenditure, and 92 percent of the actual expenditure. The overwhelming share of actual expenditure on NSAP is from the State Budget, 97 percent in 2015-16. A similar pattern is observed for 2016-17. Such a large share of expenditure on just one Scheme needs to be subjected to a review, with a view to understanding its future dynamics and improving its sustainability.

3.5.6 In contrast, for MGNREGA and the Umbrella Program for Development of Scheduled almost fully from the Center. But the State is unable to spend the allocated amount. Thus in 2015-16, Revised budget estimate for the Umbrella Program was ₹286.14 crore for the Centre, but the actual release of amount was ₹101.90 crore, and actual expenditure was only ₹67.69 crore. Only about less than a quarter of the revised budget estimates. Details of income and expenditure of the State are provided in *Annexure 3.6(A),(B)*.

3.5.7 The above are not isolated cases. Even in areas of revealed Haryana State priorities, such as Dairy development and Pasudhan Vikas Yojana, the gap between the revised budget expenditure and actual expenditure is large. There appears to be considerable duplication and overlapping in sectoral scheme. Thus, Krishi Unnat Yojana, includes horticulture, but there is another scheme for Horticulture called Rashtriya Krishi

Vikas Yojana -Horticulture. There does not appear to be sufficient thought given to whether provisions of such overlapping schemes are consistent with each other, and designed to achieve desired outcomes.

3.5.8 The 5th SFC strongly urges the Haryana Government to examine the reasons for huge variations between Actual and Revised Expenditure on CSS, and initiate requisite corrective measures.

3.5.9 The above analysis also suggests that Haryana as a State has substantial scope for ensuring that it meets the conditions for the release of Central funds in a timely manner. There is a need to urgently review and monitor how Haryana State can speed up release of funds by the Centre.

3.5.10 The indications are that the release of Central Government funds would increasingly be contingent on States undertaking specified reforms. Thus, it is reported that NITI Aayog has urged the Agriculture Ministry at the Centre to link part of ₹4 Thousand crore allocation in 2017-18 for the RKVY scheme to desired reforms by the States in agriculture. These include guaranteed prices for at least half the key crops, setting up of a unified national agriculture market, changing land lease laws, and creating a mechanism to facilitate easy exit for farmers who want to move out of agriculture³⁵. Managing the political economy of the agriculture sector however is a continuing challenge in Haryana (as well as in India). Nevertheless, this challenge must be addressed to enable reforms designed to improve income of farmers is to be raised sustainably.

3.5.11 It has been communicated to the 5th SFC that a large number of Schemes included in the CSS, and additional State level Schemes have adversely affected communication and awareness among elected representative of the ULBs and the RLBs, and among Haryana State functionaries. Over centralization of the administration at the State level further accentuates these adverse effects. In improving funds flow from the Centre, these areas will also need to be addressed.

3.5.12 The SFC's analysis of the CSS in Haryana leads to the following overall conclusion. There does not appear to be a strategy, supported by policy coherence as organizational coordination, to obtain maximum advantage and leverage for Haryana from the CSS, and to integrate them with better expenditure management.

35. <http://economictimes.indiatimes.com/news/economy/policy/niti-aayog-urges-government-to-link-financial-grant-to-states-agriculture-reforms/articleshow/59224565.cms>

3.5.13 The 5th SFC therefore strongly recommends that an Inter-Departmental task force be set up, led by the Finance Department, to obtain maximum leverage from the Centrally Sponsored Scheme (CSS) for the State. It would be essential to set accountability for enhancing this leverage, and to set benchmarks.

3.5.14 The 5th SFC strongly urges that administrative reforms, including in human resource management (obtaining persons with requisite skills) and in enabling technology, be undertaken to achieve the above goal.

3.5.15 The critical challenge for the Haryana government is how to develop the requisite capacity for outcome orientation of the selected budget components and of the CSS, and for designing the sunset clauses for various schemes. Building capacity is at best a medium-term exercise, and needs to be persuaded through restructuring of technological base, change in work processes, and appropriate human resource policies which focus on gaps in skill needed in the relevant departments such as finance.

3.5.16 The 5th SFC recommends that the GoH consider utilizing the SJHIFM as an organization which in collaboration with other government agencies can undertake research and initiate pilot projects on issues in public fiscal management having high policy priority. SJHIFM can draw on NITI Aayog's work along similar lines, and consider seeking its help in building needed capacities.

3.5.17 The 5th SFC is of the view that the current structure of SJHIFM merits a revamp, with lateral entry of professional researchers and technical staff, and greater degree of autonomy in its research activities, albeit within the overall guidance of the Governing Board.

Table 3.7: Haryana - A summary of Receipts and Expenditure of CSS, 2015-16

₹ Crore

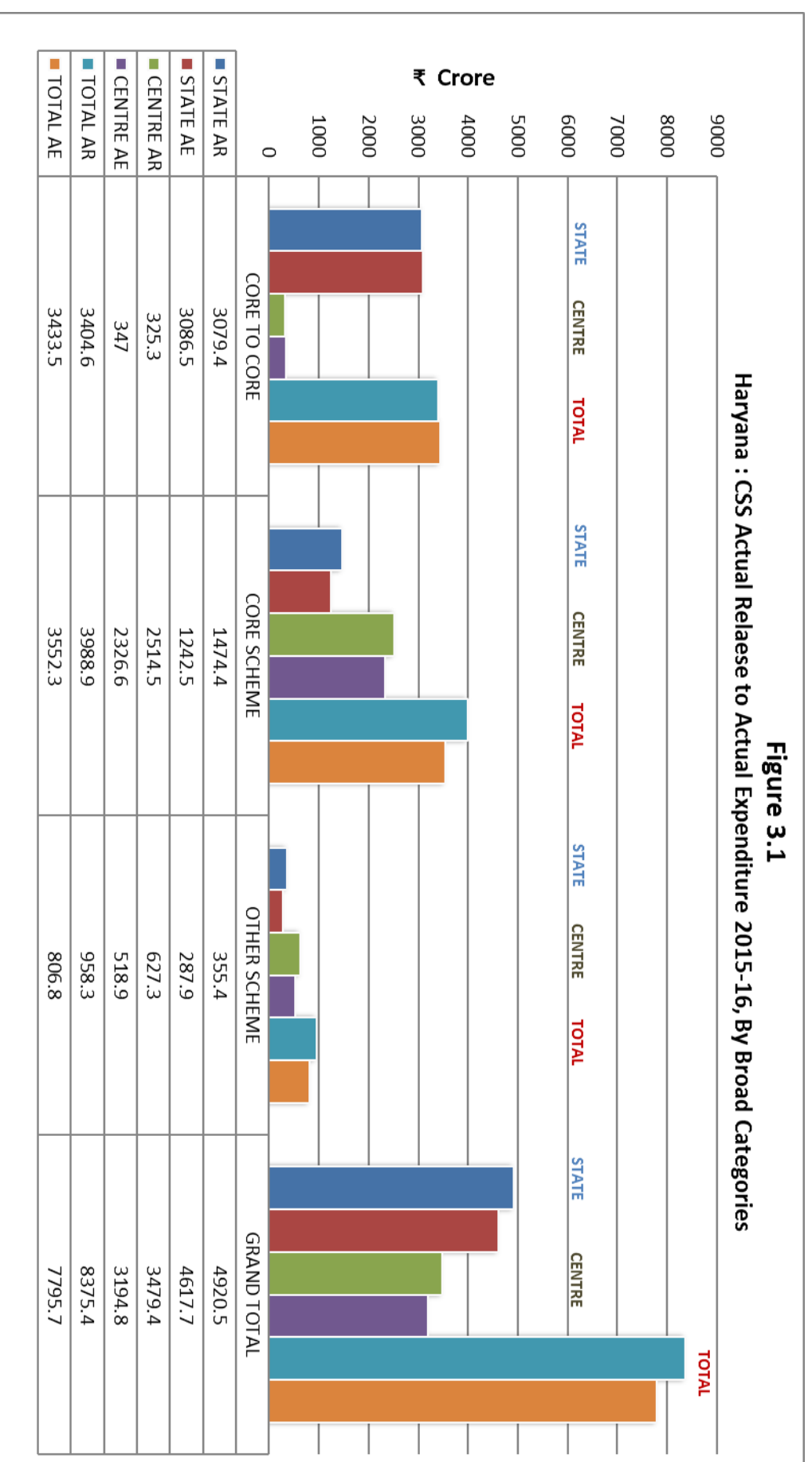
SCHEMES/PROGRAMME		REVISED BUDGET EXPENDITURE			ACTUAL RELEASE OF AMOUNT			ACTUAL EXPENDITURE			ACTUAL EXPENDITURE AS PERCENTAGE OF REVISED EXP.		
		STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL
<div><input type="checkbox"/></div>													
1		2			3			4			5		
A	CORE OF THE CORE	3266.2	687.0	3953.2	3079.4	325.3	3404.6	3086.5	347.0	3433.5	94.5	50.5	86.9
		(82.6)	(17.4)	(100)	(90.4)	(9.6)	(100)	(89.9)	(10.1)	(100)			
B	CORE SCHEMES (60:40)	1949.1	3087.4	5036.6	1474.4	2514.5	3988.9	1242.5	2326.6	3552.3	63.7	75.4	70.5
		(38.7)	(61.3)	(100)	(37.0)	(63.0)	(100)	(35.0)	(65.5)	(100)			
C	OPTIONAL SCHEME (50:50)	61.3	72.5	133.7	11.3	12.4	23.6	0.8	2.4	3.1	1.2	3.3	2.3
		(45.8)	(54.2)	(100)	(47.7)	(52.3)	(100)	(24.4)	(75.6)	(100)			
D	OTHER SCHEMES	268.1	816.0	1083.7	355.4	627.3	958.3	287.9	518.9	806.8	107.4	63.6	74.5
		(24.7)	(75.3)	(100)	(37.1)	(65.5)	(100)	(35.7)	(64.3)	(100)			
	Grand Total	5544.7	4662.8	10207.1	4920.5	3479.4	8375.4	4617.7	3194.8	7795.7	83.3	68.5	76.4
		(54.3)	(45.7)	(100)	(58.7)	(41.5)	(100)	(59.2)	(41.0)	(100)			

Note: Figures in bracket are Percentages of appropriate total.

Source: Estimates by the 5th SFC from the received from Planning Department, Haryana

Figure 3.1

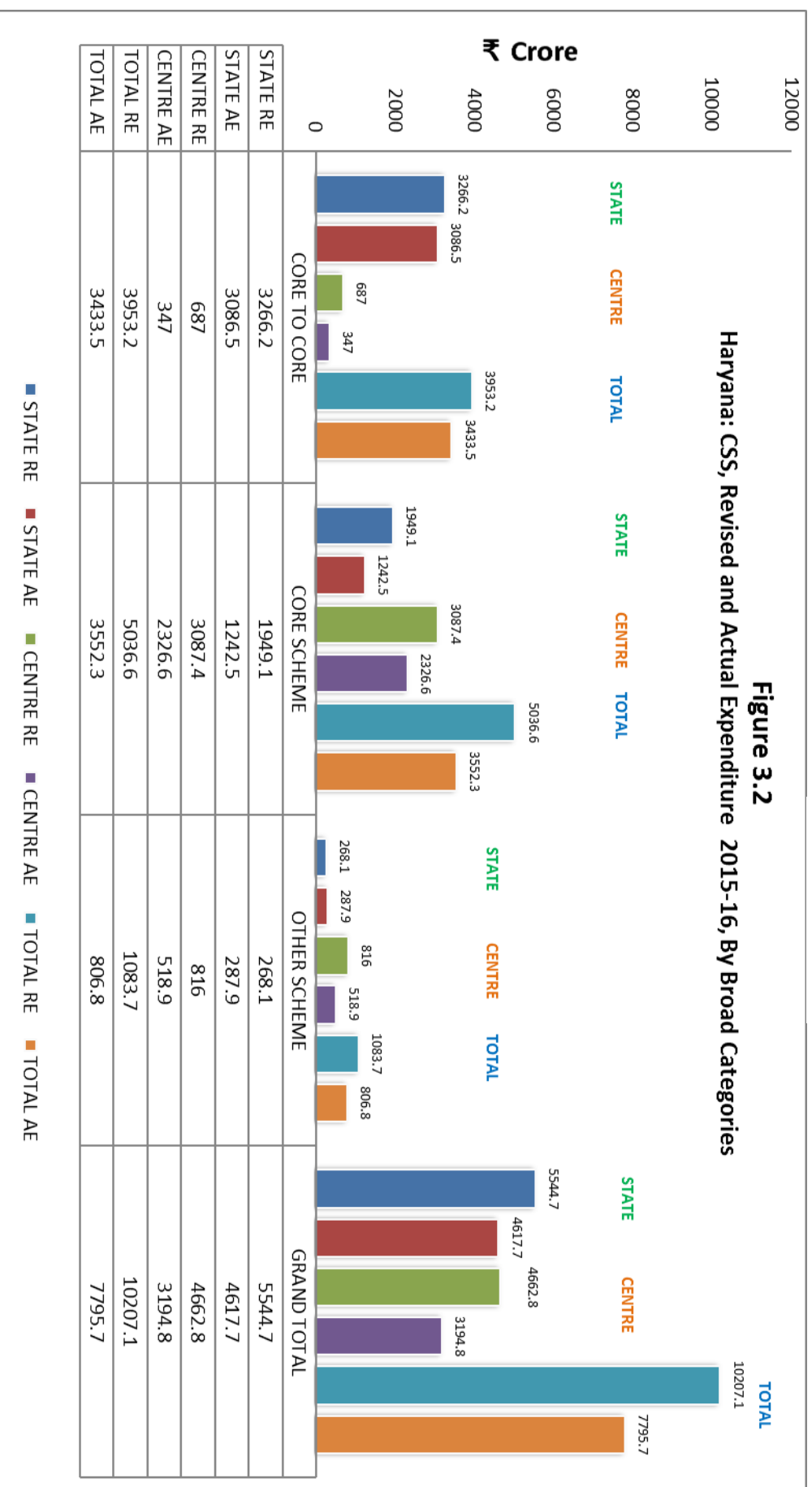
Haryana : CSS Actual Release to Actual Expenditure 2015-16, By Broad Categories



Note: Optional schemes are not included in the graph as they are negligible

AR – ACTUAL RELEASE, **AE** – ACTUAL EXPENDITURE, **Source:** Estimates by the 5th SFC from the received from Planning Department, Haryana

Figure 3.2
Haryana: CSS, Revised and Actual Expenditure 2015-16, By Broad Categories



Note: Optional schemes are not included in the graph as they are negligible
RE – REVISED ESTIMATES, AE – ACTUAL EXPENDITURE

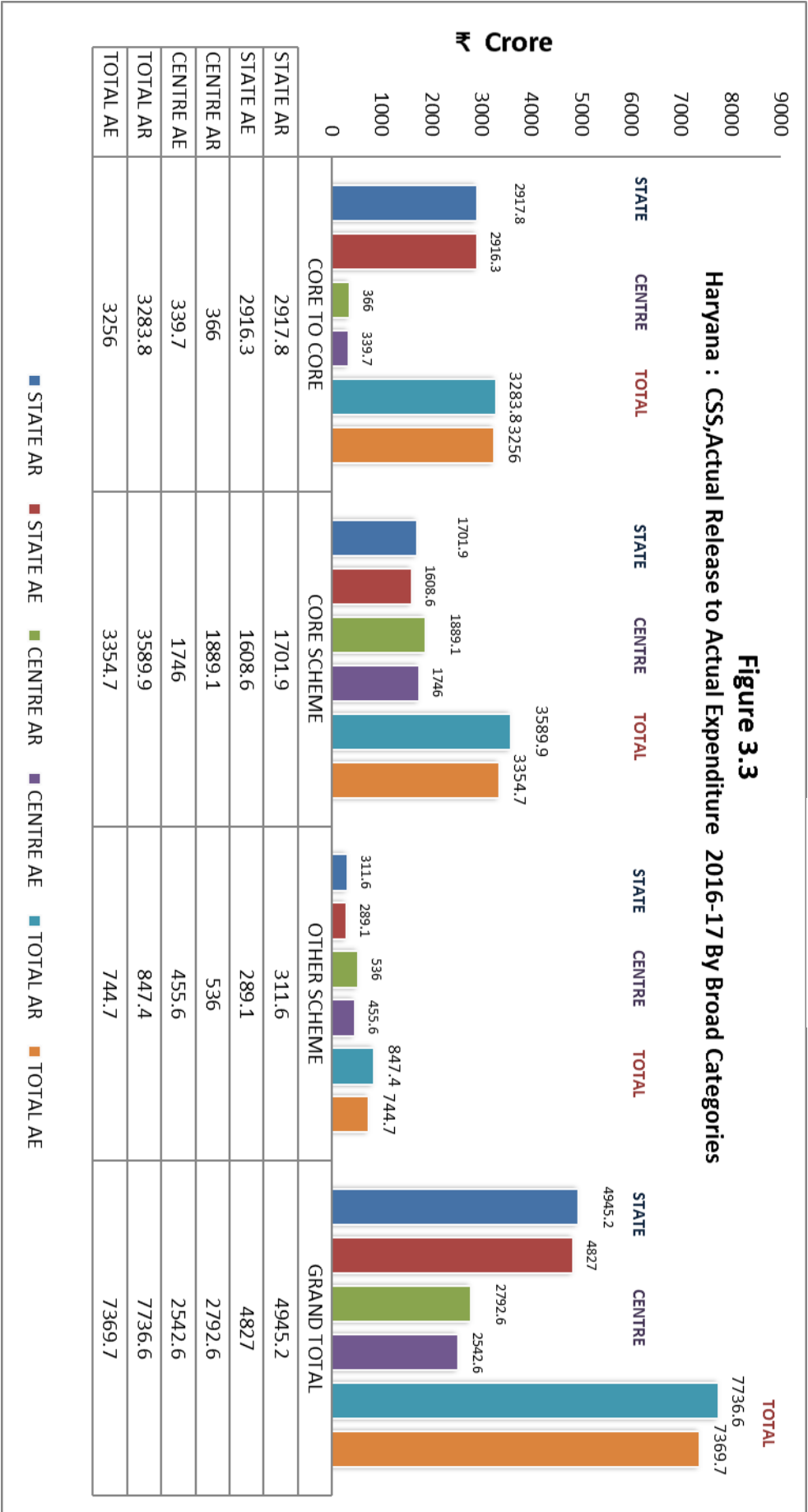
Source: Estimates by the 5th SFC from the received from Planning Department, Haryana

Table 3.8: Haryana -A summary of Receipts and Expenditure of CSS, 2016-17

₹Crore

SCHEMES/PROGRAMME	REVISED BUDGET EXPENDITURE			ACTUAL RELEASE OF AMOUNT			ACTUAL EXPENDITURE			ACTUAL EXPENDITURE AS PERCENTAGE OF REVISED EXP.			
	STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL	STATE	CENTRE	TOTAL	
	1	2			3			4			5		
A	CORE OF THE CORE	2942.7	563.4	3506.1	2917.8	366.0	3283.8	2916.3	339.7	3256.0	99.1	60.3	92.9
		(83.9)	(16.1)	(100)	(88.9)	(11.1)	(100)	(89.6)	(10.4)	(100)			
B	CORE SCHEMES(60:40)	2182.1	3081.3	5261.4	1701.9	1889.1	3589.9	1608.6	1746.0	3354.7	73.7	56.7	63.8
		(41.5)	(58.6)	(100)	(47.4)	(52.6)	(100)	(47.9)	(52.0)	(100)			
C	OPTIONAL SCHEME (50:50)	28.0	79.6	107.5	13.9	1.6	15.5	13.1	1.2	14.3	46.8	1.5	13.3
		(26.0)	(74.0)	(100)	(89.9)	(10.1)	(100)	(91.8)	(8.2)	(100)			
D	OTHER SCHEMES	413.2	714.7	1127.8	311.6	536.0	847.4	289.1	455.6	744.7	70.0	63.8	66.0
		(36.6)	(63.4)	(100)	(36.8)	(63.2)	(100)	(38.8)	(61.2)	(100)			
	Grand Total	5565.9	4438.9	10002.8	4945.2	2792.6	7736.6	4827.0	2542.6	7369.7	86.7	57.3	73.7
		(55.6)	(44.4)	(100)	(63.9)	(36.1)	(100)	(65.5)	(34.5)	(100)			

Note: Figures in bracket are Percentages of appropriate total, **Source:** Estimates by the 5th SFC from the received from Planning Department, Haryana

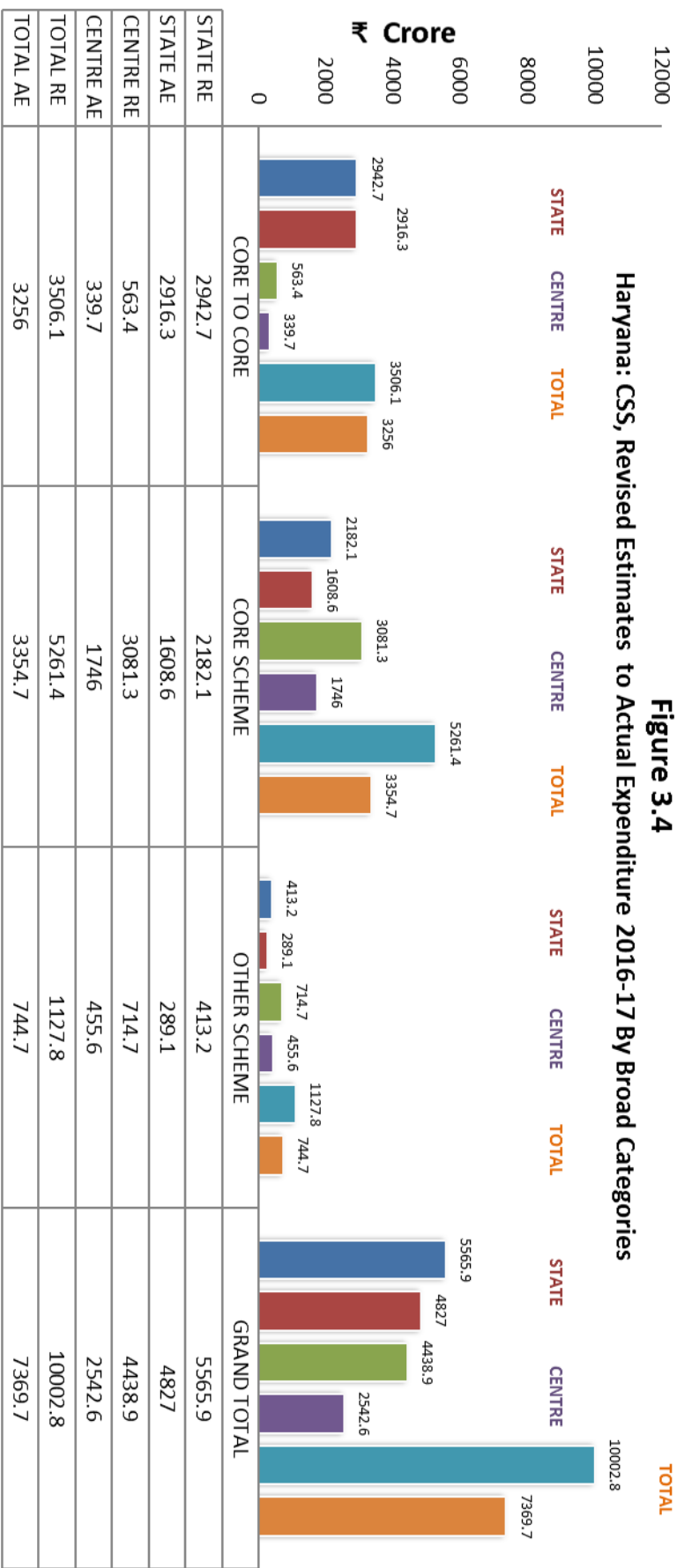


Note: Optional schemes are not included in the graph as they are negligible

AR – ACTUAL RELEASE, **AE** – ACTUAL EXPENDITURE

Source: Estimates by the 5th SFC from the received from Planning Department, Haryana

Figure 3.4
Haryana: CSS, Revised Estimates to Actual Expenditure 2016-17 By Broad Categories



Note: Optional schemes are not included in the graph as they are negligible

RE – REVISED EXPENDITURE, **AE** – ACTUAL EXPENDITURE **Source:** Estimates by the 5th SFC from the received from Planning Department, Haryana

3.6 State Public Enterprises (SPEs) in Haryana

3.6.1 In analyzing public finances of a state, it is essential to examine the role of state public enterprises and how their performance could be improved for better delivery of goods and services in which these enterprises are involved, how they can add more economic value to the society's resources entrusted to them, thereby contribute more to resource generation of the government.

3.6.2 It may be useful to State that there are essentially four broad areas, that need to be combined in the context of a given SPEs, for improving commercial performance, and for achieving intended social outcomes.

3.6.3 The **first** area is to encourage competition and or contestability in the sectors of operation of the SPEs. Consistent research findings suggest that, this is among the key areas for improving performance. This is because when a monopoly power, or undeserved substantial preference is granted, there is no information on whether alternatives could do better. To the extent Haryana practices directing business to SPES in a manner which enables high mark-up over cost to be levied, there is rooms to improve competition and contestability.

3.6.4 The **second** area concerns organizational incentive structures. An enterprise requires a set of competencies which should be reflected in its Board structure, and in its staff. This is particularly moreover, the budget constraint for the organization needs to be relatively hard. There also needs to be investment in the *accounting, budgeting and management information system*.

3.6.5 The mission of the organization needs to be well defined, and the organization must be accountable for progressing towards the objectives for which it was established. As much as feasible, horizontal rather than vertical hierarchical decision-making structure needs to be encouraged. The organizational structure also involves instituting relevant accounting method which is the accrual and not cash method; and management information systems.

3.6.6 The **third** area concerns individual incentive structure. Human resource, policies, particularly improving collective skill sets, and ensuring succession planning as senior staff retire, are essential for staff morale and incentive.

3.6.7 The **fourth** area concerns technological adaptation. As India moves towards more knowledge and technology intensive digital economy, and as global technologies change,

the State public enterprises need to adapt due to rigid mind-sets, inflexible procedures, and process rather than outcome or result orientation has been a critical factor in the poor performance of many state public enterprises.

3.6.8 A detailed analysis of the State public enterprises specific measures to improve the performance is beyond the scope of the 5th SFC's TOR. A brief overview of State public enterprises in Haryana, with suggestions for broad areas for improvement, is presented below.

3.6.9 The names of the SPEs, the Acts under which they are registered, the year of incorporation, and the latest year for which the accounts are audited are presented in

Annexure 3.4

- (i) In Haryana, as of mid-2017, there are 23 State Public Enterprises(SPEs) registered under the Companies Act 1956, and 19 SPEs under the Cooperative Societies Act 1964.
- (ii) 17 (40.5 percent) of the SPEs were formed before 1970; 10 (23.8 percent) were formed between 1971 and 1980; 6 (14.3 percent) were formed between 1991 and 2000; and only 3 (7.1 percent) since 2000. Thus, nearly three-fourth of the SPEs were established before 1980, nearly 40 years ago. The global experiences suggest that it is relatively easy and convenient to begin SPEs, but reviewing their need and rationalizing them to suit current needs, requires determination to improve performance of public enterprises.
- (iii) the formation of SPEs has slowed in recent years. But the investments by the State in the SPEs has continued to grow. Thus, as of March 31, 2016, total investments in PSEs was ₹ 41068 crore, an increase from ₹30882 crore in 2011-12 (CAG report no 6 of 2016, Haryana; chapter 1, Chart 1.1). since 2014-15, however, the investment growth in the SPEs has declined markedly.
- (iv) As of July 2017, nearly a quarter of enterprises (10 SPEs) had audited accounts only till March 31, 2014 or earlier. Less than half of the SPEs (20 SPEs) had audited accounts till March 31, 2016. The requirement under the companies Act 2013(Section 96-1 and 129-2) is that the financial statements of companies must be finalized for every financial year within six months from the end of relevant financial year. This reflects poorly on the accounting and auditing system implementation of the SPEs in Haryana.

3.6.10 **Annexure 3.5** provides selected indicators of the performance of the SPEs in Haryana by three sectors, namely Power (four SPEs), Sugar (eleven PSEs), and others (27 PSEs)

Table 3.9		
Haryana: Human Resource Profile of the SPEs		
	as of March 31, 2016	
Employee Category	No. of Employees (In No.)	% of Total Filled Up posts
Total Employees	54555	100.0
Permanent (A)	37975	69.6
Group A employees	1329	3.5
Group B employees	1247	2.3
Group C employees	27607	50.6
Group D employees	7792	14.3
Temporary (B)	16580	30.4

Source: Calculated by the 5th SFC from CAG Report no 6 OF 2016 PSU, Haryana

3.6.11 Table 3.9 provides a profile of human resources of the SPEs in Haryana as of March 31, 2016. On the basis of which the following observations may be made.

- 1) There are about 55,000 employees of the SPEs, of which 70 percent are permanent employees, and 30 percent contract-type employees. The total employment in government, public sector, and aided institutions in 2015-16 in Haryana was 414,100 according to the FRBM Report (Form D 10) presented as part of the 2017-18 budget documents.
- 2) The composition of human resources among the permanent employees is highly skewed towards Group C and Group D employees which together constitute 93 percent of the permanent employees. Group A and Group B employees constitute only 7 percent.

The above suggests that grossly insufficient focus has been devoted to matching human resources with the skills needed to make SPEs high performing organizations.

3.6.12 **The 5th SFC recommends that a road map for addressing this imbalance be a part of overall reform plan of the PSEs.**

Table 3.10
Haryana, Select Aggregate Financial Indicators of Haryana's SPEs
 As of March 31, 2016

₹ Crore

S.N.	Particulars	Consolidated PSU Profile	Consolidated PSU Profile Under Companies Act		Consolidated PSU Profile Under Cooperative Societies Act	
		Amount	Amount	% of Consolidated PSU Profile (In %)	Amount	% of Consolidated PSU Profile (In %)
1	Authorised Capital	14531.8	13890.9	95.6	640.9	4.4
2	Paid Up Share Capital	9505.0	8763.9	92.2	741.1	7.8
	Share of State Government	8190.9	7739.9	94.5	451.0	5.5
3	Reserves & Surplus	-19005.3	-21048.4	110.8	2043.1	-10.8
4	Total Loans	67658.8	47560.9	70.3	20097.9	29.7
	Share of State Government	10881.2	9088.7	83.5	1792.5	16.5
5	Grants in Aid	4025.1	4020.5	99.9	4.5	0.1
6	Current Assets, Loans and Advances	45242.1	33159.6	73.3	12082.5	26.7
7	Current Liabilities and Provisions	46904.7	37379.6	79.7	9525.1	20.3
8	Net Working Capital	-1662.6	-4220.0		2557.4	-
9	% age of Current Assets to Current Liabilities	96.5%		88.7	-	126.8
10	Turnover	52174.9	41211.3	79.0	10963.6	21.0
11	Profit and Loss A/c	-853.9	-511.8	59.9	-342.1	40.1
12	Accumulated Profit and Loss	-29569.0	-27692.8	93.7	-1876.2	6.3
13	Dividend Paid During the Year	1.4	1.4	95.1	0.1	4.6
14	Dividend as % of Paid up Share Capital (12/2*100)	0.0%	-	0.02	-	0.01
15	Manpower Cost	3085.5	2647.4	85.8	438.1	14.2
16	Manpower Cost as % of Turnover (14/9*100)	5.9%	-	6.42	-	4.00

Note : (-) Nil or Negligible ,

Source: Finance Department, profile of State Public Enterprises for the year 2014-15 and 2015-16

3.6.13 Table 3.10 provides select aggregate financial indicators of Haryana's SPEs as of 2015-16, on the basis of which the following observations may be made.

- i. Weak aggregate financial position of the SPEs is exhibited by the following. **First**, the Reserves and Surplus of the PSEs as of March 31, 2016 was negative ₹19005 crore, equivalent to 232 percent of the total paid up share capital of the State government. **Second**, the net working capital, defined as current asset, loans and advances less current liabilities and provisions, is also exhibiting negative figure of ₹1663 crore. **Third**, the accumulated losses of the SPEs as of March 31, 2016 was ₹29569 crore, equivalent to 6.1 percent of GSDP. The Finance Minister in his 2017-18 Budget Speech indicated that while Haryana's PSEs losses are declining, they are continuing. Thus, the accumulated losses would have increased since then. **Fourth**, the State on aggregate basis, the state has not earned dividend income from the SPEs. It is clear that the above aggregate financial figures are sustainable. A focused and sustained efforts to improve the financial performance are needed.
- ii. In terms of sectors, as of March 31, 2016, 91.2 percent of the PSEs investment were in the power sectors, 7.4 percent in infrastructure, 1.0 percent in finance and 0.4 percent in others.

3.6.14 The above analysis by the 5th SFC suggests that the state needs to give priority to reforming existing SPEs. The power sector reforms are being addressed under the UDAY scheme. The Scheme's impact on public debt has been noted under FRBM (para 3.3.5 and 3.3.6). Realization of substantial operational efficiencies is essential for UDAY scheme to have positive impact on the performance of the SPEs in the power sector.

3.6.15 The 5th SFC also suggests that the remaining existing SPEs be divided into the following sectors: sugar, finance, infrastructure, and others. Setting up separate expert groups to study and recommend the future of these SPEs.

3.6.16 The 5th SFC recommends that those SPEs who have not done so, should transit to accrual accounting method by the 2019-20 fiscal year.

3.6.17 The State also faces the challenge of more competently establishing new SPEs through Public-Public and Public-Private- partnerships (PPP). Thus, the State has signed an MoU to set up a special purpose vehicle in partnership with the Indian Railway. The Haryana Finance Minister in his 2017-18 budget speech noted that:

"...A historic agreement has been signed by the Haryana Government with the Ministry of Railways for improving railway network in State of Haryana by forming a joint Venture Company to mobilize additional resources for undertaking new railway lines and

modernization of railway stations. For this sufficient funds are being provided in the Budget”

3.6.18 In addition to the above, under Smart cities and AMRUT schemes, such partnerships are also likely to be formed by the state. The following to You-tube links discuss the analytical concept and the requirements for the PPPs to succeed in the Indian context³⁶.

3.6.19 The 5th SFC recommends that the formation of the new SPEs, including partnerships with other public and private sector organization, be undertaken in a professional manner, with due regards to the commercial viability, appropriate technological choices, human resources with requisite skills and sound governance structures. Without such professional approach, the State competitiveness and its ability to deliver key public amenities and services would be adversely affected.

3.7 Procurement Arrangements

3.7.1 An integral part of government expenditure management is reforming procurement systems of government agencies.

3.7.2 In 2015-16, Haryana’s Government total disbursement was equivalent to 23.77 percent of GSDP; the consolidated fund expenditure was equivalent to 17.85 percent of GSDP; revenue expenditure was 12.21 percent of GSDP and Capital Expenditure was 1.42 percent of GSDP (Table 3.3).

3.7.3 While relevant disaggregated data on government expenditure are not available, a conservative estimate for the State would be that nearly 10 percent of GSDP is being spent annually on procurement of goods, services, assets. If the procurement reforms in Haryana could yield a moderate saving of between 5 and 10 percent on total amount spend on procurement fiscal space equivalent to 0.5 to 1 percent of GSDP could be generated on a recurring basis annually.

3.7.4 Generation of this level of fiscal space on a recurrent basis is significant, especially when compared to the estimated fiscal deficit of 6.5 percent of GSDP in 2015-16. The additional fiscal space generated should be regarded as a better-quality resource mobilization by the State when compared to conventional tax and non- tax revenue.

36. https://www.youtube.com/watch?v=H_1JB9SU2MM

3.7.5 If total disbursement including from public account are also included, then their share in GSDP in 2015-16 was 23.8. This would imply larger share of GSDP devoted to procurement of goods, services and assets in State.

3.7.6 If total public-sector transactions are taken into account, which would include public enterprises, various urban, industrial and other development authorities such as HUDA (Haryana Urban Development Authority), HSIIDC (Haryana State Industrial and Infrastructure Development Corporation), GDA (Gurugram Development Authority) and others, then the share of procurement in GSDP would rise even further, implying larger resource savings, and higher generation of fiscal space.

3.7.7 It is in the above context that the State of Haryana needs to approach reform of its procurement systems for its government and public-sector organizations.

3.7.8 The Union Government has taken several measures in reforming procurements which are beginning to exhibit promising results. The General Financial Rules (GFR) 2017 of the Union Government contains chapters on procurement of goods and services, Chapter 6; and Chapter on Contract Management, Chapter 8³⁷.

3.7.9 The Union government has prepared two very user friendly and well-designed manuals for officials of government organizations entrusted with procurement activities. The first is procurement manual for goods and services and the second is the government procurement for consultancies and other services.

3.7.10 The Union government has asked the directorate General of Supplies and Disposal (DGS &D) to wind up operations by October 31, 2017³⁸. The Union Government has approved a special purpose vehicle called the Government e-marketplace (GeM). The GeM is expected to be a national portal, with the company registered as Section 8 company.

3.7.11 All the Union government organizations are required to use GeM. It is an electronic market place which enables search of the range prices at which the concerned procurement could be undertaken.

3.7.12 The above suggests that considerable expertise, and operational preparedness for better procurement has been undertaken by the Union government. Policy relevant and operationally useful manuals have also been prepared by Union government. Sound architecture with operation and evaluation features for then GeM of the Union

37. <http://sps.iitd.ac.in/PDF/GFR2017.pdf>

38. <http://economictimes.indiatimes.com/news/economy/policy/cabinet-orders-winding-up-governments-procurement-department-to-replace-with-e-marketplace>

government is also available. GeM is designed to transform procurement by leveraging technology such as online markets and E- tendering. The GeM also facilitate real time price discovery by the Government organizations, demand aggregations to permit a discounts on bulk buying, transparency and efficient automated payments. Through GeM large numbers of products and services are now available for e- procurement. When accessed on June 28, 2017 the GeM web link states that there are 4159 Buyers, 12619 sellers and 2317 Service Providers³⁹. These numbers are expected to grow.

3.7.13 As a result of the above efforts of the Union Government, Haryana could relatively, smoothly and quickly introduce procurement reforms without undergoing the process of introducing a new procurement law.

3.7.14 The 5th SFC comments the GoH for adopting the GeM platform for procurement in August 2017. The challenge will be to realize resource savings in procurement, while improving quality and relevance of goods, services and assets procured.

3.7.15 The 5th SFC urges the GoH to utilize the GeM platform for better expenditure management, and as an integral part of generating fiscal space as described in Figure 3.5.

3.8 Generating Fiscal Space: A Framework

3.8.1 Figure 3.5 Provides a framework for generating fiscal space . It should be emphasized that a framework is not a blueprint which needs to be followed in exact detail to be effective . A framework on the other hand needs to be applied in a particular context to obtain specific results or outcomes.

3.8.2 Generation of Fiscal Space needs to be approached in an integrated manner, utilizing all three avenues indicated in Figure 3.5.

- a. The **first** avenue is enhancing economic growth and initiating growth including nodes in several sectors to broad – base growth.
- b. The **second** avenue is improving revenue performance from both conventional taxes and from non- conventional sources, utilizing both the income and expenditure flows, as well as financial and physical assets. Some of the assets, such as air-space rights which the State can use to generate resources by acquiring competency in helping to create productive economic assets on them,

39. <https://gem.gov.in/>

have potential to generate significant revenue, and therefore for generating fiscal space.

- c. The **third** avenue concerns better expenditure management. A rupee saved in government expenditure on an activity, without affecting outcomes, is equivalent to a rupee earned, generating fiscal space. The discussion of PFMS and Procurements practices (Section 3.4 and 3.7) suggests the potential for generating fiscal space including in Haryana.

3.8.3 The integrated manner of approaching generation of fiscal space does represent a departure from traditional focus on raising revenue through focusing mainly on conventional taxes, such as excise and sales taxes, and on state levies and fees. **To help acquire competency in contextualizing the generating fiscal space for Haryana, the 5th SFC suggests that the Finance Department and the SJHIFM initiate specific joint work-plan to help expand the State's fiscal resource generation.**

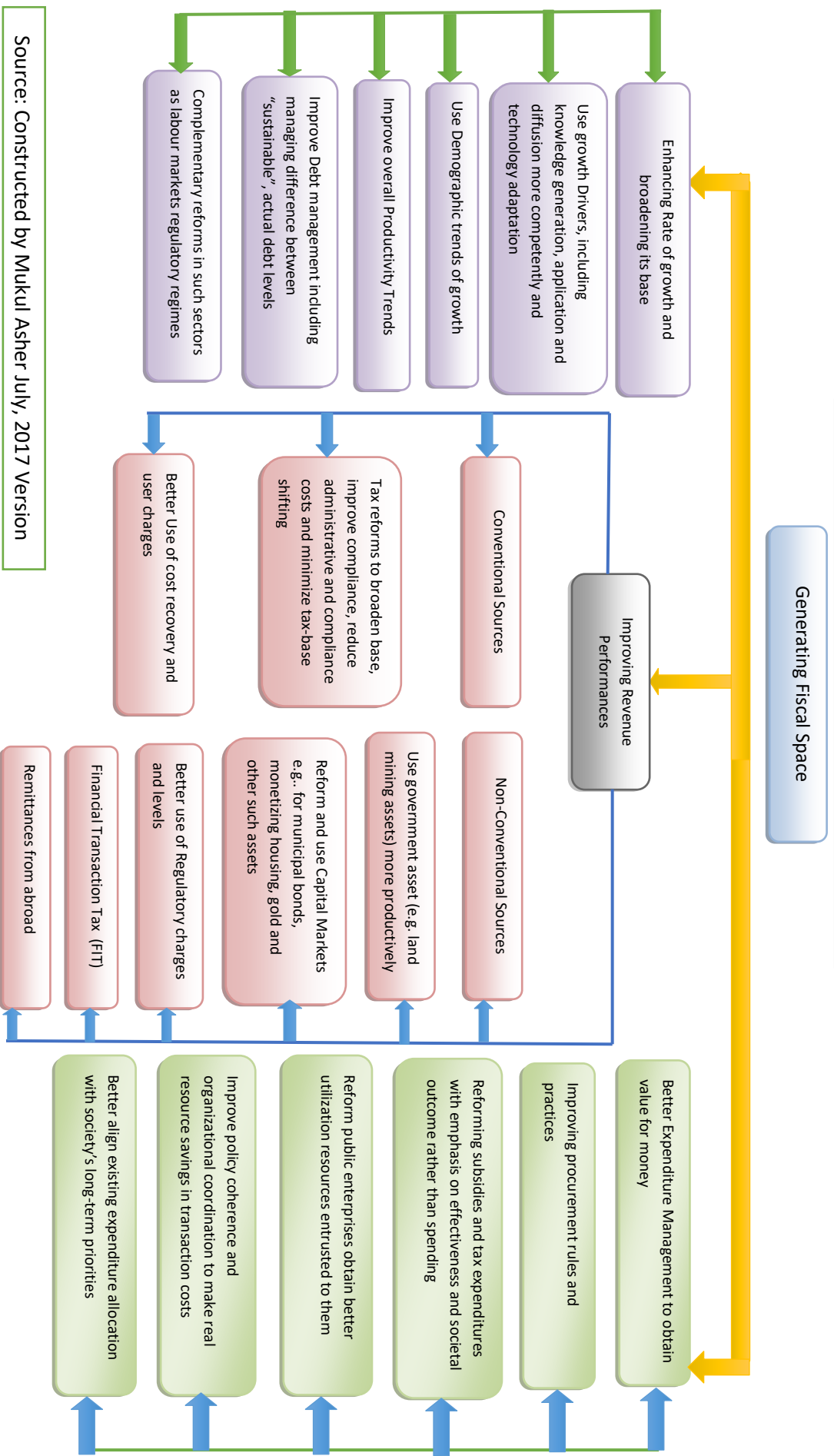
3.9 Concluding Remark

3.9.1 Haryana has a well-deserved reputation for managing its public finances well. This Chapter has discussed the key challenges facing the State in sustaining this reputation to address the changing context in which its public finances would need to be managed.

3.9.2 The chapter has also suggested measures to help expand Haryana's fiscal space, improve debt sustainability, and keep fiscal deficit at a prudent level. A framework for generating fiscal space in Haryana has also been provided.

3.9.3 The next Chapter analyses Urban finances, issues in service delivery, and a possible approach, termed shared services approach, to better align finances, systems, processes, and human resources.

Figure 3.5
A Framework For Analyzing generating Fiscal Space



Source: Constructed by Mukul Asher July, 2017 Version

CHAPTER – 4

Governance of Urban Local Bodies

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Governance of Urban Local Bodies

4.1 Introduction

4.1.1 Municipal Governance in Haryana continued to evolve, and has been an area of persistent concern to policymakers, citizens and other's stakeholders. Haryana exhibits a trend towards rapid urbanization. Thus, its urban population increased from 24.6% in 1991 to 28.9% in the year 2001, and to 34.8% in the year 2011. The urban population is projected to account for 46.3 % of the total population of Haryana in 2026. However, there does not appear to be a corresponding increase in the capacities of Urban Local Bodies (ULBs) to address the civic needs and expectations of increasing urban population. Hence the persistent concern of the stakeholders.

4.1.2 Urban local bodies are entrusted with responsibilities for addressing not only the existing needs of the ULBs, but also the future needs of the growing urban population. The SFC analysis has therefore focused on whether the ULBs in Haryana in their existing form and functioning are geared to meet the above responsibilities.

4.1.3 The ULBs were initially considered as an extended arm of the State Government for execution of assigned functions and administration of a given local area. But after the 74th Amendment to the Constitution in 1993, the status of local bodies changed to institutions of self -governance. Thus, the urban local body is an entity on its own, with a head, with finances, with discretion and with wider role and responsibilities towards local residents, towards the State Government, and also towards the Central Government to some extent.

4.1.4 In today's context, the major role of local bodies maybe considered as providing essential civic services such as water supply, ensuring cleanliness etc.; performing regulatory functions such as issuing birth or death certificates etc.; planning and implementing various schemes of the Government, and to act as agency of the Government for the assigned tasks.

4.1.5 For performing these roles, funds are devolved to the ULBs by the State Government in the form of revenue share or general grants or specific grants for given

schemes; transferred by the Central Government in the form of general purpose or special purpose grants or through specified schemes. The ULBs levy and collect taxes and fees from the local residents under the powers bestowed in the relevant legislation(s). There may be some other sources of revenue, such as capital revenue depending upon the property ULBs own, and the funds they have. In principle, the ULBs can borrow by issuing municipal bonds.

4.1.6 The top functionaries of the local bodies are usually from the Administrative Services of the State; and the functionaries at the technical and general administrative level as well as the support staff are appointed through the State Cadre or Municipal Cadre. In some States, the Municipalities have autonomy to hire the regular staff but in Haryana, the appointments are made by the State only, though the Municipalities may hire contract manpower on temporary basis. A unique aspect of municipal governance is the role of elected representatives in their functioning. These elected representatives are expected to be well informed about the needs, capacities, strengths and sensitive aspects of the given local area that can be factored in planning, decision making, and implementation by the municipalities.

4.1.7 The organisation structure and framework of management of these bodies has been broadly provided by the Constitution of India in Chapter IX-A thereof, read with the respective State legislation. The relevant legislation is the Haryana Municipal Corporation Act, 1994, for Municipal Corporations and The Haryana Municipal Act, 1973, for Municipal Councils and Committees.

4.1.8 Among the 5th SFC's mandate as stated in its TOR is to recommend the principles to govern the distribution of funds to the ULBs and RLBs, determination of taxes etc. and grant in aid to be assigned or devolved to the local bodies, and suggest the measures required to improve the financial position of local bodies.

4.1.9 Thus the main focus of our discussion is 'finances' for local bodies in all dimensions – whether the finances available have been sufficient to perform the functions assigned to the local bodies; whether the funds available to them are sufficient or more funds are required; whether with the more funds, the ULBs would be able to perform their role more effectively or their financial management is such that additional funds would not result in more effective delivery of public amenities and services whether the human resources or capacity available with the municipalities has been adequate to utilize the funds effectively in achievement of the given role or objective of the local body is also relevant. Though finance is the pivot but the outcomes expected from the use of finances by local bodies defines the very purpose of their existence. Thus, in analysing financial needs of ULBs, there is a need to align financing and administration of local bodies with the outcomes expected from them.

4.1.10 The Ministry of Urban Development, GOI has been making consistent efforts for more than a decade to support the States and the Municipalities by way of numerous studies, advice on variety of specific topics, enabling software, accounting manual and specially designed schemes (e.g. AMRUT and smart cities) for improving working and infrastructure of municipalities and providing grants for implementation of such schemes. The State of Haryana has also been taking numerous initiatives in the form of various schemes for enhancing the working capacity of the municipalities; review and restructuring of roles relating to public services such as 'fire services'; creating year 2030 vision for local areas. At the Municipal level, efforts are being made to improve the functioning of the municipalities, by implementing the innovative ideas such as a recent practice started by the Ambala Municipality to encourage citizens to segregate the garbage for better management of city waste and giving the scheme a name 'Oye Ambala'.

4.1.11 While several efforts are being made at every level to achieve a common objective of improved functioning and service delivery by the municipalities, much remains to be achieved even on well-known constraints such as capacity to spend well, capacity to collect taxes, and limitations of current management information systems.

4.1.12 Cognizant of the above, the 5th SFC has first examined the legislative framework and organizational structure of the ULBs, their functions and roles, communication patterns, financial and human resources available to these bodies and various aspects of financial management including accounting and auditing. It has attempted to identify where feasible if seemingly small measures could result in large improvements in the ULBs performance. The 5th SFC is of the view that a lot has already been done in terms of broader framework and macro level reforms of the urban local bodies but whatever has been done by the top is not culminating into desired results on the ground. Thus, in the 5th SFC's view, *there is a need to focus on 'management' and execution structures at lower levels. In particular administrative processes, communication lines, accounting and internal control procedures, audit compliances, information systems, bringing about clarity in the roles of local bodies as well as different constituents thereof, uniformity in standard operating practices and follow up and coordination systems, require further examination.* The related discussion follows.

4.2 Legislative Background and Framework

4.2.1 The institution of Urban Local Bodies (ULBs) in India is appropriately backed by the Constitution of India and respective State legislations. In context of the State of Haryana, the Haryana Municipal Act, 1973 (hereinafter referred as 'the 1973 Act') governs municipal councils and municipal committees, and the Haryana Municipal Corporation Act, 1994 (hereinafter referred as 'the 1994 Act') governs the municipal corporations in Haryana.

4.2.2 When the Constitution of India was formed, the urban governance was recognised as an important state subject and Entry 5 was inserted in List II of Seventh Schedule to the Constitution, mentioning 'local governance' as the state subject on which the State had exclusive powers to make laws– *"The 'Local governance' was defined as comprising the constitution and power of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration"*.

4.2.3 While the 'urban governance' was recognised as an important State subject the need of creating urban local bodies as self-governing institutions was not given due consideration. The possible reason could be that the urban population of India as per the 1951 census¹ was 17.3 % of the total population and might not have posed a need for more than simple administrative governance of urban areas. However, urbanization has been rapid since then and the trend is expected to accelerate.

4.2.4 The need for official acknowledgement to rationalize Urban governance was addressed when the Government passed the Constitution (Seventy-fourth) Amendment Act to introduce Chapter IX-A to the Constitution with effect from 1 June 1993. This amendment recognized urban local bodies as institutions of self-governance for urban local areas, granted these bodies powers and functions and provided for the structure and composition thereof.

4.2.5 The Constitution has provided an elaborate framework for structure, composition, finances, functions, review and monitoring of the ULBs with requisite powers to the States to entrust the local bodies the powers and responsibilities to be carried out according to their own special conditions and judgment, and has also made special provisions to ensure 'Planned Development' of both rural and urban areas by way of integrated planning through alignment of Central Government's Plans –State Government's Plans—ULB's Plans and PRI's Plans vide the institutions of metropolitan and district planning committees. The five-year plans have been discontinued Since April 2017. Thus, the process of "Planning", whose substance is to organise system, processes and financial and human resources to be obtain desired outcomes, need to be adjusted accordingly.

4.2.6 A specific provision was also made for establishment of Finance Commission to review financial position of the ULBs and to suggest the measures needed to improve the financial position of the Municipalities and also to give recommendation on any other

¹ Source: censusindia.gov.in

matter referred by the Governor of the State in the interests of sound finance of Municipalities.

4.2.7 The Haryana Municipal Act, 1973 and The Haryana Municipal Corporation Act, 1994 are consistent with the 74th Constitutional Amendments. The Haryana Municipal Corporation Act, 1994 includes a provision for constitution of Metropolitan Planning Committees vide Section 417, the Haryana Municipal Act, 1973 provides a corresponding provision for constitution of District Planning Committees in section 203B thereof. Both of these committees are required to submit the development plans to the Government of the State.

4.2.8 Given such a comprehensive structure and allied powers and responsibilities of local bodies in the prime legislations at the Central level and at the State level, urban local bodies should have been a strong medium of urban governance but since that is not the position in reality, there is a need to examine the manner in which these structures have been followed.

4.2.9 In Haryana, the establishment of urban local bodies as Municipal Corporation, Council or Nagar Panchayat (committee in context of Haryana) has been undertaken in line with the legislative provisions. The composition of urban local bodies in terms of ward committees and elected representatives is being adhered to in the spirit it was envisaged. The financial powers have been granted to the municipalities according to the legislation but requisite finances have not been made available to the local bodies. There are eighteen Functions listed for the municipalities, but in practice the state has devolved only a few activities. In some cases, a reverse trend is observed where some of the activities which were being undertaken by the municipalities have been shifted back to the State. Some of the functions are being performed by the Department of the State, some by the State Boards such as HUDA (Haryana Urban Development Authority). This necessitates coordination and policy coherence among different agencies providing the same service in different urban locations.

4.2.10 The SFC's research suggests that the broader provisions of accounting and auditing which are regarded as "implemented" by the authorities, could be made more effective in terms of timely submission of accounting statements or audit reports, and in terms of manner of handling finances. The design and implementation of integrated planning by the Metropolitan Planning Committees and District Planning Committees also seem to require policy focus of the State if Haryana's urban management is to be further improved.

4.2.11 *Another aspect emerging from the Constitutional mandate is self-governing status of the urban local bodies.* Prior to the 74th amendment to the Constitution, the State was

the one to decide the structure, power and duties of the urban local bodies, and these bodies were acting as extended arm of the State. After the said amendment, though in theory the urban local bodies became institutions of self-governance but in practice they remained executive or administrative arm of the State Government. The inconsistency observed is that these local bodies acquired a kind of autonomy in their functioning with a defined legislative framework for organisation structure, powers and duties but without having an independent administrative set up with own resources in terms of finances and capacity and systems. As a result, their dependence on the State has not undergone the requisite transformation.

4.2.12 The purpose of this autonomy was to empower the local bodies to take their own decisions regarding the works to be done in their area and to exercise discretion in their functioning. But practically the local bodies have not been in a position that they could go much beyond discharging their minimum basic functions. The 'autonomy' is ineffective as the ULBs are being left alone to shoulder all aspects of a given local area without the requisite capacities to do so.

4.2.13 The 5th SFC's research suggests that in Haryana, many functions such as tax levy and collection, accounting systems, planning, reporting; and service functions such as waste management are being undertaken by urban bodies, in their own ways, applying their local-body specific ideas, and duplicating or rather multiplying the basic efforts to find solutions to the common issues faced by almost all the local bodies.

4.2.14 The 5th SFC's research suggests that, every municipality in Haryana appears to be working as a standalone self-governed unit and trying its best to discharge various responsibilities. For example, every municipality in Haryana has been doing its own research to manage waste, some of them have done some experiments, some failed, some still in process, some have been successful to varying degrees. But in this process, each essentially has hired its own consultant and every time the thought process starts from scratch. Similarly, accounting in municipalities is performed in varied ways. Some follow Municipal Accounting Code 1930 and some follow NMAM. The grouping or classification of accounts is done as per their individual discretion. Those professing adoption of double entry system are undertaking it in different ways, are advised by different consultants to do the work with no common coding. No. two different municipalities know which software is being used, and in which format the accounts should be generated.

4.2.15 What emerges from the above situations is lack of efficiency in outcomes, duplication in efforts, and no uniformity in the reporting patterns. *Considering shortage of funds and human resources with requisite skills, expecting every municipality to undertake*

all technical aspects of the functions would naturally lead to inefficiencies. Thus 'autonomous' local bodies find themselves doing crisis management function rather than taking discretionary initiatives to fulfill the vision of a developed municipal area with efficient public utility systems in place.

4.2.16 The situation is further aggravated with growing fiscal constraints of the State, but rising importance of better public financial management; insufficient recognition of opportunity costs of time value of money; and limited capacity of State level ULB Directorate.

4.2.17 The 5th SFC therefore recommends establishing a State Level Urban Shared Services Center (USSC) to provide technological support and expertise to urban local bodies to help improve their delivery of public amenities and services. This will not only reduce burden on the local municipalities and help them working with the limited capacities, but facilitate enhancing their focus on critical issues of planning public amenities and in delivery of urban services.

4.2.18 The structure and functions of the USSC are discussed in detail in para 4.13 of this chapter.

4.2.19 The 5th SFC has recommended an annual grant of ₹ 50 crore per year for making the USSC to be located in the state ULB Directorate functional. This grant will be operational till the mandate period of the 5th SFC ends in 2020-21. The grant shall be routed through the specifically created Municipal Fund for this purpose. The State is urged to augment the funds for the USSC if necessary. (Reference to Chapter 6)

4.3 Organizational and Administrative Framework

4.3.1 Presently, there are eighty ULBs in Haryana, these can be either Corporations or Councils or Committees – classified according to the criteria set in the Constitution, and in the respective Legislation(s) in the State of Haryana. The criteria for ascertaining the type of local body required for a given urban area are primarily based on the population, but other factors are also permitted. These are density of population, revenue generated for local administration, the percentage of employment in non-agricultural activities, and the economic importance or such other factors as the State government may deem fit. In Haryana, usually only the 'population' is used as the criteria. Municipal Committee is formed for a transitional area with a population of not more than 50 thousand, Municipal Council is formed for a smaller urban area with population between 50 thousand and 3 lakhs, Municipal Corporation is formed for a larger urban area with population of 3 lakh or more. These municipal bodies not only differ in size but are governed by separate

legislations. Though the legislations are similar in most of the aspects, there are some differences which impact the functioning of municipal bodies.

4.3.2 The statistics of municipal bodies in Haryana as per the year 2011 census has been attached as Annexure 4.1. The broader parameters are as under –

Table 4.1
Haryana: Types of ULBs and select Indicators, 2011

Indicators	Municipal Corporation	Municipal Council	Municipal Committee
Population	49,71,430 (61%)	19,16,829 (24%)	12,55,998 (15%)
Area (Sq. Km)	1346 (62%)	395 (18%)	438 (20%)

Source: Area and Population is as per Questionnaires and official website of Department of Haryana

4.3.3 As per the above record, 61% of urban population of Haryana is covered under municipal corporation area (10 municipal corporations), while 39% (18 Councils and 52 Committees) of the population is covered under the Committee or Council area. These local bodies differ in their size and capacities but are responsible for providing almost same type of services to the respective local residents. Practically the smaller ULBs are not equipped to deliver the services as the bigger ULBs. There is however a need for the state to address functional and capacity gap exhibited by these parallel bodies.

Cantonment Board a deemed Municipality

4.3.4 In addition to the above 80 Municipalities, the State of Haryana has one Cantonment Board in Ambala with a total area of 7800.49 acres and a population of around 55370. Ambala is one of the 62 cantonments notified by Government of India. It consists of both military and civilian population and its Cantonment Board is required to perform almost all Municipal functions in the area. Section 10(2) of the Cantonments Act, 2006 provides that - *Every (cantonment) Board shall be deemed to be a municipality under clause (e) of article 243P of the Constitution* for the purposes of— (a) receiving grants and allocations; or (b) implementing the Central Government schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education. Also, Section 66 of the Cantonments Act allows the Cantonment Board to levy and collect the taxes as per the Municipal Acts of the State. Post this Cantonments Act, many States including the State of Telangana, Madhya Pradesh and Delhi have been providing grants to the Cantonment Boards within their territory.

4.3.5 The State of Haryana currently does not consider Ambala Cantonment Board as a 'municipality' as the Haryana Municipal Corporation Act, 1994 under section 1(2) and the

Haryana Municipalities Act, 1973 under section 2A specifically excludes the cantonment area from its purview. Thus, the Ambala Cantonment is not eligible for a share in the SFC grants or grants from the CSS. It has been communicated to the 5th SFC that addressing this anomaly could improve public amenities and services in the Ambala Cantonment Board.

4.3.6 The 5thSFC recommends that the Municipal Legislations of the State of Haryana be reviewed in view of the Cantonments Act, 2006 read with Article 243P of the Constitution of India, and the Ambala Cantonment be considered in the list of beneficiaries of SFC and Other grants. The 5th SFC has made provisions in its recommendations for the above to help facilitate this anomaly.

Shift in the Type of Municipality

4.3.7 An existing municipality in Haryana could be either a corporation or a council or a committee. As the 'type' of municipality is based on the population of a given locality as the main criteria, the status of a given municipality may undergo a change over the period of time. The State of Haryana has also shifted the status of many local bodies over the period, to take into account such factor as changes in the population. As an example, Sonipat Municipal Committee was established in year 1933 when the population of town was 15,050. It became a Municipal Corporation in year 2015 with a population of 2,89,333. A common concern in these local bodies is that though the type of municipality has been changed with larger population and greater responsibilities, the corresponding capacities have not been created accordingly.

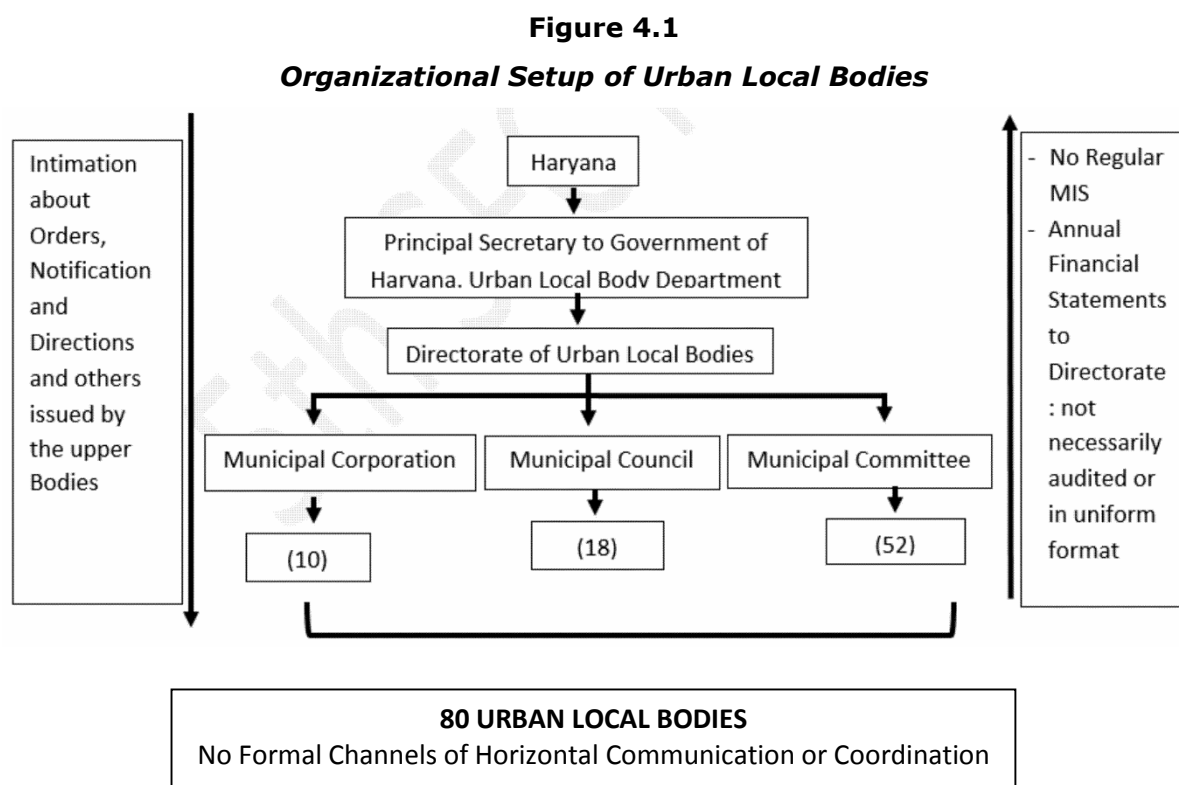
4.3.8 Similar concerns arise when major changes such as conversion of rural local body is made into urban local body; or work charge(s) are handed over by one administrative head to other, or by one functional head to the other. These kinds of changes are an integral part of the system, though not very frequent. Nevertheless, they need to be handled carefully to facilitate continuing smooth functioning of the local body. *The 5th SFC research suggests that there are no guidelines or standard set of procedures to be followed in this regard giving rise to ambiguities and inefficiencies.*

4.3.9 The 5th SFC recommends establishing a 'Standard Operating Procedures' (SOPs) for making any conversion from one type of 'local body' to the other, whether from 'rural' to 'urban'; or from Committee to Council to Corporation. SOPs should also be established for handing over of charge by administrative or functional heads in the municipalities. There should be a detailed checklist to be fulfilled for completion of the conversion or handing over process with clear responsibilities assigned to the outgoing and incoming persons and also about

the position of assets, liabilities and outcome status. This could minimize administrative concerns, and permit energies to be focused on better urban governance.

Organization Structure of Urban Local Bodies

4.3.10 The structure of urban local bodies in Haryana is vertical, with the Directorate of urban local bodies at the State level supervising all eighty urban local bodies (Figure 4.1).



Source: Constructed by the 5thSFC from "The Haryana Municipality Act 1973" and ATIRE 2014-15

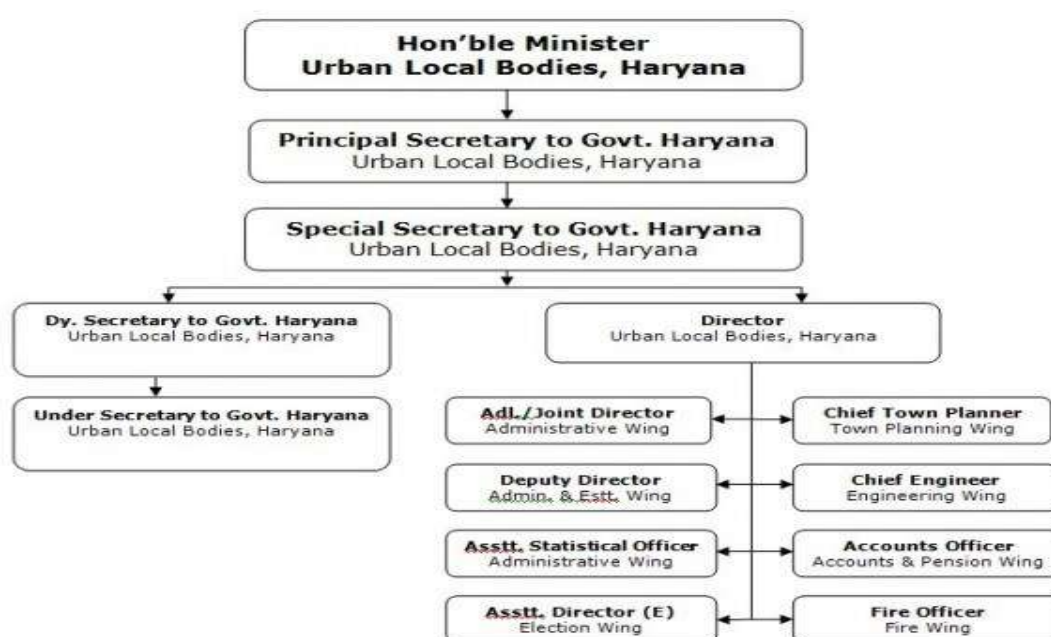
4.3.11 Figure 4.1 suggests that there are eighty ULBs in Haryana, each working as an independent body and each reporting to the Directorate of Urban Local Bodies. There are no effectively placed formal channels for horizontal communication or coordination between the different ULBs, and therefore, the capacities or experiences or common problems of all these local bodies may not get shared.

4.3.12 As for the vertical communication between the local bodies and the Directorate, for every bottom up communication, these eighty ULBs may connect with Directorate either through the concerned ULB official placed in the respective District or directly with the Directorate; and for every top down communication, a notification, or order, or direction etc. may be issued by the ULB Directorate and send to the ULBs. No system of regular reporting by ULBs to the Directorate is in place as yet, the only regular communication

which moves yearly from the ULBs to the Directorate is an annual consolidation of financial figures by the ULBs, which may be audited or un-audited. Other information(s) may be sought by the Directorate from ULBs on need basis.

4.3.13 Given the position that the Directorate of ULBs is to interact with and take care of differential needs of eighty ULBs on a regular basis, the Directorate requires a robust administrative structure and capacities. Following diagram depicts the existing structure of the Directorate of local bodies in the State.

Figure 4.2 Administrative set up of Directorate Urban Local Bodies



Source: Website of ULB Department, Haryana

4.3.14 The State Directorate is divided into election, administration, establishment, accounts and pension, engineering, town planning and fire divisions. The structure of the Directorate primarily focuses on administration and select service functions. Presently the Directorate is manned by a staff of about 82 persons² out of which generalists are much more than the specialists such as Engineers, Draftsman, Patwaris etc. Even the list of sanctioned manpower strength for the Directorate of ULB needs a review as the existing list contains a huge number of clerical and support staff, e.g. stenographers, drivers, peons and assistants and much less number of specialists such as Environment engineers, Fire Service specialists, Specialist Engineers for different works.

4.3.15 A broader view of the above discussed administrative and organizational structure reflects a clear capacity constraint on the part of the Directorate of ULBs to have an effective interaction with so many ULBs and to assist the local bodies in service delivery

²Based on the statement of manpower position in the Directorate as on 22-09-2016.

or in treasury management or accounting or other support functions; to implement and manage number of Central and State Government Schemes; and to effectively plan, manage, monitor and control the state of affairs with respect to the urban development in Haryana.

4.3.16 The SFC's research suggests that in effect only very limited set of responsibilities are being addressed by the Directorate. **The 5thSFC therefore recommends substantially strengthening the Directorate of ULBs of the State based on the scientific assessment of the human resource requirements for various functional responsibilities entrusted to it. The 5th SFC is of the view that clearly defined roles and responsibilities of various administrative verticals in the Directorate could contribute to improved governance.**

4.3.17 In this context, the Fifth SFC has also recommended for establishment of Shared Services Centers for ULBs as a part of the Directorate with different divisions for specialized function support. (Refer para 4.13 for detail)

4.3.18 Resuming back the discussion on the organizational structure of the department of Urban Local Bodies in Haryana, apart from the Directorate of ULBs, there are also some independent Boards or Authorities for specified purposes as detailed in the following table.

Table 4.2

Haryana, Boards/ Authorities under the ULB Department

Name of the Board/Authority	Objectives
Haryana Slum Clearance Board (HSCB)	<ul style="list-style-type: none"> Undertake the development or re-development of slum areas, rehabilitation of slum dwellers in the State of Haryana Work as Nodal Agency for availing financial assistance for Solid Waste Management, Shifting of Milk Dairies, Strengthening of Fire Services from National Capital Region, Swachh Bharat Mission (Urban) Scheme
State Urban Development Authority (SUDA)	<ul style="list-style-type: none"> Intends to receive grant from MoHUPA, GoI and State Government under National Urban Livelihood Mission (NULM)
Haryana Urban Infrastructural Development Board (HUIDB)	<ul style="list-style-type: none"> Upgradation and modernization of Town Planning and its implementation techniques Training facilities in urban Management and Human resources Development of Municipalities and urban Development Department coordinating, planning and implementing the approved schemes/ projects of the municipalities Declared as nodal agency for implementation of Smart City & AMRUT schemes

Source: Based on 5th SFC's research

4.3.19 These Boards/Authorities are largely working as nodal agencies for implementation of the specified schemes of the Central or the State Government, all focused towards the development of urban area. Each body has a set of objectives, a set of employees, and a basket of resources. However, the overall administrative structure does not appear to be outcome/result oriented. The challenge is to ensure that these bodies have capacity to operate and execute with accountability. For instance, the fund position of HUIDB reflects that out of ₹ 214 crores available to them, in the past six years (from 2010-2016), the annual expenditure has not touched even ₹ 1 crore mark. Another challenge is to ensure appropriate coordination with ULBs working at the service delivery level for respective area development and mapping of outcomes of the work undertaken through the Boards etc.

4.3.20 The 5thSFC recommends that the roles and responsibilities of all the Boards and Authorities including Local Bodies involved in the Urban development in Haryana be integrated and aligned, and a system of information sharing with respect to the outcomes be put in place as early as feasible.

4.3.21 The 5th SFC notes the establishment of a new urban development authority, namely, Gurugram Metropolitan Development Authority (GMDA), by the Government of Haryana. The GMDA has been established for development of the municipal area of Gurugram Corporation, Sohna Council, Pataudi, Faruknagar and Hailey Mandi Committees, and abadih of any Panchayat in Gurugram District. This Authority has been developed in a completely new format under a well-drawn legislation for establishment of such authority. The GMDA Act, 2016, elaborates on the objectives, powers, functions including alignment with the functions of respective local bodies, structure, infrastructure development planning, budget, resources including the stamp duty charges it may levy on the properties under its domain, other charges it may levy, information requirements and accounts and audit.

4.3.22 To obtain desired outcomes and for quality governance work of many agencies operating within a given area needs to be coordinated so that an integrated view of the development requirements and of implementing challenges can be taken. The objective of the GMDA is integrated development of the entire metropolitan area which is presently under the domain of many agencies such as the Municipal Corporation, HUDA and Establishment of GMDA can be potentially useful in the direction of integrated planning and development. However, a major factor in ensuring outcome by this authority would depend upon the fact as to how well the roles and responsibilities of all the bodies involved in the process of transferring of existing responsibilities are defined and followed. It will also depend on how well the roles and responsibilities of GMDA are aligned with the

respective Corporation, Council and Committees and other Boards/Authorities in its operations going forward.

4.3.23 The above development encouragingly suggests that the need for making consolidated efforts for local area development is being felt by the Government. Existence of multiple bodies with scattered responsibilities for the same functions needs a structural intervention either in the form of single authority assuming responsibility and accountability for the area development or a robust mechanism for planning, coordination and consolidation with effective communication and reporting channels should be in place.

Communication Channels in ULBs

4.3.24 The 5th SFC is of the view that a major point of concern in the organisational structure sketched in figure 4.1 is noticeable absence of formal channels of communication and coordination amongst different local bodies. *Each local body is operating as an independent organ and is reporting to the Directorate in the State.* There are no effective formal horizontal communication channels amongst the ULBs because of which synergies are not developed to use the leanings and capacities of other ULBs.

4.3.25 Also, the level of communication and coordination from Directorate to local bodies (top-down) and from local bodies to the Directorate (bottom-up) is not sufficiently effective in obtaining outcomes.

4.3.26 The information flow from top to bottom is primarily in the form of notifications or instructions or orders or meetings. These are usually need based, and often not fully understood by the operation level staff.

4.3.27 There is no regular flow of information from the Directorate to the ULBs in the form of research inputs or developments regarding good governance at the Central or State or other ULBs levels, or other guidance to enhance their functioning or capacity.

4.3.28 As for the upward communication, eighty local bodies need to refer to the Directorate for resolution of their day to day queries, e.g. whether they can levy a given tax or why they have not received their share of revenue or grant. Interactions by the 5th SFC with the officials at ULB level suggests that *the work at ULBs suffers for want of early clearance of files by the Directorate for the projects requiring permission there from.* The shortage of manpower and required capacity in the State Directorate accentuate the challenges.

4.3.29 Another form of upward communication is provision of regular information and data from local bodies to the Directorate in terms of annual financial statements or their plans

or details of implementation of a given scheme. At present, only information flowing regularly is annual financial data, that too, may be audited or un-audited and in varied formats. The Memorandum to the 5th SFC by *the Directorate of ULBs conveys that they face grave difficulties in obtaining reliable data on local finances from the municipalities.* Despite concerted efforts put in through official letters, telephonic conversations, personal visits, no tangible and reliable information could be received particularly from the municipalities. Most of the information received from the municipalities is often inconsistent and incomplete. The department therefore has to expand considerable energies and staff time to make such data useable.

4.3.30 The above strongly suggests a need for effective communication channels for communication between the Directorate and the ULBs and also amongst the ULBs *inter se*. A system of periodical information under MIS coupled with uniform and integrated website(s) can be helpful to create such channels, but equally important would be to maintain, continue and monitor such systems.

4.3.31 The SFC made an observation that the Directorate of ULBs in Haryana has already been working for establishing a Management Information System (MIS) for ULBs and certain formats have also been established, but the system is yet to be made operational. This effort by the ULB Directorate is commendable and may have far reaching effects.

4.3.32 The 5thSFC recommends an objective review of the MIS formats already created for the ULBs keeping in view the purpose of data to be obtained, the manner in which they are to be analysed, the format of the reports to be generated from the data, and the purposes for which could be used. If required, additional formats may be created. It would be desirable to issue a clear 'Standard Operating Procedure' for filling the information by the ULBs so that the uniformity and clarity be maintained in the data. A system of monitoring the quality of data coupled with follow ups and rationalisation mechanisms to make the exercise meaningful also merits consideration.

4.3.33 The 5thSFC recommends that an integrated website for Directorate of ULBs having gateway/link with all ULBs is likely to be helpful in placing all relevant developments with respect to the function areas of ULBs, such as, function wise information about all departments and state and other bodies involved in performance of different activities of the same function, related initiatives taken by the Central and the State Government, best practices followed in other ULBs in Haryana or across India or Globe, and the like. Also, placing all related instructions/notifications etc. with a clear set of SOPs to be followed by the ULBs

for implementing the same could be helpful in making the communication effectively reach the ULBs. A gateway for queries by ULBs to the Directorate and set of FAQs may reduce the burden of one to one interaction on the Directorate at many occasions. This recommendation may be developed further as needs and specific contexts change.

4.3.34 The goal should be to ensure that the websites of all ULBs are uniform in design and content. *ULBs may place all the related data for the purpose of MIS on their website which may be accessed by the Directorate through gateway on their own website.* A State Level Shared Services Centre, as recommended by the 5thSFC may prove helpful in this.

4.4 Framework for Service Functions

4.4.1 The very purpose of constitution of urban local bodies is to facilitate the provision of basic civic services to the local residents by a local authority as such authority is in a better position to assess and provide for the local needs. The Constitution of India, while recognising the ULBs as institutions of self-governance vide the 74th amendment thereto, envisaged 18 service functions (listed in the 12th Schedule) that can be entrusted to the local bodies by the State. These are listed below –

- | |
|---|
| <ol style="list-style-type: none"> 1. Urban planning including town planning. 2. Regulation of land-use and construction of buildings. 3. Planning for economic and social development. 4. Roads and bridges. 5. Water supply for domestic, industrial and commercial purposes. 6. Public health, sanitation conservancy and solid waste management. 7. Fire services. 8. Urban forestry, protection of the environment and promotion of ecological aspects. 9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded. 10. Slum improvement and up gradation. 11. Urban poverty alleviation. 12. Provision of urban amenities and facilities such as parks, gardens, playgrounds. 13. Promotion of cultural, educational and aesthetic aspects. 14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums. 15. Cattle pounds; prevention of cruelty to animals. 16. Vital statistics including registration of births and deaths. 17. Public amenities including street lighting, parking lots, bus stops and public conveniences. 18. Regulation of slaughter houses and tanneries. |
|---|

4.4.2 In the above context, Article 243W of the Constitution provides that the Legislature of a State may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to carry out the responsibility conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

4.4.3 In response to the mandate in the Constitution, the State of Haryana in its Municipal Corporation Act, 1994, governing the Municipal Corporations in Haryana, adopted all 18 functions empowering the State to entrust all or any of the functions to the municipalities. Apart from this, the Act has provided for 23 obligatory 'activities' and 24 discretionary 'activities' to be performed by the municipalities. Broadly, the obligatory and discretionary activities are constituents of one or the other function listed in the twelfth schedule of the Constitution. For instance, the function of '*Public health, sanitation conservancy and solid waste management*' involves many activities, out of which the activities listed in the 'obligatory functions' of a municipal corporation are –

- Construction, maintenance and cleaning of drains and drainage works and of public latrines, urinals and similar conveniences
- Scavenging, removal and disposal of filth, rubbish and other obnoxious or polluted matters
- Reclamation of unhealthy localities, the removal of noxious vegetation and generally the abatement of all nuisances

And the activities listed in the 'discretionary functions' are –

- Measures for preventing the checking the spread of dangerous diseases the organization or management of chemical or bacteriological laboratories for the examination or analysis of water, food and drugs for the detection of diseases or research connected with the public health or medical relief
- Public vaccination and inoculation
- The establishment and maintenance of hospitals, dispensaries and maternity and child welfare centres and the carrying out of other measures necessary for public medical relief

4.4.4 The above list of functions and activities to be performed by a municipal corporation has many dimensions. *First*, the municipality is obliged to perform only a limited number of activities out of the whole gamut of activities required (this kind of demarcation creates a kind of clarity as to the activities and responsibility of the municipality and very much helpful for local bodies as well as the local residents). *Second*, there is no clarity or information about the actual activities undertaken by a municipality out of the

discretionary functions at an appropriate coordinating forum so that the activities which are left to be opted by the municipality is allocated to another appropriate agency. *Third*, in practice, some of the municipalities do not possess the capacity to perform even the obligatory functions, such as construction and maintenance of works and means for providing supply of water in the local area as this work is usually undertaken by the PHED. (Also, there is a good possibility that the list of activities performed by different municipal corporations in Haryana may have some variations).

4.4.5 The above discussion regarding obligatory and discretionary functions was in context of the municipal corporations of Haryana. The position is a little different in case of Municipal Councils and Municipal Committees which are governed by the Haryana Municipal Act, 1973. In this Act, though the eighteen functions listed in the Twelfth Schedule of the Constitution have been adopted, but the Act does not give a separate list of obligatory and discretionary functions of the municipalities. Thus, there is no consistency to the activities actually undertaken by these municipalities, although it is broadly understood that all municipalities are assuming responsibilities for garbage collection, street lights etc. There could be a possibility that one ULB may be undertaking five activities while others may be undertaking four or six activities, and these may also differ in scope. The local area people usually are not properly informed as to what all services be taken care of by their respective municipalities.

4.4.6 *The 5th SFC's research suggests that there is neither a document nor a digital format where the functions/activities undertaken by a given municipality, are mentioned, and, which is accessible to general public.* Since there are many of activities at the discretion of municipality and many departments or bodies could be undertaking different aspects of an activity, it would be useful for the local residents to have access to know as to which authority is responsible for which function or activity so that they can connect in case of need.

4.4.7 **The 5th SFC recommends that there should be a well-publicized location which indicates the service delivery activities undertaken by a given municipality, and which takes into account the needs of the citizens regarding transparency and accountability. A Digital Board placed outside the wall of a municipal body may list such activities, preferably along with related desk location. Such information may be included in website also.**

4.4.8 *This relatively simple measure could have far reaching implications in terms of public convenience, outcome mapping, and allocation of functions/activities (not*

undertaken by a given municipality) by the State to different agencies and assessment of finances and capacities required by a municipality.

4.4.9 Given the above background regarding the functions or activities a municipality is expected to perform, there appears to be a complex functional matrix, where there could be some activities which municipality as well as other departments are performing with a possibility of an overlap without appropriate coordination, and also there could be some activity getting ignored altogether, such as storm water drainage. For instance, in the function of sanitation and waste management. Various agencies include:

Sanitation and waste management	<ul style="list-style-type: none"> ▪ Urban Local Bodies ▪ Health Department ▪ Haryana Slum Clearance Board ▪ Pollution Control Board of Haryana
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4.4.10 Also, there is a possibility that the similar activity(s) are carried out under some Central schemes or the State schemes which were to be performed by the local body or some other department.

Sanitation and solid waste management	<ul style="list-style-type: none"> ▪ Solid Waste Management under Swachh Bharat Mission ▪ State scheme of Solid Waste Management in Urban Area ▪ State scheme of Share of Surcharge for SC Component on VAT for Urban Local Bodies ▪ Sanitation under the Smart City Scheme
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4.4.11 In addition to the above-mentioned departments or schemes involved in the function of sanitation and waste management, there may be some more state bodies, CSR activities of companies, civil society organizations, and Schemes involving element of this function.

4.4.12 Thus, given a 'function', there may be a complex matrix of government bodies performing different aspects or activities related to that function including urban local bodies. There are no clear cut demarcation of activities inter se the departments and other government bodies in most of such cases and also tangible coordination channel is not there to save from overlapping and combining efficiencies. Also, it become more difficult to fix accountability, an integral part of good governance.

4.4.13 The 5th SFC recommends that there should be a mapping of activities by functions related to the ULBs. This should incorporate various ULBs functions performed by different departments and other government bodies. One of these departments/bodies must be identified as the nodal body for overall

performance of that function with the responsibility for coordinating and ensuring that resources of the State are utilized without overlapping. This could help to minimize resources devoted to a given function for the outcome level obtained.

4.4.14 There are service functions, where multiple authorities are providing the same service function in different parts of Haryana. As an example, the function of water supply and sewage is undertaken by Gurgram Municipality and Faridabad Municipality in their respective local areas; by Haryana urban Development Authority (HUDA) in Panchkula Municipal Corporation area; and by Public Health Engineering Department (PHED) in the rest of the Haryana.

4.4.15 Since water supply is a function which requires capital investment, integrated planning and high level of specialization, lack of such capacities in respective organizations can pose difficulties which are very much visible case of Haryana Corporations. For instance, Faridabad Corporation is not having good financial health for past many years and Gurugram Corporation is comparatively newer where capacities were not appropriately transferred for water supply while transferring this function by PHED.

4.4.16 If the service function is performed by the respective authorities to the satisfaction of the local residents, there should be no need to further comment on the arrangement. The 5th SFC's consultations and research suggest that for water supply and sewerage functions there is substantial scope for meeting even the basic expectations of citizens. The current arrangements therefore require re-examination. If there are compelling reasons for the current distribution of service functions, it should be ensured that requisite capacities are also transferred to the respective local authorities. The resulting arrangements should be outcome based, i.e. improving access, affordability and quality of these services for the citizens.

4.4.17 The 5th SFC recognizes the complexities involved in rationalizing present arrangements. It nevertheless urges that state authorities to find feasible ways to improve outcomes with respect to these services.

4.5 Service Delivery

4.5.1 Functional profile of the ULBs discussed in para 4.4 above suggests that the related legislation provide a broad spectrum of services to be performed by the local bodies. However, in practice, only a few of these services are being undertaken by them. Most of the functions and activities pertaining to local facilities and needs are in the domain of State departments or Boards or Authorities.

4.5.2 There also appears to be a tendency to transfer (or devolve) an activity being performed by one department of the State to the ULBs; or the activity performed by the ULBs to the State; or other more complex devolving changes. As an example, functions of the Director, Town & Country Planning in the State had been assigned to Directorate of Urban Local Bodies in respect of the controlled area forming part of an extended municipal area. The related activities include preparation and publication of the development plans and the permission for change of land use in the controlled areas. Another instance is relating to 'Fire Services' which was a service function of the ULBs, but the State has constituted a separate Directorate of Fire Services in the State.

4.5.3 The main service areas which every ULB is performing is garbage collection and cleaning. There are activities like street lighting, park maintenance, community and public toilets, construction and maintenance of community centres, road construction and maintenance (may be in select ULBs), fire services (though there is a separate Directorate but practically the services are provided through local bodies), water supply and sewerage (select ULBs), issue of birth, marriage and death certificates, issue of trade licenses, change in land use certificates etc.; and the activities forming part of a given Central Government or State Government scheme. The above suggests that even though service activities presently undertaken by the ULBs are not many, they nevertheless impact significantly on household level.

4.5.4 One feasible method to gauge the level of service delivery is to review the consumption data, or feedback from the service consumers. However, from the assessments made by the ULB Directorate and after interacting with ULBs at various levels, an observation may be made that the efforts of the ULBs, for various reasons, including the resource gap, continue to be insufficient.

4.5.5 In its submission to the 5thSFC, the Urban Local Bodies Department has indicated tentative additional requirements for providing minimum acceptable levels of basic civic amenities, details of which are noted below.

- *Strengthening/ Construction of Roads* - Road network is vital for connectivity and for sustained growth of the city. There are about 13,700kms. of the existing municipal roads out of which, about 9700Kms are surfaced roads and 4000kms are un surfaced roads. Out of surfaced roads, 60% need major repairs as these get frequently damaged due to heavy traffic, flood and changing weather conditions. **The 5th SFC suggests that the procurement policies for contracting out of road repairs be reviewed to identify possibilities for improving outcomes.**

- *Street Lights* - There are about 4 lakhs street lights in various municipalities which require frequent repairs and up gradation. Further, newly developed areas need to be provided with more street light points. There are 4039 km sun surfaced roads, where installation of octagonal polls 7 meter high with light is to be done.
- *Community Toilets* - Due to continuous high rate of urbanization, heavy shift of population to cities is taking place, resulting in slums and requiring much larger housing and toilet facilities. It is estimated that 300Community /public toilets in all the ULBs are required to be constructed.
- *Drainage* - It is estimated that nearly 8100kms. drains are needed to be constructed, both sides of nearly 4050kms.of un surfaced roads.
- *Solid Waste Management*–The State Master Plan of Haryana has, based on various factors such as existing treatment plants, free land pockets, optimal waste transport distance the total 80 ULB’s of Haryana, divided the state into 15 cluster based Integrated Solid Waste Management projects. These projects shall employ technologies such as waste to energy, bio-methanation, composting and RDF for processing of MSW. These projects are to be developed on Public Private Partnership (PPP) mode. The scope of work of the selected developer includes Door to Door Collection, Transportation, Processing and Disposal of solid waste as per the Solid Waste Management Rules 2016 and NGT Guidelines. The selected developer will manage the entire municipal solid waste generated for a concession period of 20 Years. A Onetime capital grant as Viability Gap Funding (VGF) will be provided by Government of Haryana according to the guidelines of Swachh Bharat Mission for setting up collection, transportation, treatment and disposal of municipal solid waste. The tentative cost of 15 clusters is estimated to be ₹ 1550 crore; out of which, ₹ 460 crore (30% VGF of the total amount) would be provided by the Government of India under Swachh Bharat Mission and it is hoped that about 30% would be provided by the private agencies and remaining 40%, amounting to ₹ 625 crore is required to implement the project.
- *Fire Services* – As of mid-2017, 59 Fire Stations are in existence under various municipalities, with 270 Fire vehicles, and 561 Fire Officers/Officials. In addition, around 900 Firemen/Fire Drivers have been engaged on contract basis. In addition to above, 26 Fire Stations are also functioning under various Market Committees in the State, in which 89 Fire Officials are employed, and 27 fire vehicles are available.

- As per Haryana Fire Service Act, 2009, to integrate the Fire Services being operated by various agencies in the State, Fire Service (Group-A, B,C & D) Rules, 2016 have been published on 21.06.2016. Accordingly, the fire services maintained by various agencies have been integrated w.e.f. 01.04.2017. For this purpose, 2779 posts of various categories have been sanctioned by the Government to integrate the services of staff working in Fire Stations under various municipalities as well as Fire Stations under Market Committees.
- The guidelines issued by Ministry of Home Affairs, Government of India, indicate that there should be one fire vehicle for the population of 50,000 (fifty thousand). According to the 2011 Census, the population of the State of Haryana was 25.4 million. On the basis of population, there should be 508 fire vehicles in the State, but at present only 297 fire vehicles are available. There is a gap of 211 vehicles. To meet the norms of Ministry of Home Affairs, Government of India, regarding fire units, fire station buildings, hydraulic platforms and modern fire fighting equipment's the expenditure estimate is about ₹ 50 crore per annum for the State.

4.5.6 It is encouraging that the ULB Directorate has assessed the existing situation and the gaps in meeting norms for selected urban services. The challenge is to focus on ways to filling the gaps identified.

4.5.7 The research by the 5th SFC suggests that the constraints in filling the gaps are both at the structural level, where there is an ambiguity regarding the scope of services to be provided by different agencies; and also at the operation level either because of capacity or weak communication and coordination and internal control mechanisms. For improving public service delivery, reform of structures and processes is needed. Mere enhanced capital investment or other expenditure in urban and rural areas without norms and benchmarked service levels may not yield meaningful results.

4.5.8 For the structural challenges, the 5th SFC has suggested clear defining of roles through activity mapping and Shared Services Centers at the State Level to provide specialized support to the ULBs.

4.5.9 The 5th SFC has also made suggestions for putting in place efficient processes and support functions (for instance, effective top-down communication, and bottom-up communication regarding queries or problems, an efficient recording of data, good accounting system, efficient internal control mechanism including audit, channels for coordination etc.).

4.5.10 From the perspective of service delivery, *an essential requirement on the part of the ULBs is to be responsive to the recipients of services. This involves addressing the service issues, be it providing information about the services or giving access for online services or rectifying any service deficiency reported, or taking into account feedback or suggestions from the public. Thus, ULBs must have a robust communication system with convenience and accessibility for the local public as the main priority.*

4.5.11 Research by the 5th SFC suggests that such kind of communication systems are in place only in select bigger municipalities in Haryana. For instance, in Gurugram Corporation, a community feedback system has been developed in three different modes. The first is through mobile, the second is through call centre, and the third is through web portal. A Toll-free number has been provided to the residents of Gurugram and also a separate number has been circulated to receive complaints using 'whatsapp' from the residents.

4.5.12 The Gurugram Municipality has also implemented innovating initiatives for involving citizens in day to day affairs of the corporation. They seek citizen participation in development works in order to enable the residents of Gurugram Municipal Area who have stake in any of the development works, and wish to supervise it's the execution, are invited to be a member of the Citizen Supervisory Committee for each work.

4.5.13 In the case of Faridabad Corporation, the steps taken for the timely delivery of citizen services include opening of ward office, mobile application service, facility of on-line payment gateway, registering complaints through a Call centre with a toll free number, and whatsapp number. They have also established a "Citizen's Forum and Supervisory Committee" in the website for ensuring transparency in the quality of day to day development works of Municipal Corporation, and active involvement of residents having stake in the development works in Faridabad Municipal Area.

4.5.14 *The above measures have the potential to be responsive to the needs of the local residents. However, there is scope for doing better. Thus, only 14 municipalities (out of 80) in Haryana are having a website³ of their own (letter dated 28-09-2016 from the Directorate of ULBs), and in a good part of urban Haryana, effective systems for residents interaction have not been put in place; two, the municipalities which have placed such systems are not harnessing the potential of the systems optimally.*

4.5.15 Research by the 5th SFC suggests that the residents of the localities are insufficiently aware of the existence of such Toll free Numbers and other means of connecting with the

³ Source: Letter dated 28-09-2016 from the Directorate of ULBs.

respective municipalities. There have been occasions when a call on Toll Number does not get receive any response at the other end. This suggests that installing various means of interaction with the local community is a good step, but ensuring that it works appropriately and serves the intended purpose is vital.

4.5.16 The 5thSFC has recommended for a uniform website design for all ULBs (additional pages in the site may be made for additional functions or schemes a specific ULB may be entrusted with). This could help ensure save expenditure, greater use of already existing systems and resources and ideas, and result in ease of operation by the residents as well as by the administration. As suggested, if the ULBs websites are to be linked with the website of the Directorate for the ULBs, uniform design would be convenient and economical to manage. It needs to be ensured that the websites are updated regularly and working. This will also help in making online service mechanism available to those in the smaller municipalities.

4.5.17 **The 5thSFC recommends that the Toll-Free phone number or 'whatsapp' number or web address meant for feedback from local residents of a municipal area be well publicized through Boards or by any other means by which general public may become aware of such means of communication.** The 5th SFC's research suggests that currently the local residents are often not aware of the communication channels made available by their municipalities.

4.5.18 **The 5th SFC recommends that a mechanism should be put in place to prepare a periodical (at least monthly) MIS of the feedback received from the local residents (be it complaints or suggestions), analyse and classify these to identify the problem areas and the areas where improvement may be made.** The objective should be to take proactive actions by the ULBs to address the issues of concern to the citizens.

4.5.19 *There may be situation of resource constraints on the part of individual ULBs, but the concept of uniform websites and services of operation, maintenance and updation of the site and MIS data by a State Level Shared Services Centre are likely to be helpful in addressing the resource and capacity constraints.*

4.6 Financial Position

4.6.1 The 5th SFC approached the analysis of the financial position of the urban local bodies in Haryana by first summarizing the resource envelope and expenditure envelope from the year 2011-12 to 2016-17. This is followed by an analysis of some select ULBs to identify the trend of composition of revenue in ULBs and accuracy of budget estimates.

The 5th SFC has then explored the ways and direction which may lead to augmentation of resources of ULBs and prudent management thereof to ensure that the resources are spent less (purchase of a given quantity and quality of a good, service, or asset, at lowest feasible cost), spent well (attainable relationship between inputs and outputs) and spent wisely (spent to meet citizen's needs and aspirations).

Resource Envelope of Haryana's ULBs

4.6.2 Total resources of ULBs comprise of revenue earned by the ULBs through their own sources and Grants received either under different Schemes or under recommendations of the Central Finance Commission of India or State Finance Commissions. Table depicts the composition of total resources of ULBs:

TABLE 4.3
Haryana; Composition of Resources to ULBs, 2011-12 to 2016-17

(₹ Crores)

S.N.	Component	2011-12		2012-13		2013-14		2014-15		2015-16		2016-17
		RE	Actual	RE	Actual	RE	Actual	RE	Actual	RE	Actual	Budget
	Own Sources											
1.	Own Tax Revenue	564.6	152.8	849.1	239.6	431.3	272.4	412.3	133.2	484.3	548.5	659.3
2.	Own Non-Tax Revenue	1093.2	805.4	546.4	399.9	581.5	320.7	662.0	363.5	890.8	354.5	639.1
3.	Loan Repayment	215.5	68.1	136.0	89.9	56.1	59.1	141.0	113.7	212.0	64.1	162.0
4.	Any Other	402.3	194.1	560.5	127.9	147.5	31.7	198.0	253.0	926.6	292.4	1643.5
	Total (A)	2275.6	1220.4	2092.0	857.3	1216.4	683.9	1413.3	863.4	2513.7	1259.5	3103.8
	Grants in Aid											
1.	13th & 14th CFC	63	51.3	95.5	60.8	179.1	165.8	129.2	72.7	199.6	135.0	358.0
2.	SFC Grants	127.8	127.8	147.2	147.1	168.8	118.1	152.5	152.5	190.0	190.0	241.3
3.	Centrally Sponsored Schemes	313.1	86.1	325.0	170.1	351.9	237.7	57.5	18.1	287.3	105.9	278.9
4.	State Budget Funds	1313.7	892.3	2112.7	1815.6	2418.0	1802.2	2296.1	2171.8	2686.6	2207.6	2789.8
5.	AMRUT	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	262.0	92.6	440.0
6.	SMART CITY	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	4.0	400.0
	Total (B)	1817.6	1157.4	2680.4	2193.6	3117.8	2323.8	2635.3	2415.1	3631.4	2735	4507.9
	Grant Total (A+B)	4093.2	2377.9	4772.4	3051.0	4334.2	3007.7	4048.6	3278.5	6145.1	3994.5	7611.7

Note: All the figures are actual except the year 2016-17, which is a budget estimate

Source: ULB Department, Haryana

4.6.3 As shown in Table 4.3 *Own Tax Revenue (OTR)* of ULBs include income from levy and collection of taxes by ULBs such as Property tax, Fire tax, Water tax, Development tax, show tax etc. The *Own Non-Tax Revenue (ONTR)* of the ULBs includes water and Sewerage charges, Building application Fees, proceeds from sale of land or assets. An analysis of the responses from the 5th SFC's questionnaires to ULBs suggests that Own Non-Tax Revenue may also include all kinds of fee levied by ULBs like Teh Bazari, Trade License fee, and others. The 'Any Other' category includes rental income, other income from property and investment and may also include fee in some cases as there is no structured system of classification followed across ULBs and also in arranging the data by different departments like ULB Department and Economics and Statistical Department. As the quantum of the revenue amount placed under the head 'Any other' is high, it is important to classify this source of revenue under the appropriate heads to make some meaningful analysis. For instance, interest on investments, income from financial assets, should come under a separate category.

4.6.4 The CFC and SFC are constitutionally mandated bodies which recommend devolving of central government and state government resources respectively to other levels of government. Regular Grants from CFC and SFC to Local Bodies constitute a significant source of funds for these bodies.

4.6.5 *State Budget Fund* includes two major components. First, the shares of taxes collected by the State either on account of ULBs like stamp & registration duty, electricity duty, and Vehicle registration tax (these taxes are levied under the ULB legislation) and transferred to the ULBs, and the taxes which are levied and collected by the State and transferred to the ULBs on account of State Policy, such as, 5% cess on VAT and the State excise duty on liquor. These taxes have been referred in our discussion as '*shared taxes*' hereinafter. Secondly, the amount transmitted to the ULBs on account of State sponsored schemes and may include the contribution share of the State for the centrally sponsored schemes. These grants can be development grants, special grants, maintenance grants for local bodies for improving the level of public services.

Budget Estimation

4.6.6 *It is essential that the ULBs continue to increase their reliance on their own source of revenue.* The Budget Estimate (BE) for 2016-17 appears to reflect too sharp an increase in OSR. The record exhibited between the years 2011-12 and 2014-15 indicates that only about 50 percent of the Budget Estimate for OSR was realized. If this ratio is applied to the 2016-17 Budget Estimates (Table 4.5), then OSR to GSDP ratio will be 0.29 percent of GSDP and not 0.56 percent. It is however encouraging that the current Haryana

government aims to increase total resources devoted to ULBs, as well as increases the share of OSR.

4.6.7 There has also been sharp fluctuations in the importance of the “Others” category. Sharp increase in Budget Estimates of 2016-17 (from 23.2 percent in 2015-16 to 53.0 percent in 2016-17) needs to be interpreted cautiously. This is because during the 2011-12 to 2015-16 period, Actual Revenue to Budget Estimate for this category was low with the exception of 2014-15 when it significantly exceeded the Budget Estimate.

Table 4.4

Haryana ULBs: Accuracy of Budget Estimates Select Categories

Accuracy is defined in this table as Actual Revenue divided by Budget Estimate. Thus, in 2015-16 the ratio was 0.72 for Total Receipts. This implies that Actual Receipts were only 72 percent of the Budgeted Receipts.

Actual/Budget Estimates

Component	2011-12	2012-13	2013-14	2014-15	2015-16
Total Receipt	0.62	0.80	0.69	0.78	0.72
Own-Source-Revenue	0.54	0.41	0.56	0.61	0.50
Own- Tax-Revenue	0.27	0.28	0.63	0.32	1.13
Own-Non-Tax-Revenue	0.74	0.73	0.55	0.55	0.40
Loan Repayment	0.32	0.66	1.05	0.81	0.30
Any Other	0.48	0.23	0.21	1.27	0.32
Grant in Aid	0.74	1.28	0.75	0.86	0.89
13 th /14 th Central Finance Commission(CFC)	0.81	0.66	0.93	0.56	0.68
State Finance Commission(SFC)	1.40	1.02	0.70	1.00	100
Centrally Sponsored Schemes Funds(CSS)	0.21	0.52	0.68	0.08	0.99
State Budget Funds	0.89	1.60	0.75	0.94	0.86
AMRUT	0.00	0.00	0.00	0.00	92.60
Smart city	0.00	0.00	0.00	0.00	4.00

Note:-Details may not add up to the total due to rounding

Source: SFC Estimates from data provided by ULB Department, Haryana

4.6.8 In Table 4.4, an estimate of the accuracy of Budget Estimates with Actual realizations is made. This is called fiscal marksmanship analysis. The data strongly suggest poor fiscal marksmanship in most categories, including for the 13th/14th Central Finance Commission (CFC) grants, and for the CSS.

4.6.9 The 5thSFC urges the State government to undertake a technical review of its budget forecast practices; and to regularly evaluate reasons for the fiscal

marksmanship record exhibited by disaggregated revenue and expenditure categories in the State budget as well as those of the ULBs and PRIs.

4.6.10 Before discussing different types of resources of ULBs, it may be noted that *it is possible that different classification appears to be used in different data records from varied sources*. For instance, the Statistical Department of Haryana includes state excise in ONTR (may be considered as misclassification) while ULB department records it under grant-in-aid. Such different classification has made the task of analysing data more complex.

4.6.11 The 5th SFC recommends that the urban Department of Haryana reconsider the current classification of receipts and of expenditures as it is not conducive for analytical and policy purposes. It is also not consistent with integrating accounting and reporting requirement of the current and capital expenditure budget classification and with the PFMS.

An Analysis of Aggregate Resources of the ULBs

4.6.12 It may be useful to begin by comparing aggregate resources of the ULBs in Haryana with the average for India. Isher Ahluwalia has noted that total municipal revenue in India declined from 1.08 % of GDP in 2007-08 to 1.03% in 2012-13. The same ratio is 6% in South Africa and 7.4% in Brazil. What is more, the transfers from the State government in India are neither guaranteed nor predictable. In South Africa, the transfers are determined and announced at the time of the annual budget”.

4.6.13 Aggregate resources of the ULBs in Haryana constituted 0.87% of GSDP in 2012-13, much lower than the average for India. The budget estimates for the year 2016-17 of GSDP for the ULBs appear to be on the optimistic side.

4.6.14 Table 4.5 shows a picture of percentage resources of ULBs in Haryana vis-à-vis its GSDP:

Table: 4.5
Haryana, Resource Envelope of Urban Local Bodies

₹ Crore

Year Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (B.E)
Total Resources	2377.9 (100.0)	3050.9 (100.0)	3007.7 (100.0)	3278.5 (100.0)	3994.5 (100.0)	7611.7 (100.0)
% of GSDP	(0.79)	(0.87)	(0.75)	(0.74)	(0.82)	(1.39)
Own Sources Revenue (OSR)	1220.4 (51.3)	857.3 (28.1)	683.9 (22.7)	863.4 (26.3)	1259.5 (31.5)	3103.8 (40.8)
% of GSDP	(0.41)	(0.24)	(0.17)	(0.19)	(0.25)	(0.56)
Grants	1157.4 (48.7)	2193.6 (78.9)	2323.8 (77.3)	2415.1 (73.7)	2735.0 (68.5)	4507.9 (59.2)
%of GSDP	(0.38)	(0.63)	(0.57)	(0.55)	(0.56)	(0.82)

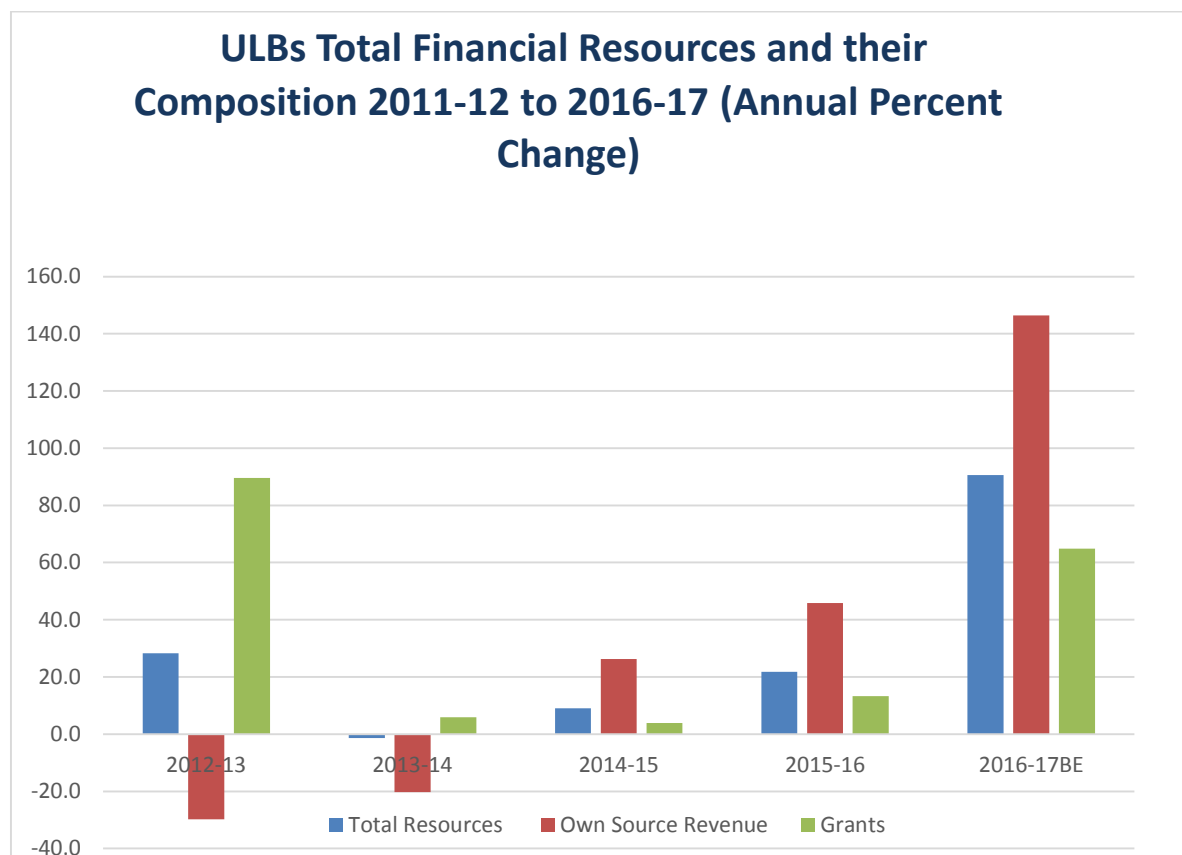
Note: (1) Details may not add up to the total due to rounding
(2) Figures in bracket are percentage of appropriate total

B.E: Budget Estimate

Source: SFC Estimates from data provided by ULB Department, Haryana and Haryana Statistical Abstract 2015-16

4.6.15 It may be observed that not only the overall resources attributed to ULBs in Haryana do constitute a low percentage of GSDP, but also the components of ULB resource envelope are fluctuating every year with no defined trend. A graphical representation of the above data helps underline this point.

Figure 4.3



4.6.16 Decomposition of total resources of Urban Bodies into Own Source Revenue (OSR) and Grants for 2011-12 to 2016-17(BE) period, suggests that *the share of grants in total resources of the ULBs has increased sharply between the years 2011-12 to 2015-16, and correspondingly the share of OSR has declined.*

4.6.17 There has however been a welcome increase in the OSR in 2015-16. A part of the increase could be due to recovery of past dues. This is probable as there was a sharp decline in the OSR in the past years immediately preceding the year 2015-16. As it is likely that in the years approaching state assembly elections, collection of OSR of the ULBs exhibits a relative slowdown, the year 2014-15 was election year in the State.

Macro Analysis of Selected ULBs

4.6.18 The 5th SFC has analysed different components of OSR for a sample of urban bodies in Haryana. The sample comprises five Municipal Corporation (out of 10); five Municipal Councils (out of 18); five municipal committees (out of 52).

4.6.19 There are several reasons why such an analysis is useful. *First*, such an analysis would suggest the extent to which there is stability in total receipts and their composition in each municipal body over time; and among different types of municipal bodies. *Second*, such an analysis could reveal the changing pattern of resource availability for each municipal body, and among bodies. *Third* there is a large time gap between the population base used (usually the latest population census) to allocate SFC funds among the Urban and the Rural Bodies, and the years in which the funds actually are allocated. At the least, this needs to be taken into account in allocating the SFC grants.

4.6.20 In the analysis, data for the year ending 2015-16 are used as even the broad aggregate data for 2016-17 are not available from the Urban Department. **The 5th SFC recommends that processes by which data are obtained by the Urban Department from the municipal bodies be reviewed with the objective of obtaining real-time data from them. Progress towards this objective, with clear roadmap stated, could be gradual. This would also require augmenting human resources and accounting and budgeting technology of the Urban Department and the municipal bodies.**

4.6.21 In all types of municipalities, wide variations observed in per capita receipts.

- *Among the five municipal corporations, there are wide variations in per capita receipts; and in the share of OTR, ONTR and of Any Other category. Thus, in 2015-16, total Receipt per capita (2011 population census basis) varied from ₹ 5462 in Gurugram to a low of ₹ 621 in Panipat. Moreover, the gap in per capita receipt between Gurugram on one hand and other selected Municipal Corporations has widened since 2011-12.*

Table 4.6
Haryana, Per Capita Receipt of Selected Municipal Corporations: By Broad Categories 2015-16

Components	Faridabad	Gurugram	Panchkula	Panipat	Rohtak
Population as per Census 2011	14.14	8.76	2.11	2.94	3.74
Total Receipt (₹ crore)	164.6	479	19.1	18.3	40.1
Per Capita Receipt as per 2011 census ₹	1163	5462	904	621	1071
OTR * (₹ Crore)	45	388.1	4.4	10.9	19.2
Per Capita Receipt as per 2011 census ₹	318	4430	209	371	513
ONTR ** (₹ Crore)	108.2	54.6	7.7	5.1	11.5
Per Capita Receipt as per 2011 census ₹	765	623	365	173	307
Any Other*** (₹ Crore)	11.4	36.2	7	2.3	9.5
Per Capita Receipt as per 2011 census ₹	81	413	332	078	254

Note: Details may not add up to the total due to rounding

Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non-Tax Revenue

***Any Other: Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

Source: SFC Estimates from the data provided by ULB Department, Haryana

- A similar variation in per capita total receipts of selected Municipal Council. Thus, in 2015-16, the per capita receipts (2001 population) varied from a high of ₹ 961 for Palwal to a low of ₹ 401 for Jind, a difference of 58.3 percent.

Table 4.7
Haryana, Per Capita Receipt of Selected Municipal Councils: By Broad Categories 2015-16

Components	Bahadurgarh	Jind	Kaithal	Palwal	Sirsa
Population 2011 Census (Thousand)	17.01	16.75	14.49	12.87	18.25
Total Receipt(₹ lakh)	1330.4	672.8	916	1237.7	959.3
Per Capita Receipt As per 2011 census (₹)	781	401	631	961	525
OTR * (₹ lakh)	126.3	176.2	194.9	80.5	236.7
Per Capita Receipt As per 2011 census(₹)	74	10.5	13.5	63	130
ONTR ** (₹ lakh)	981.2	418.5	394.7	531.8	502.8
Per Capita Receipt As per 2011 census(₹)	577	25.0	27.2	413	276
Any Other*** (₹ lakh)	222.9	78	326.4	625.4	219.9
Per Capita Receipt As per 2011 census(₹)	131	47	22.5	486	120

Note: Details may not add up to the total due to rounding

Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non Tax Revenue

***Any Other : Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

Source: SFC Estimates from the data provided by ULB Department, Haryana

- For selected Municipal Committees, in 2015-16, per capita receipts (2011 population) varied from a high of ₹ 586 in Sambhalka to a low of ₹ 395 in Nilokheri, a difference of 32.6 percent.

Table 4.8
Haryana, Per Capita Receipts of Selected Municipal Committees: By Broad Categories, 2015-16

Components	Jhajjar	Meham	Nilokheri	Nuh	Samalkha
Population 2011 Census (Thousand)	48.4	20.4	18	16.2	39.7
Total Receipt (₹ lakh)	227.5	95.3	70.8	87.4	232.8
Per Capita Receipt As per 2011 census (₹)	470	467	395	540	586
OTR * (₹ lakh)	66.6	14.6	15.3	19.4	24.5
Per Capita Receipt As per 2011 census (₹)	138	72	85	120	62
ONTR ** (₹ lakh)	129.9	67.4	51.2	39.8	153.6
Per Capita Receipt As per 2011 census (₹)	268	330	284	246	387
Any Other*** (₹ lakh)	31.1	13.4	4.3	28.1	54.7
Per Capita Receipt As per 2011 census (₹)	64	66	24	173	138

Note: Details may not add up to the total due to rounding Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non Tax Revenue

***Any Other : Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

Source: SFC Estimates from the data provided by ULB Department, Haryana

4.6.22 Thus, among the three categories of Municipalities, horizontal difference in per capita receipts is highest for Corporations, followed by for Councils and for Committees.

4.6.23 Ideally, such an analysis should be linked to the efforts being made by these entities in realizing their revenue potential in their expenditure management and in the per unit cost of providing public amenities and services, but current data and analytical capacities do not permit such analysis.

4.6.24 The dilemma for the State agencies (whether through the budget or through the SFC allocations), and the Union Government agencies (whether through CFC allocations, CSS, or other allocations) is that attempting to narrow differences in per capita receipts among different urban entities without taking into account the factors noted, above could result in significantly lower incentives to undertake the needed reforms by the municipal bodies. This problem is termed "moral hazard" problem where as a result of design of transfers from above, there is little incentive to reform by the lower levels of government.

4.6.25 If per-capita receipts for 2017 projected population is taken, the per capita total receipts decline by 8.4 in all the Corporations. However, during the period between 2011

and 2017, the cost of providing Urban amenities would have been increasing. This accentuates the need for greater focus on own- revenue generation, and better expenditure management by the Municipal Corporations. The above comments also apply to Municipal Councils and Municipal Committees.

4.6.26 An analysis of the share of different components of the total receipts in Haryana's municipal bodies suggests that *there are wide variations in the relative importance of various components of total receipts among the municipal bodies.*

4.6.27 Among the Corporations, in 2015-16, the share of OTR in total receipts was 81.0 percent in Gurugram, but only 23 percent in Panchkula. With respect to ONTR Faridabad exhibited the highest share of 65.7 percent in 2015-16, and Gurugram the lowest at 11.4 percent. With respect to the "Any other" category, in 2015-16, Panchkula exhibited the largest share at 36.6 percent, and Faridabad the lowest at 6.9 percent in 2015-16.

Table 4.9
Haryana, Total Receipt of Selected Municipal Corporations, 2015-16

Components	Faridabad	Gurugram	Panchkula	Panipat	Rohtak
Total Receipt (₹ lakh)	164.6 (100)	479 (100)	19.1 (100)	18.3 (100)	40.1 (100)
OTR (₹ lakh)	45 (27.3)	388.1 (81.0)	4.4 (23.0)	10.9 (59.6)	19.2 (47.9)
ONTR (₹ lakh)	108.2 (65.7)	54.6 (11.4)	7.7 (40.3)	5.1 (27.9)	11.5 (28.7)
Any Other (₹ lakh)	11.4 (6.9)	36.2 (7.6)	7 (36.6)	2.3 (12.6)	9.5 (23.7)

Note: Details may not add up to the total due to rounding

Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non Tax Revenue

***Any Other : Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

Source: SFC Estimates from the data provided by ULB Department, Haryana

4.6.28 For Municipal Councils, the share of OTR in Total Receipts range from high of 26.7 percent in Jind to a low of 6.5 percent in Palwal, representing low tax revenue mobilization effort. **The ONTR Category is relatively significant in the sample Councils,** exhibiting a range of 73.8 percent in Bahadurgarh to 43 percent in Palwal. 'Any Other category' accounts for half of total receipts in Palwal, but only around one-eighth in Jind.

Table 4.10

Haryana, Total Receipt of Selected Municipal Councils, 2015-16

Components	Bahadurgarh	Jind	Kaithal	Palwal	Sirsa
Total Receipt (₹ lakh)	1330.4 (100.0)	672.8 (100.0)	916 (100.0)	1237.7 (100.0)	959.3 (100.0)
OTR * (₹ lakh)	126.3 (9.5)	176.2 (26.2)	194.9 (21.3)	80.5 (6.5)	236.7 (24.7)
ONTR ** (₹ lakh)	981.2 (73.8)	418.5 (62.2)	394.7 (43.1)	531.8 (43.0)	502.8 (52.4)
Any Other*** (₹ lakh)	222.9 (16.8)	78 (11.6)	326.4 (35.6)	625.4 (50.5)	219.9 (22.9)

Note: Details may not add up to the total due to rounding

Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non Tax Revenue

***Any Other : Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

Source: SFC Estimates from the data provided by ULB Department, Haryana

4.6.29 For Municipal Committees, the share of OTR in Total Receipts range from high of 29.3 percent in Jhajjar to a low of 10.5 percent in Samalkha, representing low tax revenue mobilization effort. *The ONTR Category is relatively significant in all the sample Committees*, exhibiting a range of 72.3 percent in Nilokheri to 45.5 percent in Nuh. With respect to the Any Other category, in 2015-16, Nuh exhibited the largest share at 32.2 percent, and Nilokheri the lowest at 6.1 percent in 2015-16.

Table 4.11

Haryana, Total Receipt of Selected Municipal Committees, 2015-16

Components	Jhajjar	Meham	Nilokheri	Nuh	Samalkha
Total Receipt(₹ lakh)	227.5 (100.0)	95.3 (100.0)	70.8 (100.0)	87.4 (100.0)	232.8 (100.0)
OTR * (₹ lakh)	66.6 (29.3)	14.6 (15.3)	15.3 (21.6)	19.4 (22.2)	24.5 (10.5)
ONTR ** (₹ lakh)	129.9 (57.1)	67.4 (70.7)	51.2 (72.3)	39.8 (45.5)	153.6 (66.0)
Any Other*** (₹ lakh)	31.1 (13.7)	13.4 (14.1)	4.3 (6.1)	28.1 (32.2)	54.7 (23.5)

Note: Details may not add up to the total due to rounding

Figure in bracket are percentage of appropriate total

*OTR- Own Tax Revenue

** ONTR Own Non Tax Revenue

***Any Other : Others Category includes interest on investment, Income from Lease of land by ULBs and various levies and charges such as road and cut charges, token tax etc. not included in OTR.

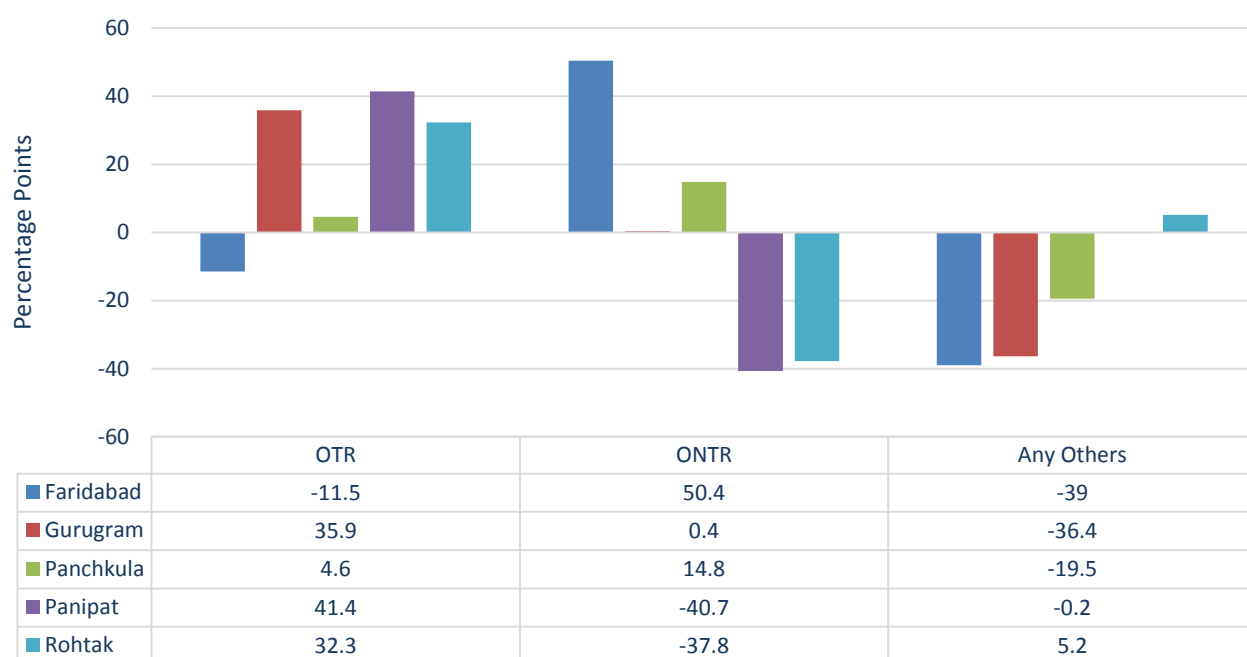
Source: SFC Estimates from the data provided by ULB Department, Haryana

4.6.30 Figure 4.4 provide change in percentage points in total receipts and its components between 2015-16 and 2011-12 in sample municipal corporations. If the percentage points change shown in negative (-), it implies that in 2015-16 the share of that category in total receipts was lower than in 2011-12. If it is positive (+), then the reverse is the case.

4.6.31 As an example, for the OTR, Faridabad Municipal Corporation registers a negative figure of 11.5. This implies that the share of OTR in total receipts in Faridabad in 2015-16 was lower by 11.5 percentage points than in 2011-12. The increase in OTR is particularly large in Panipat (41.4 percentage points), Gurugram (35.9 percentage points), and Rohtak (32.3 percentage points). The share of ONTR has declined sharply in Panipat (by 41 percentage points, and in Rohtak (by 38 percentage points). The ONTR share has been nearly constant in Gurugram. In sharp contrast, the share increased in Faridabad by 50 percentage points and in Panchkula by 15 percentage points. Rohtak is the only Corporations among selected municipalities to register an increase in Any Other Category, while Faridabad and Gurugram have shown significant decline of 39 and 36 percentage points respectively.

Figure 4.4

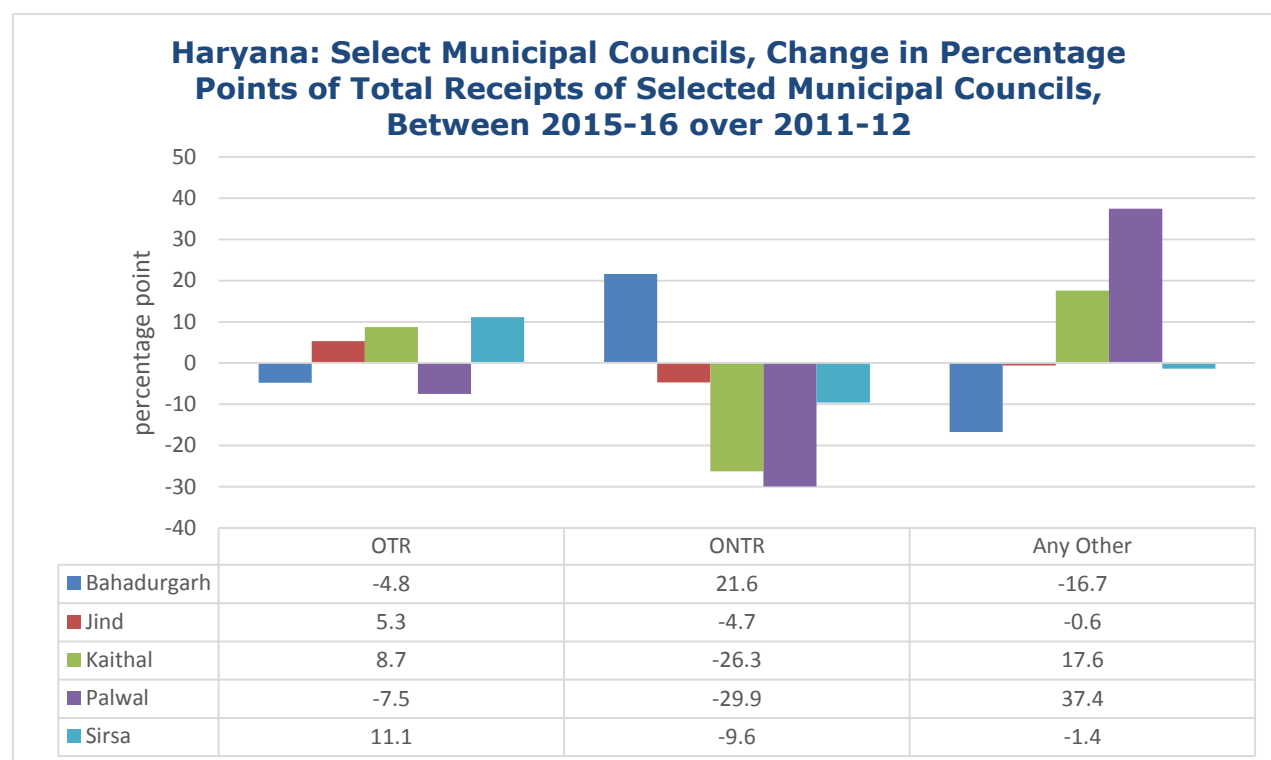
Haryana: Select Municipal Corporations, Change in Percentage Points of Total Receipts of Selected Municipal Corporations Between 2015-16 over 2011-12



4.6.32 For the Municipal Councils, Sirsa, Kaithal and Jind exhibit small increase in the OTR share while Palwal and Bahdurgarh exhibited small decline of 7.5 and 4.8 percentage points respectively. For the ONTR, only Bahadurgarh exhibited large increase of 21.6 percentage points, while Kaithal and Palwal exhibited moderately large decline of 26 and 29 percentage points respectively. For Any Other category Palwal and Kaithal exhibited

increase of 37 and 17 percentage points respectively; while Bahadurgarh exhibited a decline of 16 percentage points.

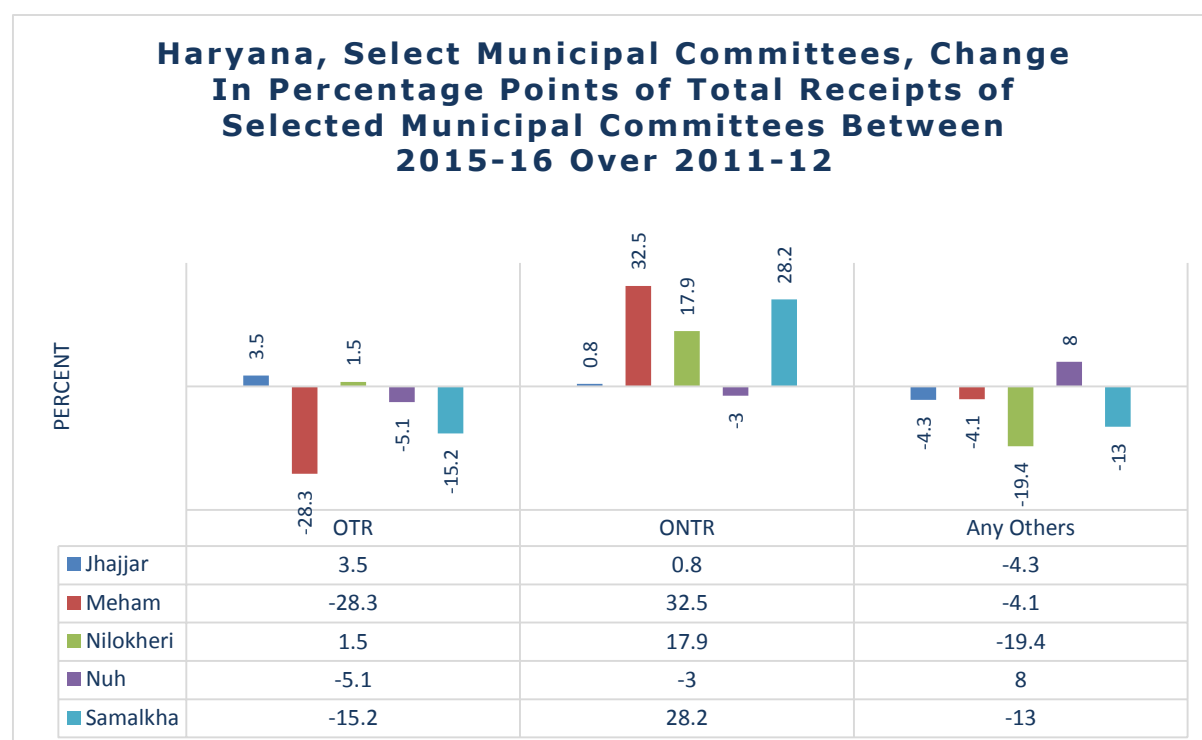
Figure 4.5



4.6.33 For the Municipal Committees (Figure 4.6), Jhajjar and Nilokheri exhibited a small increase in the OTR share while Mehram and Samalkha exhibited moderately large decline of 28 and 15 percentage points respectively. For the ONTR, all sample Committees, except Nuh, exhibited an increase; with increase being significantly large in Mehram (32 percentage points), and in Samalkha (28 percentage points). For Any Other category, Nilokheri and Samalkha exhibited moderate declines of 19 and 13 percentage points respectively; while Nuh exhibited an increase of 8 percentage points.

Space intentionally left blank for ease of reference to Figure 4.6

Figure 4.6



4.6.34 The following observations may be made from the aggregate analysis of the resource envelope of the ULBs:

- The share of grants constitutes about 70% of the total resource envelope of the ULBs, and as a corollary, own source revenue constitutes about 30% of the total resource envelope.
- Over the period of time, the contribution of grants is increasing and contribution of own source revenue is decreasing with few exceptions.
- Among the municipal corporations, there are wide variations in per capita receipts; and in the share of OTR, ONTR and Any Other categories.
- Relative importance of various components of total receipts among the Municipal bodies exhibits wide variations.

4.7 Resources – Legislative and Actual Position

4.7.1 The Constitution of India while introducing provisions to recognise ULBs as institutions of self governance vide 74th Amendment thereto, categorically mentioned

about the financial resources of the ULBs vide Article 243X and provided that the Legislature of a State may, by law:

- a) authorize a *Municipality to levy, collect and appropriate such taxes, duties, tolls and fees* in accordance with such procedure and subject to such limits;
- b) *assign to a Municipality such taxes, duties, tolls and fees* levied and collected by the State Government for such purposes and subject to such conditions and limits;
- c) *provide for making such grants-in-aid* to the Municipalities from the Consolidated Fund of the State; and
- d) *provide for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Municipalities* and also for the withdrawal of such moneys there-from, as may be specified in the law.

4.7.2 *The sequence of sources of funds in the above provision suggests that the first preference is for the revenue generation by the municipality on its own; the second is for assignment of taxes by the State, third is for grant of funds by the State, and the last one is for creation of Municipal Fund by the State which can be used in a specified manner. The option for assignment of taxes by the State has been given keeping in view the limited capacity of ULBs to collect taxes.*

4.7.3 The State of Haryana has adopted a mix of the above mentioned sources of revenue for the municipalities. The option of, '*Municipal Funds*' *has not been adopted in an explicit manner*, though there are State Schemes such as District Planning Schemes for which specific funds are allocated for district development involving ULBs and PRIs, and respective expenditure is incurred through such a Fund.

4.7.4 The Municipal Legislations of the State of Haryana provides for the taxation powers of the ULBs and for the grant by the State Finance Commission, which empowers the Commission to recommend the principles to distribute the share of taxes or assign the taxes of the State to the ULBs.

4.7.5 Sections 87 and 88 of the Haryana Municipal Corporation Act, 1994 grant *power to levy and collect taxes and fee* to the municipal corporations and Sections 69 and 70 of the Haryana Municipalities Act, 1973 grants the similar powers to the municipal Committees and councils. There is a long list of such subjects on which taxes or fee may be imposed by the ULBs. These include –

- **Tax subjects:** Property Tax, Fire Tax, Sanitation Tax, Tax on Driving License, Development Tax, Profession, trade or calling tax, Show tax, Tax on Vehicle plying for hire, Tax on animals used for riding, Tax on dogs kept within municipality, Tax on boats moored within municipality, tax on consumption of energy (electricity). Apart from this list, the State Government has power to allow any other tax or fee to be levied and collected by municipalities. As to the rate of these taxes, in case of Corporations, the rates are to be as notified by the State Government; and in case of Committees, the rates may be decided by the Committees but should not exceed the maximum limit which the State Government may notify.

The above list of subjects is quite long and allows municipalities to collect taxes on a wide spectrum of activities. However, as to the power to fix the rates, municipal committees seems to be at a comparatively advantageous position vis-à-vis corporations, though in practice Corporations are considered as capable of taking more responsibilities due to their size and capacity.

- **Fee subjects:** Fee on many ULBs and activities listed in the legislature including pilgrimages, drainage, lighting, scavenging, cleaning of latrines and privy may be levied and collected. Also Fee on advertisement, building applications, development fee for basic civic amenities, etc. in case of Corporations. In addition the Government may notify what other fee these municipalities may collect.

4.7.6 Apart from the above mentioned subjects, if a municipality wants to levy some other tax or fee or toll, which it thinks would be appropriate, sanction of the State Government is needed. The State may sanction the levy of a tax if the State Legislature has power to impose such a tax or a fee or a toll.

4.7.7 The related provision is explicit in the legislation relating to Municipal Committees under Section 70(1) (xv) of the Haryana Municipal Act, 1973. However, in the corresponding provision relating to corporations, namely, Section 87(2) (f) of the Haryana Municipal Corporation Act, 1994, it is provided that a Corporation may levy 'any other tax leviable by the Committees', but this provision does not refer to 'any other fee or toll leviable by the committees'.

4.7.8 As a corollary, there are few subject items in the respective legislations where taxes/fee can be levied by the Corporations only and not by the smaller municipalities, for instance, a fee on advertisements, on building applications, and development fee for providing civic amenities is not mentioned in the legislation relating to the municipal committees. There does not seem to be economic or policy logic in these arrangements.

The advertising fee had a great potential (in pre GST regime) which was not utilized by many bigger municipalities and the smaller ones were not allowed to levy it under the legislation.

4.7.9 The 5th SFC recommends that revenue raising powers of the Municipal Corporations, Municipal Councils and Municipal Committees be rationalized and be made explicit for better policy coherence. In reviewing the revenue raising powers of the municipalities, it would be appropriate to ensure that they are also authorised to levy and collect all taxes, fees and toll, which can be collected by the Municipal Committees and Councils and vice-versa.

4.7.10 Turning to the operational aspect, the Municipal legislation(s) in the State categorically empowers the ULBs to levy a new tax after taking sanction from the State Government. For fixing the rate of the tax in case of a proposed or new levy by the ULBs, the Haryana Municipalities Act, 1973 provides that the rates may be determined by the Municipal Committees and Councils within the maximum limit of the rate prescribed by the State in this regard. *However, the same position not visible in case of Municipal Corporations Act, 1994 wherein the power to fix the rate of tax vests with the State Government only leaving no discretion with the municipal Corporation.*

4.7.11 The 5th SFCs research, findings and interactions during the visit to several municipalities, suggest that the tax officials wanted to impose certain taxes/fees which were not there in the list, (e.g. sanitation fee). But they were not clear as to how to levy such taxes/fees. Though the provisions in the legislation are there, but one cannot expect the operational staff to read and interpret the law and then follow the required procedure.

4.7.12 The 5th SFC suggests that a 'Standard Operating Procedure' for (how to start levying or collect a new tax or a toll or a fee), be prepared at the State Level and be circulated in all ULBs so that the ULBs wanting to take such initiative have clarity on what is permissible, how rate can be determined and what is the procedure.

4.7.13 Reference to the suggestion made in the above para, while it would be good that the with the SOPs, ULBs would be having more clarity for levy of new taxes, it appears that *the municipalities have been able to harness the available potential in levying the taxes and fees for which they are already empowered. So, capacity to tax effectively should be an area of priority in municipal reform.*

4.7.14 Reference to para 4.7.5, the discussion suggests that there is a long list of subjects on which the ULBs may levy taxes or fee or toll; that they are presently levying and collecting taxes under limited heads only; and it is also common that some ULBs levy some of the taxes while others do not levy the same.

4.7.15 The 5th SFC has made a detailed analysis about the type of taxes collected by different municipalities in Haryana based on the questionnaires replied by 69 municipalities (out of 80). (see Annexure – 4.2). For the year 2015-16, all types of taxes horizontally and all municipalities vertically have been recorded on the sheet, and marked '0' in the columns for the taxes not collected and '1' in the columns for the taxes collected. The 5th SFC observed that out of 27 types of taxes and fee (including 'Others'), while Corporations are collecting taxes (including shared taxes) under 11 and 18 heads; the Councils are collecting taxes under 7 to 17 heads; and Committees are collecting taxes under 1 to 16 heads. *The data shows that there are wide variations among urban bodies concerning the basket of taxes collected, and that many ULBs are not collecting even those taxes or fees which others are collecting.*

4.7.16 The 5th SFC's research also suggests that barring few major taxes, *there is a lack of understanding at the municipal level regarding the possibility of levy of fee and the criteria and the manner of collection thereof*, because of which such taxes do not get collected at all causing a financial loss which is difficult to afford by them. For instance, fee for Teh bazari is an area where we came across different understanding by different municipalities regarding the possibility and manner of collection of such fee. Officials of some municipal bodies were of the view that licences for Teh bazari are not granted now as it has been declared illegal some years back, while some municipalities are charging this fee for the stalls etc. in Melas and other events, and different municipalities following different criteria. Similar was position with the toll charges, show tax etc. As for the advertising fee, only few ULBs including Faridabad and Gurgaon were levying it, the most of the ULBs either did not explore the idea or were not having any idea of this levy.

4.7.17 *It was also found that the municipalities have not been collecting many types of license fee they are authorized to collect under various bye-laws of the State of Haryana despite repeated observations by the Audit.* A paragraph in this regard from presentation by the Local Audit Department, Haryana is reproduced for illustrating this point.

"Licenses under the provisions of various Bye-laws namely Haryana Municipal Betel Bye-Laws, 1976; piggery by laws 1976; Inspection and proper regulation of accreted water, Ice and Ice-cream Factories Bye-Laws, 1976; Control of vehicle and carts drawn by animals

by laws, 1976; Control of advertisement Bye-Laws, 1976; License and regulations of Lodging Houses bye-Laws, 1976; Sale of Fruits, Vegetable. Potatoes and sugar Cane Bye Laws, 1976 and Dangerous and offensive Trade bye- laws, 1976 etc, were neither enforced or enforced as a name sake which caused recurring loss of heavy revenue every year in the shape of license fee to the Municipal Fund"

4.7.18 The existing income realized by ULBs from the different types of fees constitutes a small portion of the total receipts. The above list of unrealised fee shows that there is significant scope for increasing the income from different types of fees.

4.7.19 The above analysis by the 5th SFC suggests that the ULBs are having sufficient powers to generate their own revenue by way of levies and fees. The repeated observations from many corners that ULBs should have more powers to tax therefore does not find support from the 5th SFCs research and observations. Efforts are however required for enabling the ULBs to realise their revenue potential.

4.7.20 **The 5th SFC recommends that a database be created at the State Level (giving access to all ULBs) about all the heads under which tax may be collected along with their rates and manner of collection including the list(s) of license fee under various Bye Laws with clear guidelines about the coverage of assesses and potential tax or fee which can be collected.** SOPs and one or two days training would be added facilitation. This situation again substantiates a need for a State Level knowledge and information repository for taxes and fee leviable by the municipalities along with a capacity to guide them and provide assistance if needed.

Composition of Own Source Revenue of ULBs

4.7.21 Table 4.12 provides a breakdown of revenue receipts of municipal bodies in Haryana for the period 2011-12 to 2015-16.

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Table 4.12
Revenue Receipts of Municipalities in Haryana, 2011-12 to 2015-16

(₹ Crore)

All sources	2011-12	2012-13	2013-14	2014-15	2015-16
Property Tax	117.31	207.20	335.27	114.45	527.0
Motor Tax	23.03	13.23	13.63	13.98	14.40
Fire Tax	17.68	7.26	16.70	0.99	4.87
Vehicle Driving License Fee	5.37	2.30	4.74	3.59	1.27
Advertisement Fee	0.00	19.19	21.65	25.72	13.04
Development Charge	69.18	74.15	58.13	66.06	66.05
Teh Bazari	6.42	5.18	4.27	3.09	5.84
Fee and Fines*	8.01	29.29	9.77	17.60	8.23
Rent	39.17	30.11	37.73	35.70	35.74
Interest	47.82	66.57	79.97	43.16	
License Fees	14.14	16.60	18.38	14.91	19.16
Sales on Land	30.27	139.40	139.26	75.26	29.94
Miscellaneous	167.02	69.49	154.47	193.81	292.12

(*) includes Building Application fees, License Fees on Mobile Tower and Cable, Fines and Compositions.

Source: Constructed by the 5th SFC. Presentation of ULBs Department Haryana, and (2015-16 figure) Data provided by ULBs Department, Haryana

4.7.22 Property Tax: Property tax is the only major tax Haryana Municipalities are collecting directly. The total amount of tax collected annually on account of property tax appears to be low considering the geographical area and level of industrialisation in the State. Further, a major share of this tax is collected by select municipalities. For instance in the year 2015-16, the total amount of property tax collected in Haryana was 527.8 crore only, and even this amount was consisting of ₹ 384.6 crore from Gurugram Municipal Corporation, and ₹ 40 crore and from Faridabad Municipal Corporation, constituting about 80% of the total collection of the tax.

Table: 4.13

Haryana, Property Tax Collection by ULBs in 2015-16

S.N.	Particulars	Amount (₹ in crore)
1	Total State Property Tax Collection	527.8 (100.0)
2	Gurugram	384.6 (72.9)
3	Faridabad	40.4 (7.7)

4.7.23 Relatively low collection of this tax, which has high revenue potential, is an area of policy concern. Therefore, measures which could help to augment the property tax collection merit consideration. The first measure concerns the tax rate and base design. The rate of property tax in Haryana is based on the size of the property. The Government does revise the rates from time to time, though the rates are kept to a low level. Further,

there is a different rate structure for properties under Corporations, and under Committees and Councils. Another level of rate differentiation is the nature of property, e.g. residential or industrial or commercial or institutional or hospital.

4.7.24 The issue of low property tax rates and the basis used to set the rates also needs to be addressed. Higher rates normally would bring higher revenue, though at some very high rate, the revenue may fall. **The 5th SFC suggests that a review be made of the design of the current property tax rates and base. This review should also examine how to improve service standards so as to be able to place a demand for more taxes.**

4.7.25 A major issue in property tax collection is the non availability of authoritative and updated data with the municipalities for the assessment of tax recoverable. Usually such data set is created by periodic surveys. In the State, the practice suggests that such surveys should get done every five years by the municipalities for their respective local areas. The 5th SFC's research suggests that in Haryana, it is not uncommon to find that such a survey has not been done for past 7-8 years or longer. Neither there is a system to update the data after the survey by using inputs from other agencies like property registration agency or power companies giving new connections. Thus, the property tax base gets eroded for want of proper data pertaining to potential assesses. The problem gets further accentuated with the shortage of skilled manpower with the municipalities and required infrastructure to maintain this data and use for tax collection. *A weak database for collection of property tax is thus a hindrance in the respective tax collection mechanism.*

4.7.26 The 5th SFC is of the view that, lack of a robust tax collection system in municipalities seems to be the main cause for low property tax collections in Haryana. In our visits and discussion with various municipalities in Haryana, we found that municipalities exhibit very limited capacity to collect taxes. Insufficient manpower and skill sets for the purposes, no systems set, ad-hoc approach for tax collection, frequent non-recoveries coupled with no accountability, could be among the factors. In some municipalities, even bills are not generated and send to the taxpayers expecting people to pay taxes without demand as it is a self assessment tax, and in some bills are generated but never send.

4.7.27 Though many municipalities have been trying to deal with this situation, by way of outsourcing the job partially either hiring the professionals in their office or by giving it to external agency. But without having a well defined responsibility allocation in between the municipality and the external agency and without an appropriate monitoring or internal

control mechanism in place, one may not expect realization of achievable potential revenue. Also, in their absence, accountability may be difficult to fix.

4.7.28 The above may be summarised as follows. *The municipalities lack financial and human resources, therefore robust system for tax collection thus cannot be placed in terms of infrastructure and manpower and these in turn result into non recoveries, leakages and low tax collection, resulting in restrained financial resource. The 5th SFC recommends that at the State Level, a clear 'Standard Operating Procedure (SOP)' for collection of taxes should be circulated to all municipalities and internal control mechanisms should be prescribed for adoption thereby, and the municipalities may be instructed to adhere to that SOP.* A State Level database for tax collection and information and advice in case of need by municipalities may be of tangible assistance in this regard.

4.7.29 **The 5th SFC also recommends that the property survey of entire urban Haryana may be done at the State Level for all municipal areas, so that efficiency, central database and economies of scale may be achieved. The State may look for appropriate technology to use for the purpose keeping in view its budget constraint. Also, at the State level, a mechanism be devised to develop third party information relevant for property tax collection. Alternate avenues may be explored for creating or updating such database by rationalizing the property data received available with some other departments like electricity utilities in Haryana.**

4.7.30 A State Level Shared Service Centre, recommended by the 5th SFC, may be of immense help for creating the suggested databases and SOPs

4.7.31 *It is also appropriate to note the practice of Rebate/Interest waiver on property tax dues announced from time to time. The policy needs a comprehensive review as it only encourages people not to pay tax in time and wait for amnesty from the Government. It also acts as a disincentive for honest tax payers who pay their taxes in time without waiting for rebate/interest waiver schemes. For instance, the State Government issued a Notification on 02-02-2017 granting 100% interest waiver on all outstanding arrears of Property Tax along with 25% Tax Rebate on Tax assessed between 2010-2011 to 2016-2017 if such Tax is paid by 28th February 2017, later extended upto 31st March 2017. Earlier in 2015, similar amnesty scheme was announced by the State Government to clear arrears and mop up additional revenue for ULBs. The efficacy of such amnesty schemes can be a matter of debate and a repeated use of such measures should be an exception*

and not rule otherwise it will simply dissuade people from making timely payment of the dues in the inevitable expectation of amnesty from the State Government.

4.7.32 Driving License Tax and Motor Tax: As per the Municipal Act(s), the urban local bodies may levy a tax on driving licenses issued under the Motor Vehicles Act, 1988 within the municipality; and also a tax on vehicle plying for hire or kept or registered under the Motor Vehicles Act, 1988 with the municipality.

4.7.33 These taxes are levied by the municipalities but collected by the State tax collection machinery, and then transmitted to the ULBs. Receipts of municipalities on account of motor tax from 2011-12 to 2015-16 are shown in Table 4.14

Table 4.14
Haryana: Motor Tax Receipts by ULBs, 2011-12 to 2015-16

(₹ Crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Motor Vehicle Tax	23.0	13.2	13.6	13.9	14.4
Driving License Tax	5.4	2.3	4.7	3.6	1.3

Source: Data from the ULB Department, Haryana

4.7.34 The receipts in the table exhibit a steep fall since the year 2011-12, and essentially same revenue since the year 2012-13. This is despite the fact that the vehicles on the road have increased during these years.

4.7.35 Fire Tax: Another popular tax is fire tax. It is being collected percentage (presently 10%) of property tax in Haryana. For providing this basic service, better collection mechanism than currently existing is essential. There is also need to enhance the service level in this area. Providing 'Fire services' is a specialized activity and require concerted planning for locating fire stations, equipments, number and kind of human resource required, appropriate response mechanism, and monitoring of performance, keeping into account the terrain, nature of locations like residential or industrial, type of buildings and other structures.

4.7.36 From April 1, 2017, The Government of Haryana has established a separate Directorate of fire services, integrating fire services operated through various agencies. However, whether any shift has been made in the system of collecting fire tax or in the manner of provision of fire services by the ULBs remains unclear. It does appear that most of the ULBs are operating in this regard in the same manner as they were earlier operating.

4.7.37 It may be presumed that the fire tax will continued to be collected at the same rate by the ULBs. That would certainly pose a need for proper assessment and collection mechanism of the tax. Table 4.15 provides revenue accruing to ULBs from fire tax.

Table 4.15
Haryana: Fire Tax collected by the ULBs, 2011-12 to 2015-16

(₹ Crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Fire Tax	17.7	7.3	16.7	0.9	4.9

4.7.38 Data from Haryana's Finance Department suggests that in the year 2015-16, the State of Haryana received a grant of ₹ 25 crore on the recommendation of 13th Finance Commission under the accounting head P-01-15-2217 -80-800-82-99 for fire services. But there does not appear to be even a budget estimate for such grant. However, there seems to be an annual State scheme which allocates a specified amount for fire services every year. Following is the detail and the allocation made for the Scheme for the year 2017-18.

Strengthening of Fire Services	This is a continued State Scheme for up gradation & strengthening of Fire Services. The overall objectives of the scheme are to upgrade and strengthen the existing Fire and Emergency Services in the ULB's and progressively transform the Fire Services into multi- hazard response situations	₹ 35.00cr
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Source: Budgetary transfers to local bodies 2017-18, supplement to Budget Documents, Finance Department

4.7.39 **Water Tax:** Water tax constitutes a significant head of revenue for ULBs but it does not constitute a significant amount of revenue. It should be recognized that basic quantity of water per person per day is a social necessity, but consumption beyond that level is not a necessity. Indeed, in the 21st century, water is among the scarcest resources. So it deserves a good balance between affordability and managing demand for water.

4.7.40 An observation however needs to be placed with reference to the manner these charges are collected by the ULBs. Even the fixed water charges are not collected properly and the systems give lee way for leakages. There is no system for even estimation and comparison of estimations with receipts, for water charges collectible from a local area based on the number of premises in which meters are deployed, number of premises which are paying charges on flat rate basis, and other relevant factors. The figures relating to the water charges collected by ULBs do not seem to be significant as these have not been mentioned separately in any income detail of ULBs provided to the SFC.

4.7.41 On the service side, particularly wherever ULBs are managing water supply systems, the situation is dismal and there are many issues with the water supply to citizens. This has a circular effect, with residents being reluctant to pay the required water charges to Urban Local Bodies due to lack of faith.

4.7.42 **The 5th SFC recommends that concerted efforts need to be taken at the State level by coordinating activities of all state agencies. The State of Haryana may consider adapting Water Policy 2013 of the Government of India for its context, including measures to recover cost of supply through differentiated user charges from the beneficiaries. The user charges should be structured not in nominal terms, where real value declines with time. A formula based user charges which help preserve real value merits serious consideration.**

4.7.43 **Teh Bazari:** This is an area in which different municipalities are having different understanding regarding the possibility and manner of collection of such fee. Some were of the view that licences for Teh bazari are not granted now as it has been declared illegal some years back, while some municipalities are charging this fee for the stalls etc. in Melas and other events, and different municipalities following different criteria. Table 4.16 provides the trend in revenue collection from Department of ULBs, Haryana for 2011-12 to 2015-16.

Table 4.16
Teh bazari fee Receipt, 2011-12 to 2015-16

Particulars	(₹ Crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Teh bazari	6.42	5.18	4.27	3.09	5.84

Source: Data from ULB Department

4.7.44 A steady decrease in the collection reflects that there is a need to find ways to enhance clarity in setting the rate, and in facilitating consistent approach which municipalities could follow.

4.7.45 **Toll tax:** This can be levied by the municipalities for use of the road within municipal area by the vehicles and is different from the octroi. The municipalities in Haryana are not collecting toll tax as a matter of practice. The reason shared to the 5th SFC is that they do not possess the capacity to collect it; and the potential revenue may not justify incurring of the costs required for setting up the collection machinery in a manner that balances revenue and transaction and hassle costs. The stand taken by ULBs seems to be defensible at the current level of capacities. But this suggests a need for serious consideration as to how the State machinery may assist the municipalities in selective levy of tolls and tax collections. There are some specified geographical areas,

where the respective municipalities are potentially in a position to generate resources through toll tax but are not able to do so due to current collection machinery and other constraints. For instance, *a Toll Plaza at the entry points of Tourist Destinations like Morni Hills in District Panchkula may potentially be a additional avenue for resource generation as the area attracts large number of tourists. Using the additional revenue to provide better public amenities could help attract more tourists, and provide employment and increase local demand.*

4.7.46 Development Charges: As per the provisions of Section 117 of Haryana Municipal Corporation Act 1994 and Section 70 of Haryana Municipalities Act 1973, there shall be levied “a development tax on the increase in the value of the land or building comprised in a scheme put into operation within the Municipal area” and “a development tax on the increase in urban land values caused by the execution of any development or improvement work” respectively. Audit reports of the previous years suggest one that the budgeted targets of revenue from this source have not been achieved. The revenue has remained less than the budgeted amount. According to some estimates, there may be revenue appears of a few thousand crore which is unpaid by Developers/Builders towards Development Charges. The 5th SFC hopes that RERA, which Haryana has also adopted, will help the State realize greater revenue from this source.

Revenue from Shared taxes

4.7.47 Revenue from Shared taxes constitutes significant amount of financial resources of the ULBs in Haryana. These taxes are levied and collected by the State or levied by the municipalities and collected by the State and a specified percentage or amount from the revenue is transferred by the State to the respective municipalities. Major taxes in this category are – stamp duty, state excise duty on liquor for human consumption, surcharge on VAT and Electricity duty.

Table: 4.17
ULBs Receipts of Shared tax 2011-12 to 2015-16

COMPONENT	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17(BE)
Stamp Duty	461.2	468.00	452.85	569.78	560.00	726.00
State Excise Duty	12.61	46.38	36.09	66.26	57.97	N.A
Surcharge on VAT	550.39	492.54	470.58	717.52	753.46	925.65
Vehicle Tax	21.85	13.23	13.62	10.30	14.41	N.A
Total	1046.05	1020.15	973.14	1363.86	1385.84	

Source: Data from ULB Department

4.7.48 The **Municipalities Share in Stamp Duty**: The Municipal Corporation Act, 1994 as well as Municipality Act, 1973 provides that the Corporation or Committee shall levy – “a duty on the transfer of immovable properties situated within the limits of the municipal area 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 Government may, by notification, direct, which shall not be less than one per centum and more than three per centum on the amount specified in the act”.

4.7.49 Presently the rate at which such duty is collected by the Registrar or sub-registrar on account of ULBs is at the rate of 2% of the property transaction value. The share of ULBs in the stamp duty collected by the State for the past years is depicted in the table below.

Table 4.18
Share of ULBs in Stamp Duty in Haryana, 2011-12 to 2015-16

(₹ Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Stamp Duty	533.30	451.55	426.89	393.82	560

4.7.50 Prior to April 1, 2012, the share of municipalities in the stamp duty collections was paid to them at the point of registration and did not form part of the state budget. However, the system was changed from April 1, 2012 and this amount first goes to the state budget vide 'budget head' 2217, and then transferred to the ULBs vide the following scheme:

Table: 4.19

Allocation of Funds for the year 2017-18 under Urban Department Schemes

Contribution to Local Bodies from the proceeds of Stamp Duty to Municipal Corporation.	This is a continued State Scheme for strengthening the financial position of Urban Local Bodies. It is released of 2% Stamp Duty collected by Revenue Department on behalf of MCs for transfer of immovable properties.	₹484 Cr
Contribution to Local Bodies from the proceeds of Stamp Duty to Municipal Committee/Council.	This is a continued State Scheme for strengthening the financial position of Urban Local Bodies. It is released of 2% Stamp Duty collected by Revenue Department on behalf of MCs for transfer of immovable properties.	₹ 314 Cr

Source: Details of state schemes provided by the ULB department for the year 2017-18

4.7.51 Given the above scheme of collection and transfer of share of stamp duty to the municipalities, uncertainties and inconsistencies in the receipt of such funds by the ULBs have increased. There is a wide variation in the amount and the time gap in receipt of

stamp duty share by different ULBs. In one case, it may happen that the share is not transferred to ULBs for years. But in other case the share might be getting transmitted on monthly basis, and in some other cases different periodicity may be observed. For instance, in one of the biggest municipalities of Haryana, as per the official budget document, the Corporation has not received its share of stamp duty post October 2012, and in the year 2015-16 document, the pending amount of stamp duty share is appearing as ₹ 1070.36 crore. The reason cited is non-allocation of budget by Government, which could not be deciphered.

4.7.52 The stamp duty share is a tax levied by the ULBs and collected by the State machinery – thus there appears to be no reason for the activity of allocation of stamp duty share to ULB. What is required is a clear identification of the property transactions within a given municipal area, which should be part of working system.

4.7.53 *The point of concern is that as receipt of the revenue on account of stamp duty (which is significant resource for ULBs) remains unpredictable on the part of ULBs, they cannot depend upon this for their expenditure planning, affecting smooth functioning.*

4.7.54 The 5th SFC recommends that a robust system be created for transfer of stamp duty collected by the registrar or sub-registrar on account of the duty levied by the ULBs. The relevant legislative and regulatory provisions concerning the ULB's require an immediate intimation to them regarding collection of stamp duty on their account. This should be followed in practice and a system of direct transfer in real time to the ULBs must be put in place.

4.7.55 It is the property within the municipal limits of a given ULB for which it will be getting stamp duty share. However, during the visits by the 5th SFC, it was learnt that for the properties falling under Haryana Urban Development Authority (HUDA) or Housing Board Colony (HBC), the respective stamp duty share goes to them, although the responsibility to provide municipal services in these areas is that of ULBs. This observation is based on the discussions with the ULB officials, *If this is indeed the case, then it requires a concerted policy in line with the ULB legislation regarding the entitlement of stamp duty share of different State entities keeping in view the services responsibilities they have.*

4.7.56 **Municipalities Share in State Excise Duty:** State Excise is a duty on manufacture and sale of liquor for human Consumption. The State of Haryana assigns fixed share of revenue per bottle sale of liquor from state excise duty to the local bodies. The share of local bodies is Re. 5 per bottle of Country Liquor (CL) of 750 ml, Re. 7 per bottle of India Made Foreign Liquor (IMFL) of 750 ml or equivalent and ₹ 3 per of bottle of Beer of 650 ml capacity or equivalent.

4.7.57 The revenue from State excise duties are being shared with urban and rural bodies depending upon the sale of liquor in their respective jurisdiction. *The share of ULBs in the State Excise Duty for the year 2015-16 was ₹ 182.74 crore, the revised budget estimate for the year 2016-17 was ₹ 283.5 crore, and the budget estimate for the year 2017-18 is ₹ 225 crore.*

4.7.58 During the visits of the 5th SFC, the ULBs representatives have raised a concern that the share of Local Bodies at ₹ 5 per bottle of CL and ₹ 7 per bottle of IMFL and ₹ 3 per bottle of Beer is fixed quite arbitrarily, as it is not based on any objective/quantifiable data or criteria. Further this share has been stagnant for quite some time even though Excise Duty on liquor has been hiked on several occasions and even very recently by about 20% which means that while the State receipts go up almost on a regular basis, there has been no corresponding increase in share of such receipts to Local Bodies (other than due to increased Sale in their respective Jurisdiction). During SFC's visits to the ULBs, it has been communicated that an upward revision of share to Local Bodies merits consideration.

4.7.59 The 5th SFC has observed that there is a heterogeneous pattern concerning the time of transfer of such revenue. For instance, in one of the biggest municipalities of Haryana, the budget pertaining to the year 2015-16, exhibited an yearly estimate of excise share at ₹ 35 crore, while the actual receipts on this account were shown as nil for the year 2015-16. *This realization is not conducive to sound fiscal management.*

4.7.60 *The 5th SFC has recommended for devolution of SFC grant based on global tax receipts of the State of Haryana including state excise duty as well. If this is accepted by the authorities, the concerns about the rate and timeliness of transmission of state excise share to ULBs will no longer exist, and an equitable and timely disbursal of grant can then be expected.*

4.7.61 Since, sharing of excise revenue is governed by the State Excise Policy which is framed annually, necessary amendments may be made in the Excise Policy of the State by issuing executive orders.

4.7.62 **Share of Municipalities Bodies in VAT surcharge:** One of the major resources of the ULBs is the 5% surcharge on VAT levied and collected by the State of Haryana and transferred to the ULBs and RLBs. The decision to levy and assign 5% surcharge on VAT was taken by the State in lieu of Local Area Development Tax (LADT) which was earlier part of the resource envelope of the local bodies. The LADT however could not be collected because of the legal dispute on its leviability. On April 2, 2010, the State Government amended Haryana VAT Act, 2003, and inserted Section 7-A, and imposed an additional tax, in the nature of surcharge, at the rate of 5% to be paid by the dealer. The amount of

surcharge forms part of State budget and shared between PRIs and ULBs in the ratio of 20:80.

The above amount is first transmitted to the State budget and then to the ULBs <i>vides</i> the State Scheme with the name Rajiv Gandhi Urban Development Mission Haryana (RGUDMH).	The amount allocated in 2017-18 is ₹ 544 crore.
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4.7.63 The budgetary allocation of this scheme is high but it is meant for financing urban sanitation, cleanliness, solid waste management and other civic infrastructure and this VAT surcharge money is to be transferred in ratio of 80: 20 to ULBs and RLBs. The point to note here is that the above transfer of money is no more un-tide transfer but the activities included cover almost all the services of the municipalities. It appears that some of the municipalities have not received their share of VAT surcharge over the period of time as they were not allocated the respective funds which should meet the criteria under RGUDMH.

4.7.64 However, since VAT Act is no more in force since 1st July 2017, the above distribution would not be relevant in the future.

4.7.65 **Share of Municipal Bodies in Electricity Duty:** As per Section 87 of the Haryana Municipal Corporation Act 1994 and Section 70 of The Haryana Municipal Act, 1973, the ULBs have the power to levy “tax on consumption of energy at a rate not exceeding 5 paise for every unit of electricity consumed by any person within the municipal area”. The ULBs have exercised this option and such a tax forms part of the collections made by the electricity companies of Haryana. In practice, ULBs are not receiving any money on account of this tax head. Most of them have not even computed the arrears in this regard. On the other hand, the Electricity Distribution companies in Haryana claim that the municipalities have not paid electricity bills and their tax amount gets adjusted with the bill amount.

4.7.66 **Regarding the share of municipal bodies in electricity duty, the 5th SFC makes recommendations in two parts. First, the pending issue of the respective amounts due on ULBs and Power Companies on account of electricity bills and ULB tax share respectively be effectively addressed at the State Level, and a closure may be made in whatever way the State Government thinks fit. Second, 5 paise being a very inflexible amount in nominal terms and as the transmission of this money involves considerable administrative and operational costs and disputes, it’s inclusion in the proposed devolution arrangement of the 5th SFC which is based on State’s adjusted SOTR, category would improve certainty and buoyancy of revenue to urban and rural bodies and enhance transparency.**

Any Other Income

4.7.67 The head 'Any other income' in the resource envelope of ULBs includes income from various accounts like sale of land, rent, interest, etc. As many ULBs own *good deal of property, rental income may be a good avenue of income if properly managed*. However, a majority of ULBs do not have an up to-date record of all such properties, and do not get the income by way of rent from these properties.

4.7.68 In some cases, the rents are very low and are not revised for years on years. A sizeable number of properties are in the unauthorized occupation; therefore, the income generated by way of rent is very low in case of many Urban Local Bodies. Good property management requires ULBs to lease out all the properties owned by it through a transparent mechanism and to revise the rent periodically to maintain real value of rents, and to capture part of unearned increment. ULBs generally also own large number of open plots, which may be commercially exploited for many purposes like parking etc. The existing income of municipalities on account of rent, interest etc. is miniscule given the kind of properties owned by the LBs and the funds parked with them. This is discussed under the head 'Accounting for ULBs' to explore the ways to improve revenue on account of better property and fund management.

Impact of GST

4.7.69 The discussion on tax share of ULBs would remain incomplete without talking about the *Goods and Services Tax (GST) leviable on all supplied with effect from 1st July 2017*. Advent of GST is a landmark change for the entire India, and for the ULBs.

4.7.70 The 5th SFC has made a detailed analysis regarding the impact of GST on local bodies in chapter 3 of this Report. However, some specific points are relevant. First, GST would disentitle the ULBs to levy some of the fees/taxes they were levying till now, say advertisement fee and luxury tax (if levied by any ULB). Second, because of GST, State would not be in a position to levy some of the taxes it was earlier levying, such as Entertainment tax, however, the ULBs may continue to levy and collect such taxes; Three, ULBs also may have to make certain compliances under GST, on account of some of its incomes such as rent on immovable property and on account of deduction of tax at source for their specified purchases of more than ₹ 2.5 lakh. They may also be required to file regular returns and information returns.

4.7.71 Thus, there is a need for ULBs to review their position to levy and collect taxes, if need be to redesign the taxes and to create capacity for compliances under the law. This

is a concerted exercise and would have been good if done at State level and the respective ULBs were conveyed about the actions to be taken in this regard.

4.7.72 The 5th SFC's research has focused on *two major taxes getting impacted by GST, the advertising fee*, which constituted good amount of receipts for ULBs that can be no more collected by the ULBs; and the *Entertainment tax*. Earlier also ULBs were empowered to collect such tax, however, since State was also collecting this tax, ULBs were not practically collecting this.

4.7.73 **Advertisement Fee:** Advertisement fee was leviable by the municipal corporations on advertisements other than advertisements in the newspapers. This head could have been a huge source of revenue in pre-GST era, but practically, only few municipalities including Gurugram and Faridabad corporations were levying and collecting this fee. In 2015-16, the fee from this source amounted to ₹ 7.4 Crores for Gurugram and ₹ 0.2 Crores. If with not so clear Standard Operating Procedures to collect such tax and weak collection mechanism, this could be the volume of the fee, one can estimate the kind of revenue foregone by the municipalities by not levying this fee at all. *In the GST regime, the municipalities cannot levy fee on advertisement, as 'advertisement' as State subject in List II of the Seventh Schedule of the Constitution of India has been subsumed in the GST.*

4.7.74 **Entertainment Tax:** This is a tax which could have been levied by the State as well as by the local bodies prior to implementation of Goods and Services Tax in India from 1st July 2017. Since the date, only local bodies can levy this tax.

4.7.75 In the State of Haryana, prior to GST implementation, local bodies were not practically levying such tax, though few ULBs could be found levying entertainment tax on selected subject matters. The Excise and Taxation Department was levying and collecting this tax in accordance with the provisions of Punjab Entertainment Duty Act, 1955.

4.7.76 After the enactment of Haryana Goods and Services Tax Act, 2017, Punjab Entertainment Duty Act has been repealed and 'The Haryana Municipal Entertainment Duty Bill 2017' has been introduced to empower the municipalities to levy entertainment duty for admission to public entertainments across the State. The Bill will soon get enacted. Now the entertainment duty would be collected by the concerned Urban Local Bodies and the funds would be utilized for the development of civic amenities in the respective municipal areas.

4.7.77 The state government sets the entertainment duty to be collected by municipal bodies and it would be uniform across the state. It will be levied on entertainment points,

outlets in municipal areas and will be uniform across the state. There will be a common list of exempted events or shows of entertainments. It would be the duty of the urban local bodies to keep a regular check on the proprietors of an entertainment provider.

4.7.78 Before the introduction of GST from July 1, 2017, 30% entertainment tax was levied on movie tickets. However, after the imposition of GST from July 1, movie tickets less than ₹ 100 attracted 18% GST while tickets over ₹ 100 were levied 28% GST, bringing a temporary relief for movie watchers till the time municipalities would start levying entertainment tax. The Haryana government has estimated an entertainment tax collection of ₹ 106 crore in the 2017-18 budget estimates. The actual collection of the entertainment tax was ₹ 94 crore in the financial year 2016-17.

4.7.79 The above estimates suggest that the past Entertainment Act of Haryana though been repealed and re-introduced as new Act, not much change is there in the scope of coverage of entertainment events under the Act. Research by 5th SFC suggests that this is an opportunity for the State to explore newer means of entertainment (particularly digital entertainments like cable TV and internet downloads) and include such events in the subject matter of taxation. Entertainment tax is an area which had been least explored in the past and has tremendous capacity to augment resources. Entertainment tax collection capacity of the individual municipalities is likely to continue to be limited. *A State Level Tax collection mechanism therefore merits serious consideration.*

4.7.80 Comments and Suggestions on the Revenue Sources for the ULBs

- The 5th SFC is of the view that the financial resources of the ULBs may be significantly enhanced by implementing the following. Some of the suggestions are specific and can be quickly implemented; others are of the medium-term nature, requiring further deliberation. Availability of structured information to all ULBs as to what all taxes and fees they can levy and collect, related database regarding assesses and fee structure, standard operating procedures to collect such taxes/fee, and State Level assistance in tax collection efforts may boost the revenue many folds. In this context, a related management information system and responsibility chart with estimated collections may be of great help.
- Availability of information and standard operating procedure for levy of any new type of tax and fee would also leverage the ULBs to take care of peculiarities of its location.
- Better Commercial exploitation of the land bank and properties available with the ULBs can help enhance the revenue. A robust land database, which seems to be there as Haryana is considered to be a State with one of the best managed land records,

mapping of municipal properties, their status, State Level professional advisory to manage property may help in the objective. It is suggested that the ULBs could develop parking areas, in and around market places, bazars, malls, venues of public events like exhibitions and fairs to raise income. The amount being collected by private operators could be reviewed from the perspective of the State. Certain sections in public gardens and open sites can be identified for the development of amusement or entertainment parks.

- Efficient Asset management by ULBs by introducing specialized procurement procedures like e-procurement in Government and introducing appropriate internal control mechanisms and maintaining proper records and placing accountability can save a lot to the ULBs.
- Efficient management of the existing resources by introducing good accounting, audit, communication and internal control mechanisms may save a lot for the ULBs thereby augmenting their resources.
- Also the formula of global devolution recommended by the Fifth SFC would ensure that the ULBs get a consistent and timely share of funds on account of state excise duty, GST share and other smaller taxes, along with a regular transmission of stamp duty on real time basis. The GST, constituting around two-thirds of the State's SOTR, has considerable revenue potential. So State is urged to focus on its effective implementation.
- The ULBs of Haryana, especially Municipal Corporations, would need to become more competent in raising funds through the bond markets as Special Purpose Vehicle (SPVs), and Public Private Partnership (PPP) become more common for "Smart City" and "Amrut" related urban projects. The Union Minister of Urban Development (MoUD) and housing and Urban Poverty Alleviation (UPA) has in a ⁴newspaper column suggested that City Liveability Index will be introduced soon. *The 5th SFC urges Urban Department in Haryana to pro-actively participate in the proposed City Liveability Index when it is initiated.*
- The Union Minister MoUD also indicated that around 200 cities and towns have gone through a process for getting ranked for investment; and about 20 cities are preparing to issue municipal bonds to finance smart cities and other projects. The feasibility and demand of such access to bond markets is illustrated by the Pune

⁴<http://blogs.timesofindia.indiatimes.com/toi-edit-page/new-lexicon-of-indian-cities-three-years-of-urban-renaissance-unfolding-across-the-country/>

Municipal Corporation (PMC). It has successfully raised ₹200 crore on the Bombay Stock Exchange (BSE) bond platforms, with a coupon rate of 7.59 percent for 10 year, with the issue oversubscribed by six times. **The 5th SFC recommends that the Municipal Bodies of Haryana be encouraged to undergo their credit rating process, able it after appropriate preparation. Such a rating would be helpful in accessing municipal bond markets particularly for those cities, such as Karnal, which have been included in the Smart Cities list of the union government.**⁵

4.7.81 The 5th SFC is of the view that the research on augmentation of revenue should be a continuous exercise where the potential may be explored for newer ways of earning revenue and for exploiting the existing ways to the optimum. A professional institution such as SJHIFM may be helpful in this regard.

4.8 Expenditure Envelope

4.8.1 In ULB governance, 'expenditure' has been one of the least attention areas as most of the efforts have been directed towards managing more funds. Expenditure is usually performed by the local bodies to meet the urgent needs of administration, to achieve the objectives of given schemes under which grants are to be utilized, to take care of very basic service levels like sanitation and also for selective development works.

4.8.2 Expenditure envelope of ULBs for the past five years has been summarised in the below table:

Table 4.20
Haryana, Expenditure Envelop of Urban Local Bodies 2011 -12 to 2016-17(BE)

(₹ Crore)

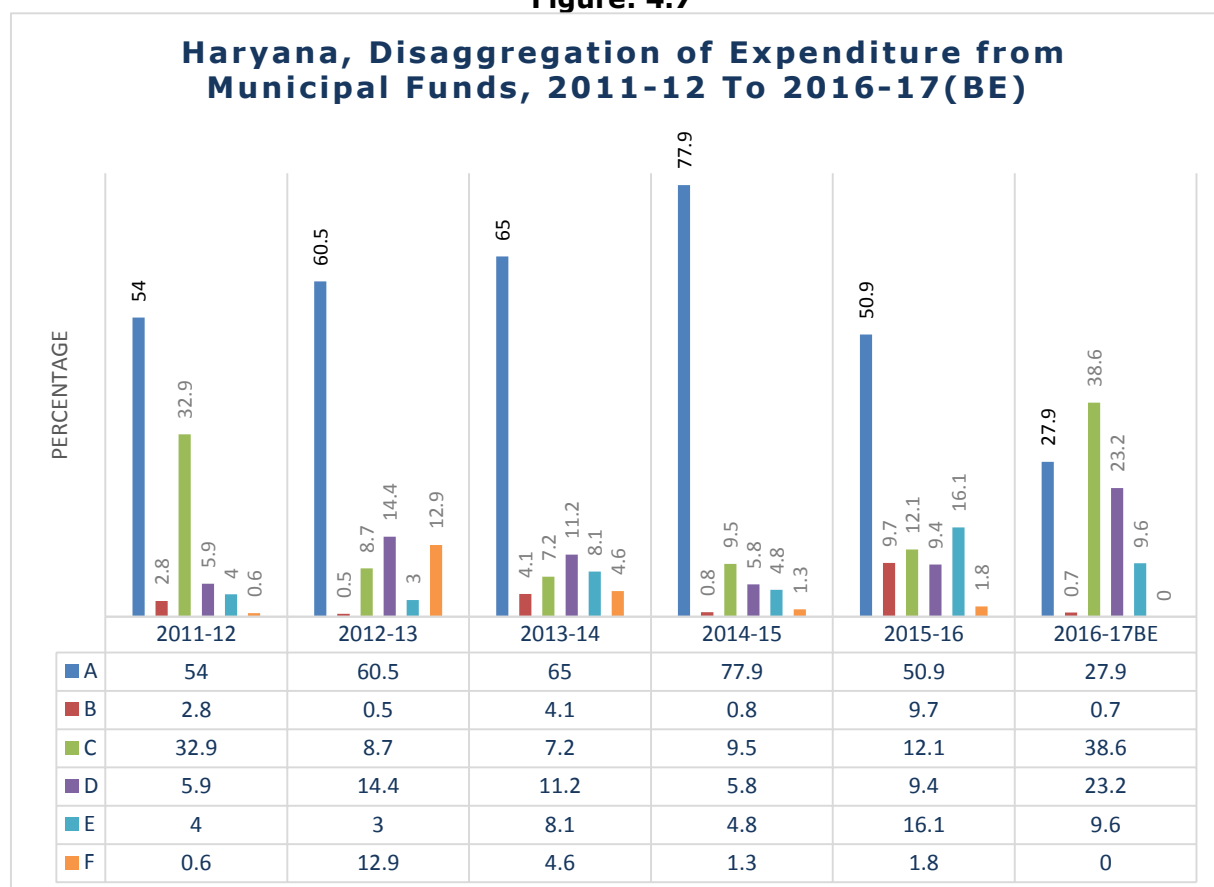
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (BE)
Total Expenditure from Municipal Items	1024.4 (100.0)	854.3 (100.0)	1177.5 (100.0)	967.7 (100.0)	2086.2 (100.0)	3657.0 (100.0)
Revenue Expenditure	552.9 (54.0)	516.8 (60.5)	765.2 (65.0)	753.5 (77.9)	1062.3 (50.9)	1019.3 (27.9)
Lending for Depts. and other purposes	28.2 (2.8)	4.4 (0.5)	47.8 (4.1)	7.8 (0.8)	201.9 (9.7)	25.3 (0.7)
Capital Expenditure	336.7 (32.9)	74.4 (8.7)	84.4 (7.2)	91.8 (9.5)	252.1 (12.1)	1410.4 (38.6)
Contingency Fund	60.1 (5.9)	122.9 (14.4)	131.5 (11.2)	56.4 (5.8)	196.1 (9.4)	849.4 (23.2)
Any Other(Misc.)	40.7 (4.0)	25.3 (3.0)	94.9 (8.1)	46.0 (4.8)	336.9 (16.1)	352.6 (9.6)
Repayment of Loans	5.9 (0.6)	110.5 (12.9)	53.7 (4.6)	12.2 (1.3)	36.8 (1.8)	0.0 (0.0)

Note: Details may not add up to the total due to rounding Figures in bracket are percentage of appropriate total, **BE:** Budget Estimate

Source: SFC Estimates from data provided by ULB Department, Haryana

⁵ <http://www.bseindia.com/markets/marketinfo/DispMediaRels.aspx?page=56aacf56-cded-4a5e-9e0d-ae5b5fa440d7>

Figure: 4.7



A: Revenue Expenditure

B: Lending for Depts. and other purposes

C: Capital Expenditure

D: Contingency Fund

E: Any Other(Misc.)

F: Repayment of Loans

BE: Budget Estimate

Source: SFC Estimates from data provided by ULB Department, Haryana

4.8.3 The expenditure envelope suggests that *major part of expenditure by ULBs consist of the revenue expenditure (Table 4.20)*. Discussions and studies by the 5th SFC suggests that the major part of revenue expenditure comprises salaries and other administrative costs. Average revenue expenditure for the past five years is about 60% of the total expenditure, and average capital expenditure is about 14%, that too when in one year alone (out of the given 5 years) such expenditure was 32%. Thus, *the spending on capital is much lower than desirable and need concerted efforts for improvement of basic infrastructure in Haryana*.

4.8.4 The 5th SFC notes that due to increased allocation for capital expenditure, ULB expenditure as % of GSDP is estimated to be 1.49% in 2016-17. However, for the past five years, the actual did not reach to even 1% of GSDP (Table 4.21).

Table 4.21

Haryana Disaggregation of Expenditure from Municipal Funds, 2011-12 to 2016-17(BE)

Components	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (BE)
Total Expenditure As % of GSDP	2181.8 (100.0)	3048.0 (100.0)	3501.4 (100.0)	3382.9 (100.0)	4821.2 (100.0)	8164.9 (100.0)
	0.73	0.88	0.87	0.77	0.99	1.49
Expenditure from Municipal Funds As % of GSDP	1024.4	854.3	1177.5	967.7	2086.2	3657.0
	0.34	0.25	0.29	0.22	0.43	0.66
Expenditure from Grants As % of GSDP	1157.4	2193.6	2323.8	2415.1	2735.0	4507.9
	0.39	0.63	0.58	0.55	0.56	0.82

Note: (i) Details may not add up to the total due to rounding
(ii) Figure in bracket is percentage of appropriate total

BE: Budget Estimate

Source: SFC Estimates from data provided by ULB Department, Haryana

Expenditure Assessment of ULBs

4.8.5 *The assessment of funds required by a ULB should depend on the functions or services to be undertaken by them.* But as there is no clarity as to what all activities a ULB is performing for its local residents, and because of data constraints, it is not feasible to estimate expenditure requirements.

4.8.6 The SFC's research concerning the Municipal Corporation budget in Haryana suggests that the *Budget estimates prepared by the ULBs are usually made under the heads such as establishment expenses, administrative expenses, operation and maintenance expenses, vehicle expenses, works expenses* (usually covering all development/construction/repair of various structures and roads). The Service wise budget allocation like sanitation services and fire services etc. is made when some given expenditure is to be made on capital project or outsourced functions. This is a broad framework of a regular expenditure budget. The recording of expenditure follows this pattern.

4.8.7 It has been observed that the *expenditure budget estimations usually deviate considerably from the actual expenditure.*

Table 4.22
Haryana: Accuracy of Budget Estimates of the ULBs, Select Categories, 2011-12 to 2016-17 (BE)

Actual/Budget Estimates					
Component/Year	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (A + B)	0.57	0.79	0.64	0.65	0.70
Total Expenditure from MC funds (A)	0.45	0.40	0.50	0.41	0.56
Revenue Expenditure	0.69	0.51	0.75	0.67	0.61
Lending for Depts. and other purposes	0.84	0.24	3.34	0.35	0.79
Capital Expenditure	0.37	0.11	0.08	0.10	0.23
Contingency Fund	0.12	0.30	0.69	0.26	0.63
Any Other(Misc.)	0.87	0.91	1.55	0.76	1.05
Repayment of Loans	0.00	0.00	4.00	0.58	1.08
Total Expenditure from Grants-in-Aid (B)	0.74	1.28	0.75	0.86	0.89

Note:-Details may not add up to the total due to rounding

Source: SFC Estimates from data provided by ULB Department, Haryana

4.8.8 Accuracy is defined in this table as the Actual Expenditure divided by the Budget Estimate. Thus, in 2015-16 the ratio was 0.70 for Total Expenditure. This implies that Actual Expenditure were only 70 percent of the Budgeted Expenditure. This ratio varies considerably. Thus, for capital expenditure, this ratio has ranged from a low of 0.08 in 2013-14 to a high of 0.37 in 2011-12. The wide gap between budgeted and actual figures indicates poor budgetary control, and monitoring.

4.8.9 The Fifth SFC has suggested many measures for improvement in the manner of budgeting and recording of data by ULBs, and also for continual exercise of research to facilitate future SFCs in their work and hope that when the next SFC is in place, they would be in a position to make better assessment of funds requirement of ULBs based on the outcomes expected from them.

4.9 Accounting Mechanism

4.9.1 Accounting is among the most significant aspects of good administration. *Accounting refers to recording of financial aspects of all the transactions which take place.* Since 'finance' is pivotal for working of any organisation, proper accounting of receipt of finances facilitates assessment of existing financial position and required finances for given functions. Proper accounting of the expenditure side helps ensure utilization of financial resources has been done for achievement of desired outcomes. The realistic position of

receipts and expenses along with the related timeframe helps in planning for augmentation of resources or identifying the areas for efficient utilization.

4.9.2 The Constitution of India mentions accounting and audit functions vide Article 243Z thereof, which empowers the State Legislature to make provisions with respect to the maintenance of accounts by municipalities and the auditing of such accounts. In line with this, Section 168 of the Haryana Municipal Corporation Act, 1994 (which governs municipal corporations in Haryana), provided that accounts and audit shall be done in the manner prescribed by the State Regulations in this regard, and till such regulations are enacted, the accounts shall be maintained as per the Municipal Accounts Code, 1930 which was in force in respect of Municipal Committees at that time. Section 257 of the Haryana Municipal Act, 1973 (which governs the Municipal Committees including Councils) in Haryana, also provides that the State Government may frame norms and make any rules as to the accounts to be kept by the Municipal Committees and that the Municipal Accounts Code which was already in operation was the one the State which was to be followed accordingly.

4.9.3 Thus, in both the legislations relating to the ULBs in Haryana, the Municipal Accounts Code, 1930, was to be adopted for the purposes of Accounting till the time a new code was developed for the purposes of Corporations.

4.9.4 Over the period of time, it was felt that with the changing nature of work of the ULBs, most of the provisions of the Municipal Accounts Code were out dated and irrelevant (indicated by the presentation by the Local Audit Department of Haryana), it was indicated that the State of Haryana has prepared a Draft Accounting Code, 2012 (about 700 pages document), with elaborate work accomplished. It contains coding to be used and formats to be used for accounting by ULBs. But it is in the draft form (as on July 2017), and not been implemented.

4.9.5 The reality check reflects that accounting records are not maintained in appropriate formats. Considerable efforts already undertaken by the State in this direction could be used to further improve the accounting framework. The Central Government has also been making consistent efforts in this direction and has developed the manual including the formats and method for accounting in ULBs. The manual is called as – National Municipal Accounting Manual (NMAM). Some of the Central Schemes, such as former JNNURM, provides incentives to the ULBs to introduce Double Entry System in Accounting and to follow NMAM for keeping accounts. While some of the municipalities claim that they maintain their accounts based on NMAM, there is considerable scope for improvement.

The 5th SFC recommends that a uniform form of accounting with uniform coding

should be adopted and used in all ULBs in Haryana. Efforts should be made to finalise the Draft at the earliest. It would be very beneficial, however, if the accounting codes for the municipal accounts are aligned with the accounting codes used by the State of Haryana so that the mapping of municipal revenue and expenditure with the State would become more relevant for decisions concerning urban management.

4.9.6 A matter of concern is that whatever records are maintained, they are not complete and updated. The very basic books of accounts are kept at most of the municipalities in disregard of all kinds of registers and records required to be maintained as per the Municipal Code or NMAM whatever is followed by a given municipality. It takes unduly long time to finalize annual accounting statements. The 5th SFC notes that many municipalities have not finalized accounts for the past 3-4 years.

4.9.7 The fact of non-maintenance and non-production of accounting records has been repeatedly reported by the Local Audit Department in its Annual Audit Report on the ULBs. At least for the past six years the text of general observation has remained the same since 2009-10, without change of even a single word. The observation reads, -the upkeep of the accounts of these Urban Local Bodies were quite unsatisfactory due to non-maintenance of records, non-production of record, no settlement of outstanding temporary advances, non-settlement of provisional payments, due to large number of serious irregularities, short recoveries/non-recoveries of various rent, rates and taxes, etc.

4.9.8 This is serious as the above para is suggesting that the non-maintenance and non-production of accounts by ULB is a consistent situation, and no corrective measure seems to have been taken in this regard for years. The point to note here is that though the directorate of Urban Local Bodies collates some annual financial data from the Municipal Bodies of Haryana that may not be based on the finalized annual financial statements thereof.

4.9.9 The 5th SFC is concerned that there is non-standardization of the format in which the financial statements of Municipal Bodies are drawn. Though the respective rules and formats do exist on records for many transactions and accounts and Statements, these are practically not used by the Municipal Bodies. In fact, there is no such mechanism, which effectively guides the independent Municipal Bodies to ensure that the data is should be drawn in the given formats.

4.9.10 The situation of non-maintenance of proper accounting records lead to non-maintenance or mismanagement of finances in ULBs. Repeated audit observations suggesting considerable leakages of funds, short fall in recoveries, excess or irregular expenditure. If such a situation continues, there would be no means to ensure that by

enhancing the financial resources of the ULBs, one can expect a better performance and higher service delivery level.

4.9.11 The 5th SFC's research also suggests that the following additional areas merit consideration. The system for recording and maintaining assets, land and property in the ULBs is very weak. Inadequate maintenance of these records suggests that the assets and properties are not able to provide high quality services expected from them. The current arrangements imply that not only available assets/property are not utilized efficiently, but they also provide opportunities for theft and pilferage and for unauthorized occupation. As a result the asset and property base of the ULBs is eroded.

4.9.12 It is therefore essential to map the assets available with ULBs for their proper utilization. To convey the ground reality, we are placing a reference to an audit para, which comments that appreciable number of stores/stock items including machinery and vehicles etc. costing considerable sum having been rendered unserviceable/obsolete due to non use or due to normal wear and tear, are lying dumped in stores or in open as junk for want of disposal/auction. As a result those stores were deteriorating and diminishing further in value.

4.9.13 It may be relevant to cite another para from C&AG audit report for the year 2014-15, available worth about ₹ 1 crore purchased by two municipalities remained idle for 5 years simply because the vehicle registration was not taken. This is only one stray situation mentioned here.

4.9.14 A good asset register containing the details about the asset, its location, condition and use may highlight such positions to the persons at operational level in ULBs and would save from such situations. The 5th SFC's research and observations suggest that these may not be isolated cases.

4.9.15 It is not that that the asset registers are not maintained at all by the ULBs. The point is that the manner in which asset registers are maintained could be made more accurate purpose oriented. Neither are these registers are in appropriate format, nor are they updated, nor is there any system to match and verify the annual purchases of assets with the addition in assets during the year. Also, there is no system of physical verification of assets at periodical interval.

4.9.16 The 5th SFC recommends that a onetime exercise be undertaken to take stock of assets with the ULBs. It should involve ensuring the numbering and recording of the assets along with indication of physical location thereof in a

standard format is done for all ULBs. Standard Operating Procedures may be framed for maintaining records of such assets as well as disposal thereof along with the timeframe within which it should be done. In every ULB, specified official should be given responsibility of maintaining & updating such record. It may be noted that the Government of India has developed an application to record the assets of ULBs and RLBs. The application is termed as 'National Asset Directory' and is available for use. The details are available at the website assetdirectory.gov.in. Haryana State authorities are urged to study if this application could be adopted for the needs of the State.

4.9.17 *The system of property records also needs improvement.* The property is one of the most valuable assets owned by the ULBs. It may potentially constitute a major source of revenue for these local bodies. However, it is also neglected in terms of appropriate record keeping which leads to the situations of encroachments (as for years on years nobody takes care of property), non renting out of properties and non -recovery of rent or other dues from the persons using municipal properties.

4.9.18 A general audit observation of Local Audit Department suggests that *the Khasra and town plans in respect of Municipal immovable properties are not prepared for better regulation and optimum use which is giving rise to numerous encroachments and adverse possessions.*

4.9.19 Good accounting is the first step for management of properties of ULBs. Once that is done, it facilitates addressing other management issues. Engagement of a specialist in this area merits consideration as it may help improve the financial health of ULBs.

4.9.20 **The 5th SFC recommends that a onetime exercise may be undertaken to take stock of the property owned by the ULBs, to ensure that the recording of all the properties owned or claimed to be owned by the ULBs, the status of encroachment and legal cases if any, is done. Also, at the State Level, the status and action plan for the properties encroached may be considered. Standard Operating Procedures may be framed for maintaining records of such property, the format of periodical information to be sent to the Directorate of ULB in this regard, to as well as disposal thereof along with the timeframe within which it should be done.**

4.9.21 Another aspect meriting consideration is management of money. *Money is lying in random bank accounts without ensuring that these accounts are well managed.* In majority of the local bodies, there is no system or policy to place money in the standard bank accounts to fetch the maximum returns. It is not unusual to find 20-30 bank accounts

with one local body with random amounts with no verifiable system. It does not appear to be the practice in majority of municipal bodies to place the money in such bank accounts, where the same kind of accounts can reap higher returns. As an example, flexi savings accounts in many Nationalised and other Banks reap much higher returns than the simple savings accounts. Further, multiple bank accounts may lead to embezzlement of funds. As an example, LAD report for the year 2014-15 makes an observation that one Municipal Council realized ₹ 15,70,282; transferred to separate cash book from the general cash book in November 2012 but separate cash book was neither put up nor the bank account pass book of that account was put up in the audit, which could lead to embezzlement of funds. This is only one instance, the point is that the system of allowing multiple bank accounts in ULBs is not a good accounting policy and must be reviewed.

4.9.22 It may be noted that *Section 72 of the Municipal Corporation Act, 1994*, categorically mentions about the concept of 'corporation fund' and provides that *all proceeds of property, all rents, all tax, cess, fees, money received from the Government, interest, profit etc. shall form one fund to be called corporation fund.*

4.9.23 Also, *Section 56 of the Municipal Act, 1973* provides for forming a 'municipal fund' for each municipality in which *all sums received by the municipality shall be placed.*

4.9.24 *Given the above provisions in the related Statutes, the municipalities in Haryana are maintaining multiple bank accounts leading to difficulties and inefficiencies in money management and also the practice is not in line with the statutory intent.*

4.9.25 **The 5th SFC recommends that the municipalities should maintain a single bank account for crediting or debiting all its income and expenses, in line with the concept of corporation fund or municipality fund in the related statutes.** The Directorate of ULBs, however, may consider for limited bank accounts for specific scheme purposes. But a policy must be framed in line with the related Statute as to how many accounts could be maintained by a ULB and for what purpose. It is also suggested that a State Level negotiations may be undertaken with a banker for the accounts where the funds of ULBs may be placed with the respective branches at a given level of interest.

4.9.26 Another area requiring immediate attention is *accounting relating to the closure of the schemes*. A good part of the funds available with a municipality consist of grants pertaining to the specified schemes and the closure entry of this amount received requires municipality to give a utilization certificate thereof. To the extent the amount is not utilized, it is to be returned back. If this is not done, the municipalities may at any point of time face with a situation of huge liabilities for past unspent funds on account of specified grants. In the present system of accounting, such scheme wise fund position is

not closed and a high level review of selected municipalities reveal that in past many years no such reversal of funds has been made from the municipalities towards unutilized grants.

4.9.27 The 5th SFC recommends that a policy be initiated for the accounting of scheme wise receipt and expenditure of funds and reporting of yearly status of closure of the schemes. This should form part of the overall MIS relating to the ULBs.

4.9.28 A double entry system of accounting is a method of accounting different from single entry. Whether the accounting is done manually or with the aid of computer is a separate matter. Even a single entry system of accounting may be followed with computerized data entry. *The fact that there exists a computerized accounting practice in a municipality does not ensure that double entry system is being followed by them.*

4.9.29 In Haryana, most of the Urban Local Bodies are still following single entry system and manual records. Few bigger Municipal bodies who claim to have double entry system are having imperfect and adhoc double entry system of keeping records where the accounting records are first maintained by the Municipal staff and later some outsourced person do entry of data into the system. There is no standardized coding system for different account heads.

4.9.30 Members of 5th State Finance Commission visited various Municipal bodies and interacted with the accounts officials of some of the municipalities who claim to have adopted double entry system of accounting and found that all of them were maintaining two set of accounts – manual and computerized, and the awareness of the related officials about what the double entry system connotes was found to be in need of substantial improvement.

4.9.31 The 5th SFC is of the view that that the accounting system in the ULBs of Haryana needs a serious attention. Efforts which are presently being made at the level of individual Municipal body are adhoc, heterogeneous, being made without sufficient expertise to do so and would not bring desired results in terms of maintenance of accounting records timely and efficiently. The efforts in this direction by the individual Municipal bodies are more focused towards the fulfilling of conditions of some grants or schemes rather than on the objective of facilitation of accounts.

4.9.32 Implementing double entry system in Urban Local Bodies requires State Level policy directing the manner in which the accounts of Urban Local Bodies should be maintained. In the above background, the 5th SFC has recommended that efforts should be made to design the uniform accounting system to be used by the Municipal bodies with

uniform accounting codes, assistance of some professional body/ external consultant may be taken in this.

4.10 Audit and Internal Control Mechanisms

4.10.1 In any organisation, internal control mechanisms are essential to ensure efficient deployment of resources to achieve desired outcomes. The same is true with municipalities also, particularly when these local bodies are responsible for an increasingly higher and significant share of public expenditure– based on their own sources of revenue, and out of devolved funds and grants received from the State and Central Governments. *In the ULBs in Haryana, the only control mechanism which is followed is 'Audit'.* The 5th SFC has examined the existing audit mechanism in place in Haryana Municipalities and its efficacy in facilitating use of the finances of the ULBs for improving outcomes.

4.10.2 The Article 243Z of the Constitution of India provides that the State may, by law, make provisions with respect to the maintenance of accounts by the Municipalities and audit of such accounts. In line with this, Section 257 of Haryana Municipalities Act 1973 authorizes the State Government to make rules as to the manner in which accounts are to be kept and audited by the Municipal Committee. Further Section 168 of Haryana Municipal Corporation Act 1994 prescribes the manner in which accounts are to be maintained and scrutinized by the audit department.

4.10.3 In Haryana, the agency framework of Audit of ULBs consists of Local Audit Department (LAD) and the office of Comptroller and Auditor General (CAG) for the State of Haryana. While the State of Haryana, vide the related statute, mandated only LAD, Haryana to conduct the audit of the municipalities. But the 11th Central Finance Commission (CFC) and thereafter the 13th CFC urged that a role of CAG auditing local bodies be considered.

4.10.4 LAD, Haryana is the statutory auditor and is under the administrative control of the Finance Department of the State. *It is responsible for conducting the Pre-Audit as well as Post-Audit of the accounts of Urban Local Bodies* as also other departments or bodies of the State Government. The department also renders advice on financial and accounting matters to the Urban Local Bodies. The Utilization Certificate in respect of Govt. Grants/ Other Grant-in-aid given to ULB's are also verified and authenticated by this Department to meet the requirements of the sanctioning authorities.

4.10.5 *Pre-Audit of ULBs is expected to be done with hundred percentage coverage of ULBs*, and refers to the day to day audit of the expenditure to be made by ULBs. In this audit, the audit team is placed in the office of municipality and verifies the specified

expenditures before these are incurred. Presently, the audit of almost all the Municipal Committees and Councils is being conducted on day to day basis under the pre-audit system. The audit of Municipal Corporations is also being conducted on day to day basis under the pre-audit system. The gap however may be found on account of insufficient resources. *In addition to the pre-audit, Post Audit is also conducted by the same department* which conducts pre-audit, that is, LAD. It is done annually for all ULBs in Haryana. The State is divided into several audit circles for the audit of accounts which are carried out under the post audit system as per provisions contained in the departmental manual.

4.10.6 A combination of pre-audit and post audit with a comprehensive coverage of ULBs in Haryana is sound. But there is substantial scope for effective functioning of the audit system. The 5th SFC research suggests that the following areas merit consideration for improving its functioning. The audit staff available with LAD is in sufficient to service ULBs.

- The staff which is available are not properly trained. There is an urgent need to enhance their capacity.
- Given the shortage of manpower, another challenge is obtaining appropriate records from the ULBs for the purpose of post audit. The final accounting statements of ULBs are in different formats, proper registers are neither maintained nor updated and the accounts are not produced by ULBs as per requirement of auditors.
- Despite repeated observations for at least past many years, the audit observations have not been addressed by the ULBs appropriately.

4.10.7 These factors make the audit exercise time and resource consuming, without commensurate benefits. It is essential that the spirit and substance of the audit exercise can be restored on a priority basis. The last completed annual report of post audit of ULBs is for the year 2014-15. Presently we are in the 2nd half of 2017. This position reflects lack of capacity for audit, suggests that undue delay in audit erodes the purpose of audit.

4.10.8 **The 5th SFC recommends that the current system of audit should be reviewed; use more of strategic and modern information technology for timely and effective audit, with the assistance of limited but skilled manpower.** As an example, accounting data reporting in a given format in a timely manner by all ULBs should be available on a web portal to the audit team, along with auto computed comparative data statements with identified risk parameters will enable the auditors to look for only the risk areas for audit, thereby reducing the physical efforts to a great extent, and at the

same time the effectiveness of audit will improve many folds. A cue may be taken from the system of return scrutiny evolved by the tax departments where they seek data in structured table formats (very simple formats) and use simple software programmes to compare the related data coordinates and generate information which may identify risk areas where audit may be focused. Creation of such parameters and software programmes is one time effort and should be feasible.

4.10.9 The manner in which pre-audit is undertaken needs a review. Presently it is done for specified expenditure transactions as a part of accounting chain where expenditure needs to be verified by an auditor before releasing the payment. Some of audit staff sits continually in the offices of different ULBs. In the 5th SFC's interactions with the municipalities, it has been learnt that in the bigger corporations, between 7 to 10 auditors are placed in the ULB office concurrently for the purpose of pre-audit. This function is important but with appropriate expenditure norms in place and Standard Operating Practices to be followed in this regard, a review of the requirement of pre-audit may be undertaken. Introduction of e-procurement practices in ULBs based on the detailed SOPs established by the Central Government merits consideration. This will not only make the procurement system of ULBs much more efficient, but may reduce the requirement of manpower for pre-audit, thereby increasing the flexibility to increase staff for post audits.

4.10.10 The 5th SFC thus recommends the adoption of e-procurement system by the ULBs. (Refer Para 3.7 of the Report)

4.10.11 The 5th SFC further recommends that a scientific assessment be made concerning the manpower requirements for the purposes of audit, and steps should be taken to ensure sufficient and quality audit staff and also to introduce systems based audit to reduce the manpower requirement for audit.

4.10.12 The 5th SFC recommends that a policy should be in place about the manner and timeframe in which audit observations would be dealt with by the ULBs, and fixing of responsibility will be addressed. The idea is not to penalize the responsible persons for the error, but to make sure that the errors do not get unseen in the system.

4.10.13 The 5th SFC suggests that there should be a system of management information in place to indicate the status of audit paras by the ULBs to the LAD and Directorate of ULB both. In case, audit observations are indicating repeated under recoveries in property tax, lease rentals, or encroachment of property, related system of tax collection or lease collection mechanism, property records or system for dealing with encroachments should also be considered.

4.10.14 The above discussion concerned the audit of ULBs undertaken by the LAD, Haryana. Another agency which also conducts ULB audits is the office of Comptroller & Auditor General (C&AG). The 11th Central Finance Commission (CFC) of India emphasized the need for local bodies audit by an independent body C&AG. The 11th CFC in their report observed that *"as regards to audit, in many States, the legislation leaves it to State Government to prescribe the authority. In some States, the Director, Local Fund Audit or a similar authority has been given the responsibility for the audit of accounts of Panchayats and Municipalities. The C&AG has a role only in few States and that too for the Audit of district level panchayats and for very large Urban Bodies. In our view, this area of accounts and audit needs to be set right under the close supervision of the C&AG and supported by specific earmarking of funds from the grants recommended by us in respect of Local Bodies."*

4.10.15 The 13th CFC reiterated the above view of the 11th CFC and suggested that *"the Annual Technical Inspection Report of the C&AG as well as the Annual Report of the Director of Local Fund Audit should be placed before the state legislature"*. The Report said that if necessary, this can be institutionalized by introducing relevant legislation. While such an arrangement could provide a credible assurance of the audit of accounts, an independent authority for investigating complaints of malfeasance and administrative laxity by local body representatives is still not in place in most States.

4.10.16 In Haryana, the C&AG has been undertaking local bodies audit as per the recommendation of the 11th CFC. *The C&AG has been preparing Annual Technical Inspection Report on local bodies in Haryana, but the reports are practically not been getting due attention. The challenge is to not let audit becoming an 'expenditure centre', but also a 'revenue centre'.*

4.10.17 The 5th SFC recommends that the ATIRs prepared by the C&AG office of Haryana, should be considered for action within a defined framework of time preferably one year from the date of acceptance of the SFC report, and a timeframe may be prescribed by the State Government for closure of the future audit reports.

4.10.18 The issue of capacity constraints is true with the C&AG also, and enhancement thereof may improve the coverage and effectiveness of audit done by them. Also, it may prove effective to take assistance of external institutions like IPAI for audit assistance, as is being done by the Government of Punjab.

4.10.19 At present audit is the only internal control mechanism in Haryana's ULBs, where auditor verifies the records physically and makes observations. As Information

Technology (IT) has reached an advanced stage, and particularly when the State of Haryana is known to be one of the foremost States to use IT in its administration, use of IT and MIS in creating and following internal control mechanisms in ULBs can prove to be a milestone in reducing the physical efforts for audit and enhancing the timeliness and effectiveness of controls.

4.10.20 The National Manual for Accounting of Municipalities (NMAM), contains internal control procedures for cash and bank management, for every type of tax collection, elaborate budgetary procedures, which are also kind of internal control mechanisms.

4.10.21 The 5th SFC recommends that internal control mechanisms be established for the ULBs at the State Level in the form of statements in specified formats to be filled and transmitted to the appropriate officer of the Directorate of ULBs in the form of MIS and a small software programme may be made to identify larger deviations and risk areas so that corrective actions can be taken accordingly.

4.10.22 The 5thSFC is of the opinion that good and updated accounting records are first requisite for audit; we have given suggestions accordingly in the discussion related for accounting. As for shortage of skilled manpower for audit, there seems to be a need to review the conventional methods adopted for concurrent and other audits. *Good accounting records, periodical MIS and use of information systems for audit coupled with the 'Standard Operating procedures' for cash and bank management as well as for receipts and expenditure would reduce the requirement of manpower for audit to a great extent. Further timely action on audit observations would save lot of financial resources to the ULBs, and at the same time would help in curbing malpractices and leakages effectively.*

4.10.23 With an effective audit mechanism in place, not only the financial resources of ULBs would get saved, also the effective use of these resources would lead to enhanced outcomes.

4.11 Human Capital and Capacity to Spend and Deliver

4.11.1 The Primary expectation from the ULBs in Haryana is 'service delivery' and all the resources are directed towards achieving the goal of providing quality service. Usually the most talked about resource is finance and most of the efforts of the State as well as the local bodies are focused towards the augmentation of finances.

4.11.2 The ULBs in Haryana have not been able to spend all the finances available to them. They also have not been able to manage their funds efficiently. As a result part of the scheme grants remain unutilized, and at times lapse. Efficiency and effectiveness of

service delivery exhibits substantial scope for improvement. *This suggests a need to consider augmenting the capacity of the Directorate of the ULBs, and of the individual ULB. The capacity of the departments such as audit and PHED which provide services to the ULBs also need augmenting.*

4.11.3 To assess the capacity to work, the extent of staff availability and required skill sets are two key areas. A broader view of the ULBs manpower spectrum suggests that in both areas significant gap exists. Research by the 5th SFC indicates that the sanctioned staffs in the ULBs at all levels are based on India's 2001 population Census data. Since then size and distribution of populations the context of policymaking, technology and other instruments available, and state priorities have changed. So the sanctioned staff is no longer an adequate proxy indicator of the current staffing position. The average deployment of manpower is around 40% of the sanctioned manpower.

4.11.4 The staff position in Gurugram Municipal Corporation on 16-12-2016 was as follows: Against 2239 sanctioned posts, 371 posts were filled consisting of 325 regular employees and 46 employees on deputation basis from other departments. About 1610 persons were deployed through service provider for sanitation purposes. The staff position in Faridabad Municipal Corporation on 15-12-2016 was as follows: Againstt sanctioned posts of 6985, 4064 were filled by the regular staff, daily wagers were 261, and 1756 staff was taken through contractual/ outsourcing mode.

4.11.5 The above data are for the bigger municipalities of Haryana who are having funds to source outside manpower. The combined position of regular and outsourced manpower provides a better indication of the available manpower and its skill-sets. In smaller municipal bodies, the challenge of manpower availability is greater.

4.11.6 The position is similar for the Directorate of ULBs, where about 44% of the sanctioned staff has the responsibility to perform its functions. There is also an issue of whether the staffs have the requisite skill sets to perform the functions.

4.11.7 The present data of sanctioned manpower does not seem to be based on the functions or services required to be performed by the ULBs or the directorate. As per the available information, the sanctioned manpower is based on the population data, and what criteria was used to design the level or skill of the sanctioned manpower is not clear.

4.11.8 The 5th SFC recommends that a professional assessment of the staff required for the Directorate and for the ULBs to perform in a manner which produces desired outcomes be undertaken. Such an assessment should focus on functions (and not individual activities) including the function of coordination

and planning. Further, an analyses as to what kind of functions can be outsourced and to what extent would also be helpful in this regard and would be helpful in guiding the ULBs in outsourcing its activities and in hiring contractual staff. *The need for manpower may undergo a change if the 5th SFC's recommendation for State Level Urban Shared Service Centre is accepted.*

4.11.9 The 5th SFC recommends that role mapping for the work positions in ULBs and SOPs for such roles including the reporting and MIS responsibility may be done and the information be placed at a defined and known medium which can be accessed easily, but with appropriate checks and balances.

4.11.10 The 5th SFC's research suggests that duration of responsibilities for an administrative head is often insufficient for focusing on outcomes. A longer duration (around 3 years in normal circumstances) merits consideration. The 5th SFC is also of the view that for administrative positions a system of Institutional Memory Record (IMR) merits consideration. The IMR would involve a clear Set of Procedure(s) to be followed for handing over the administrative responsibilities, including the list of records, date of updation, financial position, utilization or non utilization of grants for various schemes, and near and medium term priorities.

4.11.11 The 5th SFC's research suggests a more outcome and effectiveness-oriented system of training of ULB officials, both administrative and elected merits serious considerations. The SJHIFM could be considered to assess this gap in Public Financial Management. Other State training institutions may be considered as agencies for other areas. The research suggests that there are national level specialized institutions which could address the specific skills training and general capacity building needs of Haryana. A select list would include

- Regional centres for Urban and Environmental Studies of the Ministry of Urban Development in Lucknow, Mumbai and Hyderabad
- National Institute of Urban Affairs
- All India Institute of Local Self Government (AIILSG), Mumbai
- Various Schools of Planning and Architecture
- Centre for Good Governance, Hyderabad

4.12 Goals, Planning and Budgeting

4.12.1 The United Nations General Assembly, in September 2015, adopted a global development vision called "Transforming our World: the 2030 Agenda for Sustainable

Development". On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force. The 17 SDGs consist of 169 targets. Over the next fifteen years, with these new Goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

4.12.2 India has committed to the 2030 Agenda. NITI Aayog has been entrusted with the role of coordinating and implementation of SDGs in India and Haryana has committed itself to attainment of the SDGs in the State. The State of Haryana aims to align its existing schemes and programs with the SDGs targets and prepare a vision 2030 document an action plan for achieving the goals. The 17 sustainable development goals have been thematically clustered and 7 working groups from cross functional areas have worked on this. The clustering has been done to facilitate breaking of silos; strategic cooperation and inter-departmental analysis and planning to achieve the SDGs by 2030 for the State of Haryana.

4.12.3 In June 2017, the Government of Haryana released its 'Vision Document 2030' with the key objectives of increasing the Gross State Domestic Product (GSDP) growth to 9.8 per cent and developing industrial clusters in each district of the state. The document has been divided into three broad categories of economic, environmental and social targets.

4.12.4 In the *economic section*, the focus areas are increasing the per capita income to ₹ 8,34,351 and progressing toward women comprising 30 percent of the workforce. The *environmental indicators include waste and garbage collection and arrangement* of 100 per cent toilets and sewerage, 20 e-waste and solid waste management plant, renewable energy of 14.5 per cent of the total energy, complete ban on stubble burning, establishment of 400 climate smart villages and to check the depletion of water table. *The social section aims for no malnutrition among children, housing for all, bringing down maternal mortality rate to 70 per one lakh live births, neonatal mortality rate to 12 per 1,000 live births and under-five mortality rate to 25 per 1,000 live births, 100 per cent net enrolment ratio at pre-primary level, 97 per cent at primary level and 95 per cent at secondary level, bringing down the dropout rate to nil and reducing crime against women.*

4.12.5 *The challenge is to establish a clear action plan, including the schemes consolidated into SDGs work plan, placing specific responsibilities for outcomes, setting up a monitoring mechanism, and data capturing and analysis. This is a process (not a one-time event), requiring sustained focus.*

Planning at the District Level

4.12.6 A distinction between planning and budgeting is helpful in this process. While planning is aimed at devising strategy and identifying direction and time frame for achieving given objectives or goals; budgeting provides practical parameters to execute the plan and assures that resources are available for moving into desired direction, and conveys the type and size of resources not available, which further assists in planning.

4.12.7 The District Plan essentially considers three aspects, namely:

- *Plan to be prepared by the Rural Local Bodies (RLBs) for the activities assigned to them in view of National/State schemes implemented by them with their own resources and other Govt. funds earmarked for these purposes.*
- *Plan to be prepared by the Urban Local Bodies (ULBs) for the activities assigned to them in view of National/State schemes implemented by them with their own resources and other Govt. funds earmarked for these purposes.*
- *Physical integration of the Plans of Rural and Urban Local Bodies with the elements of the State Plan that are physically implemented within the geographical confines of the district.*

4.12.8 The above understanding of the District Level Planning function is of the essence, where planning is not restricted to the top-down approach, and a district level plan is requiring local level plans of local bodies (bottom-up approach) as an essential ingredient of the planning process, and the idea is to prepare a plan at the District Level keeping the vision and planning of the individual local bodies and also keeping the overall development objectives of the State.

4.12.9 The existing District Level Planning Committee of Haryana is undertaking planning process under 'District Plan Scheme', under which a good amount is allocated for the scheme, and money is allocated sector wise, for instance, x amount for streets and drains and y amount for sanitation and z amount for water supply and so on. In the year 2016-17, the total funds released by the State for District Planning Scheme were ₹ 300 cr., out of which only about ₹ 143 cr. could be utilized. For the year 2017-18, such allocation is ₹ 200 cr. Further, in the guideline, it is provided that the District level funds so allocated would be used for ULBs and RLBs in the ratio of the respective population based on the last census. The 5th SFC commends the Department of Economic and Statistical Analyses, Haryana, for preparing a professional document containing 'District

Plan Guidelines' in May 2016. If implemented well, it would make the planning process in the Districts more outcome focused, benefitting the citizens.

4.12.10 The 5th SFC is of the view that the above broad structure of District Planning Scheme of the State Government would be helpful in development of infrastructure for a given area. The budget is to be allocated sector- wise, and it is expected that the DDMCs would ensure that the allocated funds are appropriately used for development works. The next step in this process is to make the annual planning compatible with a targeted level of provision of basic services. Aligning the annual targets with the 2030 vision also deserves consideration.

Planning and Budgeting at the Local Level

4.12.11 The 5th SFC has observed that though the ULBs in Haryana prepare an annual budget, "planning" appears to be absent. Budgets are often relatively crude estimates of receipts and expenditure, with insufficient disaggregation and focus in outcomes. The budgets are focused on listing expenditure items under the heads like administrative expenditure, establishment expenditure, works expenses etc. Function wise expenditure is not assessed or listed in the budget. While reviewing the budget of one of the Municipal Corporations of Haryana, it was observed that few expenses such as sanitation and fire services expenses were mentioned function wise, but these did not match the total expenses attributable to that function area. It appears that these were one off expenses on capital equipment or specific bigger expense on one or two items relating to that function.

4.12.12 The estimation of revenue is given under various sources such as property tax, other taxes and grants. But the budget document usually contains aggregate amount, without sufficient disaggregation and explanation.

4.12.13 There also appears to be lack of consistency in presenting estimations in the budget. For Instance, while stating property tax revenue for 2016-17, in a sample of municipal budget, the arrears for property tax has not been included while the arrears of stamp duty share were mentioned.

4.12.14 The above suggests that proper budgetary guidelines and head-wise standard operating practices to be adopted for preparing budgets merits consideration.

4.12.15 The point is that the existing budget exercise in the ULBs need to be reviewed and to be aligned with outcomes, by including additional features like function wise and outcome wise yearly plan, estimated expenditure and income resources to be attributed

for that function, also mentioning the gap in the resources if any, and the part of the outcome function which may be affected because of lack of resources. This is in line with the provision in the Municipal Account Code 1930, wherein it has been categorically mentioned that the corporation or the committee shall maintain separate budget for water supply and sewerage, transport and electricity.

4.12.16 The 5th SFC suggests that the existing budget could include 'remarks' column, to explain the reasons for differences between the budget estimate and actual realization.

4.12.17 The 5thSFC recommends that the Budget Document of the ULBs be based on a uniform format. This would include the function wise estimation of expenditure and revenue attributed to the function. Also, appropriate explanations should be given for the differences between budget estimates and actual realization.

4.13 A Case for Establishing Urban Shared Services Centre

4.13.1 The analysis in this Chapter strongly suggests that there continue to be significant gaps in the existing financial, human-resources, technological adaptation, and organizational capabilities which constrain the performance of the ULB's in Haryana.

4.13.2 The function areas of ULBs mainly consist of *service functions* such as, solid waste management or fire services, water supply etc. and *support functions* such as accounting, tax collection and reporting systems etc. All these functions require specialised skill-set and/or capital equipment which is costly and scarce. There are *other functions* also such as interacting with residents, issuing certificates, implementing schemes, wherein there may be a need for specialisation or may not be so. ULBs have limited capacity not sufficient to establish specialized function areas. Most of the officials at the ULB level are not function specialists, they are well versed with the administration function and their job is to ensure that the local residents in their area are getting the basic civic amenities appropriately. Neither ULBs have sufficient financial resources to hire function specialists for every specialised function. As a result, 'line' rather than 'staff' functions are given priority in managing the ULBs.

4.13.3 The functional requirements of all 80 ULBs in Haryana are by and large common – all need to get the accounting done, all needs tax collection systems, all need to undertake waste management measures, all need to ensure water supply in their area and all need to plan and work for the development and growth of their area under different schemes of the State and the Central Government. Though there could be some typical issues at local level which may be different in different ULBs, for instance a given ULB may have more of

hilly area and may need typical facilities; but most of the issues in all ULBs are common. The point is how to balance the situation of resources and service requirements.

4.13.4 The 5th SFC strongly recommends that to align resources, capacities, and functions to be performed by the ULBs an Urban Shared Services Centre (USSC) located in the Urban Directorate of the State, be established.

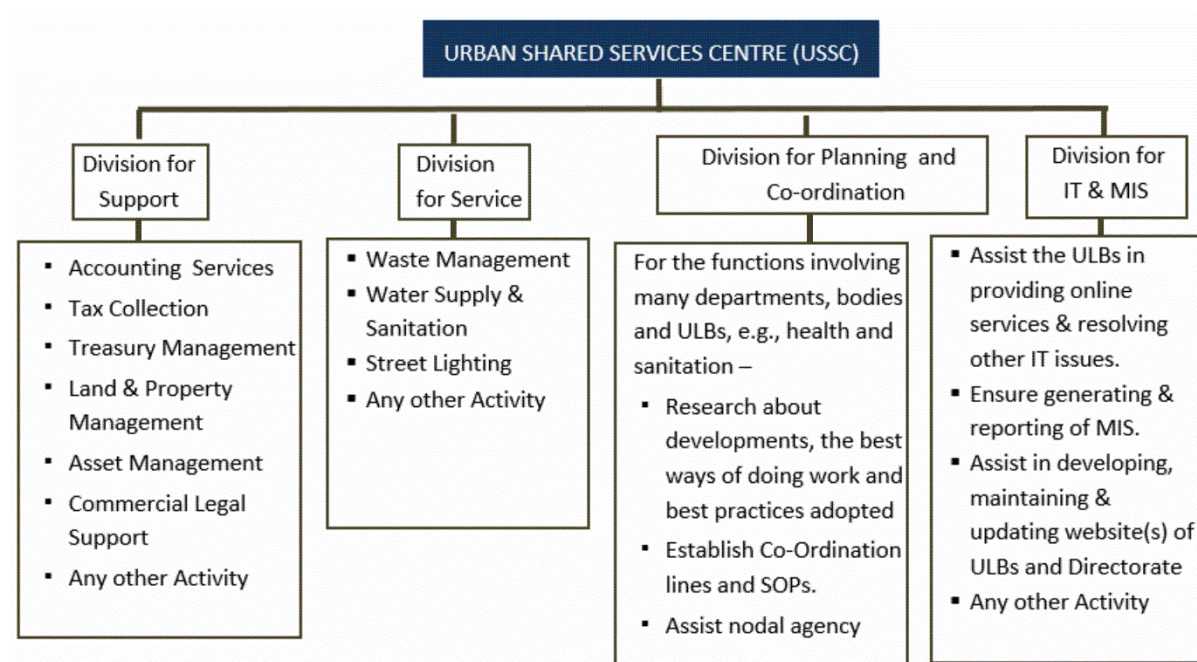
4.13.5 The rationale behind the USSC is that creating a support system at the State level to achieve specialized efficiencies, uniformity, economies of scale and scope and better coordination, to enable the current 80 ULBs to function more effectively, while preserving autonomy of the ULBs.

4.13.6 The USSC at the State level may have following capacities -

- each such centre may be specialist for respective function,
- it may be repository of all information and knowledge on that function area, such as a tax efficiency centre would be having all information about the taxes that can be levied by the municipalities, rates, manner of levy of new taxes, data about tax collection etc.,
- it can develop robust systems for execution of a given function, e.g. a software may be developed for tax collection
- it can prepare SOPs to be followed by ULBs, and related MIS and monitoring system
- it can provide a communication platform for all tax related issues of ULBs, and
- it can provide different level of services in each function area (e.g. accounting or tax collection or waste management) to the extent ULBs may wish to seek.

4.13.7 The knowledge, technology, information and communication segments are undertaken by the USSC. The ULB's can access USSC's services. Many services of USSC will be made available to ULBs at no cost to them. Select services, which could reduce need to spend by individual ULBs, could be internally priced, i.e. ULB's accessing such services will need to pay the USSC from its own budget. The service charges should bear relation to cost of providing services. A suggested structure for the USSC is provided in Figure 4.8.

Figure:4.8

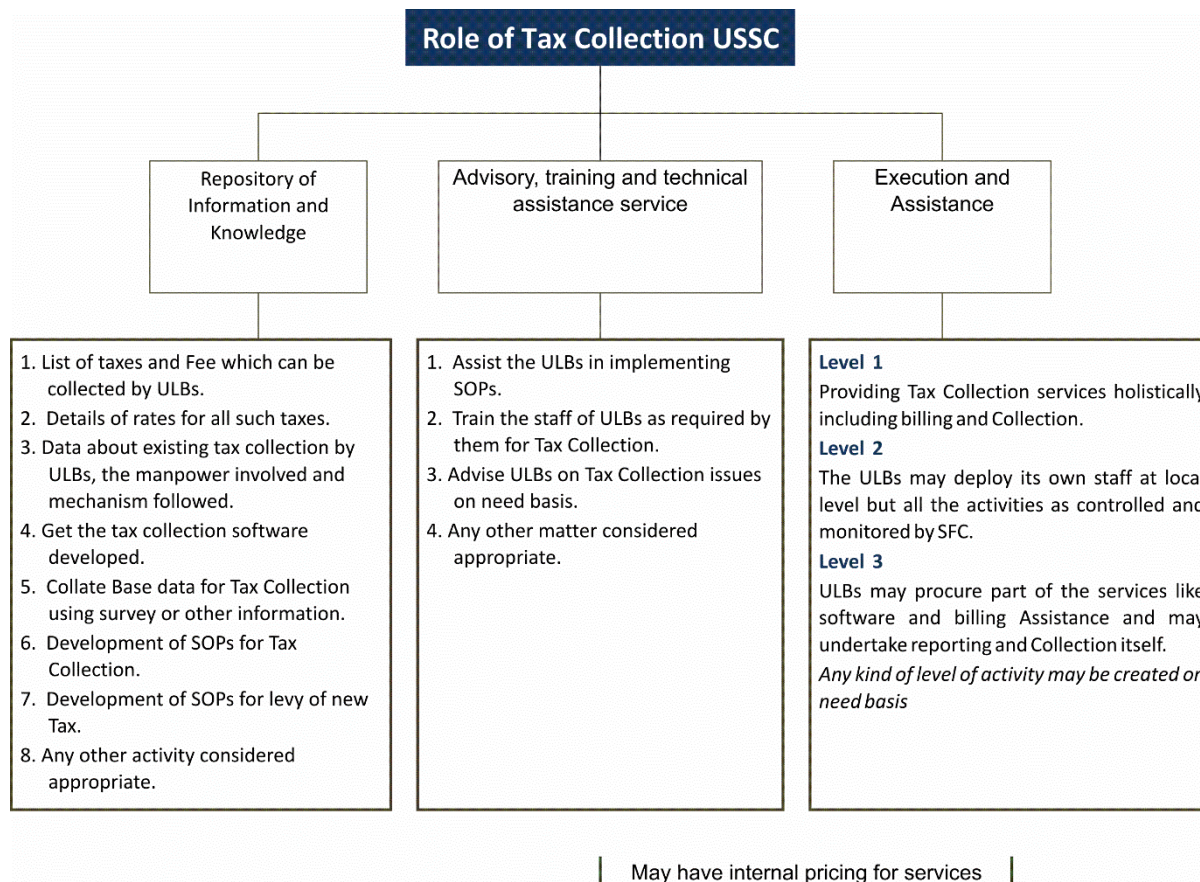
Haryana: A suggested Structure for the Urban Shared Services Centre

Source: Constructed by the 5th SFC

4.13.8 The structure envisages Divisions under the USSC, for Service Functions, Support Functions, Planning and Co-ordination, and for MIS. Under each division, scope and broad areas of responsibilities are identified in Figure 4.9. This is an illustrative structure, and may be modified as the USSC concept is further refined.

4.13.9 **An action plan for the Tax Collection Function** is provided below to illustrate the functioning of the USSC in this area. Such plans could be developed for others as the USSC begins functioning. A strong case for enhancing capacity to tax and to collect increasing proportion of potential revenue by the ULBs in Haryana has been established in the previous sections of this Chapter. A proposed structure, outlining functions and activities under them to be performed by the Tax Collection Department under the Division of the Support Functions in the USSC is provided in Figure 4.9.

Figure 4.9

Haryana: Tax Collection Function under the Urban Shared Service Centre

Source: Constructed by the 5th SFC

Tax Collection Service Department: The brief elaboration of each role**A. Tax Collection Department – As Repository of information and knowledge**

4.13.10 The Service Centre would collate information and knowledge on all kind of taxes a municipality can levy and collect, respective tax rates, and develop standard operating procedures (SOPs) for levy and collection of existing taxes and the manner of levying a new tax. Also, it would collate related data regarding estimated property details or other base coordinates based on which taxes are levied by the municipalities. For instance, as per existing practice, the municipalities are supposed to get the survey of their locality done after every 5 years to estimate the properties on which property tax is to be levied. This survey forms the basis of estimated property tax collection from a given area. Based on the information from various municipalities, in most of the cases, this survey has not taken place for past many years, in few where survey had taken place, the yearly estimation may not be based on this survey figure because of the manner of making

budget or keeping accounts or lack of information technology support or any other reason. The point is that - presently the municipalities do not have a realistic estimate of 'what their property collection should be', which is the very basic data to collect the tax, may be because of high cost of surveys and different agencies involved therein.

4.13.11 The USSC would be in a position to hire a single professional agency to do survey of entire State of Haryana, and report about the 'property data' with respect to every municipal area.

4.13.12 The USSC may interact with all municipalities to take stock of their tax collection position to begin with and collate all information about the taxes they are presently collecting, the pendency status and other issues and going forward be repository of data of taxes collected by them through a system of MIS. The SSC may also ensure that the relevant tax data is available to the related agencies for the purpose of budgeting and planning.

4.13.13 The USSC would undertake research to improve the ways of tax collection and possibility of levy of newer taxes and relating the taxes with the service delivery. This could include the research on the best tax collection practices followed by any municipality of Haryana or in any other State and the infrastructure created or studies conducted by the Central Government or other professional bodies in this regard.

4.13.14 The ULBs may access to USSC for information and SOPs on the existing taxes and license fee which they are empowered to collect. They may also obtain the base data of properties on which tax is to be collected and may request information relevant for facilitating tax collection. They may also use SOPs prepared by the USSC for tax collection.

B. Tax Collection Department: As Advisor and Trainer

4.13.15 The Tax Collection Department would develop research and professional capacities to render advice to the ULBs in the matters relating to tax collection, and in imparting training to the tax collection staff of the ULBs in following SOPs for tax collection and also for filling up the required information formats.

4.13.16 The ULBs may seek advice or training from Tax Collection Department. This would save multiplicity of efforts by different ULBs, efficiency and consistency in the system and overall cost effectiveness. For instance, in a situation where new tax regime, Goods and Services Tax (GST) has been implemented and there are consequential impact in terms of tax compliances and power to levy or not to levy certain taxes or fee by the

ULBs, USSC advisory could save resource costs, lessen confusion, and enhance compliance of the law at the individual ULB level.

C. Tax Collection Department: Creating Capacities to assist in undertaking tax collection function

4.13.17 The Tax Collection Department would get a software developed for collection of different types of taxes a municipality may levy by providing an online gateway. The software could have entire database for billing, sending mails for bills and reminders, and keeping record of payments made. A 'standard operating procedure' (SOP) may be developed for physical collection and deposition of cheques or money at the local municipality level which may include steps indicating the manner of issuing receipt through the system or if that is not possible, manner and format of issuing physical receipt and then about the requirement of deposition of respective money/cheques in the given account, its accounting entry, timeframe to do that along with a weekly or monthly reporting system of receipts on this account. The 5th SFC is of the view that creation of such kind of infrastructure for tax collection is quite feasible and economical.

4.13.18 With the above infrastructure, the State level shared service centre may offer its services to all the municipalities defining different level of services which these municipalities may opt for –

- a. ULBs may simply subscribe to the software and take SOPs access to this service centre for information and SOPs on the existing taxes; or
- b. ULBs may subscribe the software and take training for using SOPs and software system;
- c. ULBs may entrust entire tax collection system to the Service Centre; or they may customize the service procurement level –
 - The Shared service centre may undertake the tax collection procedure of the municipality holistically for all taxes – including assessment, billing, collecting, follow up and reporting with no assistance from the respective ULB – say level I
 - The Shared service centre may undertake the assessment the tax collection procedure of the municipality holistically for all taxes – including assessment, billing, collecting, follow up and reporting with ULB also deploying its 1-2 or more employees at the local level to collect the taxes

and making respective entries etc. assistance from the respective ULB – say level II

- The Shared service centre may undertake only the assessment and billing for the taxes, while the tax collection and accounting and follow up etc. is done by the local bodies themselves – say level III

The above services may be taken by the ULBs for selected taxes or for all taxes to be collected by them.

This would be on cost sharing basis between the ULBs and the USSC. This would be internal cost sharing, but the economy of Haryana will benefit by having the requisite functions being performed at lower resource costs. The ULBs could save on their costs, while collecting more revenue.

4.13.19 To make the Tax Collection Department operational, the following may be considered.

- (i) The Tax Collection Department may be started with five to six person staff at the Directorate level. The composition may be 1 team leader and 1 manager level person from accounting and taxation background, 1 person from IT background and 2 researchers who can collate the data from ULBs and also do computer research. The other infrastructure required would be office space, computer, telephone, vehicle and other office requirements. Software developer, process experts, and other professional staff may be needed. Some of the work could be constructed out.
- (ii) The initial work would be to:
 - a. Collate all information about existing taxes and rates, immediate plans of the government about any changes, issues relating to such taxes (often audit reports are a good guide), all audit paras related to tax collections, the existing position of ULBs on taxes and the manner adopted by them to collect taxes;
 - b. Get a software developed for collection of taxes. This software would map all taxes and license fee collectible with the rate. The challenge would be to feed the tax base data in the software pertaining to respective taxes. This could be done in phases. First, the existing tax base data may be collated from all ULBs and that can be used as the initial base. Second, a system could be established to augment this data from other government agencies; such as power companies, and third parties. Third, a system needs to be created for updation

of property and other required data on periodical basis. The objective would be to use as current and feasible valuation, based on sound evidence, for administering the property tax, and other taxes.

- c. Prepare SOPs for collection of various taxes. The SOPs should be simple step wise instructions which are easy to understand. Ideally, the SOPs should cover every action point, including the issue of bill, receipt, entry in computer, deposition in bank account and ensuring that the money is credited in the account, etc. the timelines for every step, with a monthly self monitoring plan, and reporting the requirements.
- d. Prepare a list of officials along with their coordinates from the 80 ULBs to be connected in this regard for the purpose of communication.
- e. Undertake or outsource research work and explore, whether tax collection systems innovations elsewhere, could be suitable for Haryana's ULBs.

4.13.20 The 5th SFC's assessment is that within six to eight months of establishing USSC, the Tax Collection Department could be made functional. If its scope is limited to one or two taxes, and to select ULBs, it could begin functioning even earlier. Once it develops its own capacities, it may consider training persons from Saksham Scheme of Haryana for undertaking tax collection tasks at the local unit level.

Brief overview of other select functions:

Accounting Services Department under the Support Services Division of the USSC

4.13.21 The accounting requirements of ULBs are common. This is because same accounting code is to be followed; almost similar activities are to be performed by different municipalities and similar transactions undertaken. Some ULBs may be performing lesser number of activities and some more. Same accounting and reporting format is to be followed and same kind of property registers or asset registers are to be maintained by them.

4.13.22 The Accounting Services Department's scope of work may involve the following.

- Code or Manual to be followed for maintenance of accounting records – Haryana Municipal Accounts Code 1930 or NMAM or any other Code (Draft Accounting Code for Haryana, 2012 as finalised);
- Formats of different types of records (consistent with the related code);
- Method of accounting (cash or modified accrual; single or double entry) to be followed, software to be used, classification to be used and the MIS required;
- SOPs for maintaining accounting records and for entering the major transactions into systems. These may include checklist to be ticked before making specified expenditures and may eventually reduce the manpower required for pre-audit function;
- Training the staff of ULBs to follow SOPs and ensuring that the SOPs are being adopted appropriately;
- Advising the ULBs on accounting requirements;
- Providing assistance depending upon the level of services required by the ULBs.

Waste Management Services Department under the Services Division of the USSC

4.13.23 This function has several requirements. First, collating information about different activities being pursued by the State, and identifying the departments which are responsible for performing these activities. Second, creation of functional capacities for providing good services by the ULBs for their part of responsibilities. Third, assimilating the resources and detail of activities to be performed under different schemes and programmes of the government. Fourth, harmonizing the activities to be done by the different departments of the State which are pertaining to the same function head of sanitation and waste management. Finally, fifth, assisting in consolidation and coordination.

4.13.24 Suggested activities of the Waste Management Services may be as follows:

- Collate information regarding the initiatives and practices adopted by all ULBs and clusters in Haryana, and position of resources deployed and outcomes;
- Undertake research on various aspects of solid waste management and continually tracing the best practices in this area to improve the waste management efficiency in the State. For instance, study of different types of waste generated in Haryana,

e.g. bio-medical waste, e-waste, plastic waste, organic waste would reveal that these types of waste should be disposed in different ways, and monitoring of such disposal would lead to significant results. As Haryana aims to increase its share of India's medical tourism sector as one of its growth nodes, scientific disposal of medical waste may also be monitored by the USSC;

- It could act as a feedback loop for the policy makers on waste management so that refinements can be made in the ongoing cluster based waste management program also.

The scope of services would be different in case of line functions and support functions.

Concluding Remarks

The ULBs in their present form and structure need support to operate efficiently, given the capacity constraints. The local residents need to connect with the government to express their needs and problems in basic service. This is about the constraints. There is a lot of capacity also. The ULBs have evolved over the period of time. The number, the size, even the funds available with some of them reflects the strength of the organisation. The public is also resourceful in many localities. They are willing to contribute at least for the infrastructure surrounding their local area, there are reported facts to substantiate this. The Central and the State Government desire to improve the conditions of life of the public and keep making efforts to do so by floating various schemes and granting funds for that. With so much collective capacity available, achieving the desired goal of efficiency in urban life is not far from achievable. The need is to give attention to the operational part. The keys seem to work backwards-why expected outcomes did not result from the works done should be starting point.

CHAPTER -5

Rural Local Bodies in Haryana: An Overview, Issues and Challenges

CHAPTER -5

Rural Local Bodies in Haryana: An Overview, Issues and Challenges

5.1 Introduction

5.1.1 The institution of Rural Local Bodies (or Panchayats) in India has its roots in the ancient Indian culture. The subject of rural local governance is an old subject. But the challenges in the governance have been changing with the changing times. At present the situation is qualitatively different from what is presumed in the past. The aspirations of the people are increasing manifold. The people in general and the elected representatives are educated now and their expectations are also higher. The conventional ways of governance therefore require a review to match with the modern needs.

5.1.2 The role of Finance Commissions have become of greater importance in view of their focus on outcomes in order to achieve the better citizen centric services, amenities, accessibilities rather than the financial input. This Chapter provides an overview of the Rural Local Bodies (RLBs) in Haryana, and discusses select issues and challenges facing them. Suggestions are made to help the RLB's in Haryana to improve their finances, and to deliver better public amenities and services.

5.2 The Legislative Background

5.2.1 In India, the legislative provisions governing the RLBs consist of the relevant provisions in the Constitution of India and the respective State laws. Initially, the Constitution reflected intent to establish RLBs as institutions of self governance but with its 73rd Amendment in the year 1993, a more structured and defined status was granted to the RLBs. The State of Haryana has accordingly refined its related legislations.

5.2.2 When the Constitution of India was formed, Article 40 of the Constitution provided that – *"The State shall take steps to organize village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self government"*. This Article constitutes one of the Directive principles of the State Policy of India which lays down the fundamental principles of governance of the country. It is the duty of the States to apply these principles in making laws. These principles are however

not enforceable by the court of law. The point to note here is that at the time of making the Constitution of India, while the village panchayats as institutions of rural local governance were considered as the ones which should be developed as 'units of self governance' vide Article 40, by the law makers, the same was not the case with the Urban Local Bodies(ULBs).

5.2.3 The above mentioned 'Article' was further supplemented by Entry 5 in List II of Seventh Schedule to the Constitution. It mentioned 'local governance' as the State subject on which the State has exclusive powers to make laws. These include "*Local government, that is to say, the constitution and power of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self government or village administration*".

5.2.4 The Constitution through the above provisions advised the State Governments to consider and develop village panchayats as units of self governance by endowing them with powers and responsibilities for undertaking necessary functions and provided the State with the powers to make laws regarding village administration by making it a State subject. Accordingly, the States followed and passed related legislations and set up RLBs in a hierarchical structure of Zilla Parishad, Zila Samiti and Gram Panchayat. Over the period of time, performance of these institutions has been poor. There are various reasons for this, including lack of resources and authority-responsibility structure.

5.2.5 The increase in the size of rural population (because of population growth), changing education and aspiration levels, lesser reliance on agriculture, increasing use of technology and exposure to the world posed a need for a more efficient, organized and robust Panchayati Raj structure to support the rural masses and give them direction. The thought emerged was that these local bodies can be much more effective in discharge of the functions of the State if they are given some degree of autonomy, own finances and discretion to understand deal with the local issues.

5.2.6 Given the above background, the Constitution (Seventy-third) Amendment Act introduced Chapter IX to the Constitution with effect from 24 April 1993, with an objective to develop Rural Local Bodies as robust structures of self governance with defined powers and responsibilities and to enable them to meaningfully contribute to the local area development and to contribute to the integrated planned development of the State.

Articles 243 to 243 O contained in Chapter IX read with Eleventh Schedule of the Constitution provide:

- a broad framework of **constitution of Panchayati Raj Institutions** at the village, intermediate and district levels;
- **Gram Sabha** defined as body consisting of persons registered electoral rolls of village;
- **composition** of panchayats with an objective to make these local bodies an independent system of self governance at local level with a combination of elected representatives from society and administrative officials;
- **powers, authority and responsibility** of panchayats;
- with an elaborate list of **functions** that may be devolved to PRIs;
- power to impose **taxes** and provisions for **funds to them**; and
- empowering the State to establish appropriate **accounting and audit** mechanisms for these institutions.
- Apart from this, a specific provision was made for constitution of **Finance Commission to review financial position of the PRIs**.

5.2.7 The Constitution has thus provided a broad but elaborate framework for structure, composition, finances, functions, review and monitoring of the rural and urban local bodies with all encompassing powers to the States to bestow the local bodies to powers and responsibilities as per their own special conditions and judgment, and has also made special provisions to ensure 'Planned Development' of both rural and urban areas by way of integrated planning through alignment of Central Government's Plans –State Government's Plans—ULB's Plans and PRI's Plans vide the institutions of metropolitan and district planning committees (reference to Articles 243E and 243D).

5.2.8 When the State of Haryana was formed in 1966, the Gram Panchayat Act passed in 1952 by the erstwhile State of Punjab, was adopted. The Panchayats have been functioning at village level since then under the provisions of this Act. The other two tiers viz. Panchayat Samitis and Zila Parishads were formed under the Panchayat Samiti and Zila Parishad Act, 1961. This structure continued to function till 1973 when, on the recommendations of an adhoc committee, *Zila Parishads were abolished in Haryana*. The importance of these institutions continued to rapidly decline. The role of Panchayat Samitis was largely confined to channelizing some grants and giving some technical support in the field. While the structure of Gram Panchayats was more or less intact, the resources at their disposal have been limited in relation to needs. On 22 April 1994, in conformity with the Constitution (Seventy Third Amendment) Act, 1992, the Haryana Panchayati Raj Act, 1994, came into force. This Act restored the original three-tier structure of panchayati raj institutions in the State and brought the pattern in conformity with the one prevailing in the rest of the country. Haryana Panchayat Raj Act states that District Planning Committee

constituted under the Haryana Municipal Act, 1973, shall consolidate the plans prepared by the *gram panchayats, panchayat samitis and Zilla parishads*, and also prepare a draft development plan for the district as a whole as per the provisions of Article 243ZD of the Constitution of India.

5.2.9 A notable change was that the judicial functions enjoyed so far by the gram panchayat are no more with this body as they have not been made part of the Haryana Panchayati Raj Act.

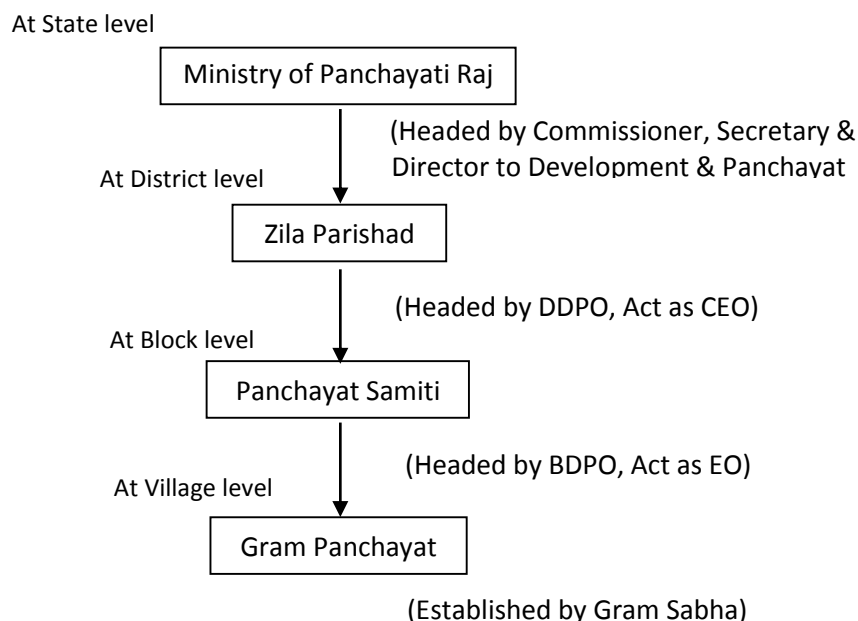
5.2.10 The legislation(s) relating to the PRIs in State of Haryana has captured the spirit of the Constitution and are exhaustive and elaborate in providing for the composition, powers, authority and responsibility of the ULBs at various levels. Further, the provisions, budgeting and audit are extensive and covered by the budgeting and accounting rules 1996. However, as for the transfer of function to the RLBs, though the legislations indicate adoption of 27 functions out of 29, however in practice the rural bodies are not undertaking even a single function holistically. Also, the position of accounts and audit practices need substantial improvement. *Thus, the operational aspect's need to be addressed in an effective manner given the strong legislative base.*

5.2.11 Another area requiring attention is "role of Gram Sabha" in the governance of RLBs. Both the Constitution and the State legislations recognized Gram Sabha as a significant institution but in practice the concept of Gram Sabha is losing its relevance. *There is a need to strengthen the role of Gram Sabha in order to make the PRIs functioning more broad-based, and better serve citizen's needs, and meet their aspirations. Also the roles of Zila Parishad and Panchayat Samiti need to be made more integral to managing RLBs.*

5.3 Organisational and Administrative Structure

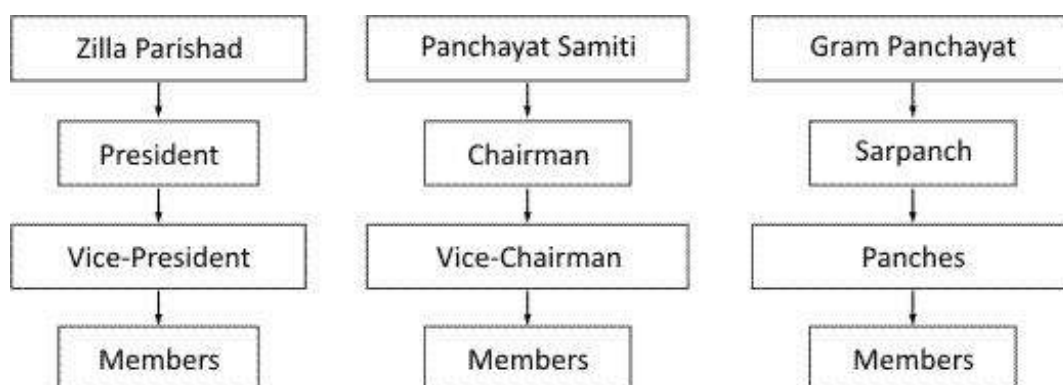
5.3.1 The structure of Rural Local Bodies in Haryana is hierarchical – Ministry of Development and Panchayat at the State Level – Districts – Blocks in Each District – Panchayats in each village of the Block.

Figure 5.1
Organizational Structure of Rural Local Bodies in Haryana



5.3.2 In this structure, the administrative officials and elected representatives work in parallel, there is a defined structure for both and defined linkages in the related State Act and Rules. Following figure depicts the structure of elected representatives of the RLBs.

Figure 5.2
Elected Representatives forming Rural Local Bodies in Haryana



5.3.3 For every Gram Sabha, a **Gram panchayat** is established which is headed by a Sarpanch comprising of various panches, Gram Sachiv and other officials. The duty of Gram Sachiv is to maintain accurate and up-to-date entries in accounting record, preparing the replies of audit notes and submitting the same to the Block Development and Panchayat Officer (BDPO). His duties also include signing daily balances in cash book. These are crucial tasks, and these needs to be performed with sufficient degree of competence and integrity.

5.3.4 Every **Panchayat Samiti** (PS) consists of one Chairman, one vice- chairman and other directly elected members. The chairman presides, and conducts meetings, has access to the records of the Panchayat Samiti, and discharges all duties imposed under the Act. The PS operates at Block level which comprise of various villages falling under that Block. For every block, there is a block officer designated as Block Development and Panchayat Officer (BDPO) for administrative assistance.

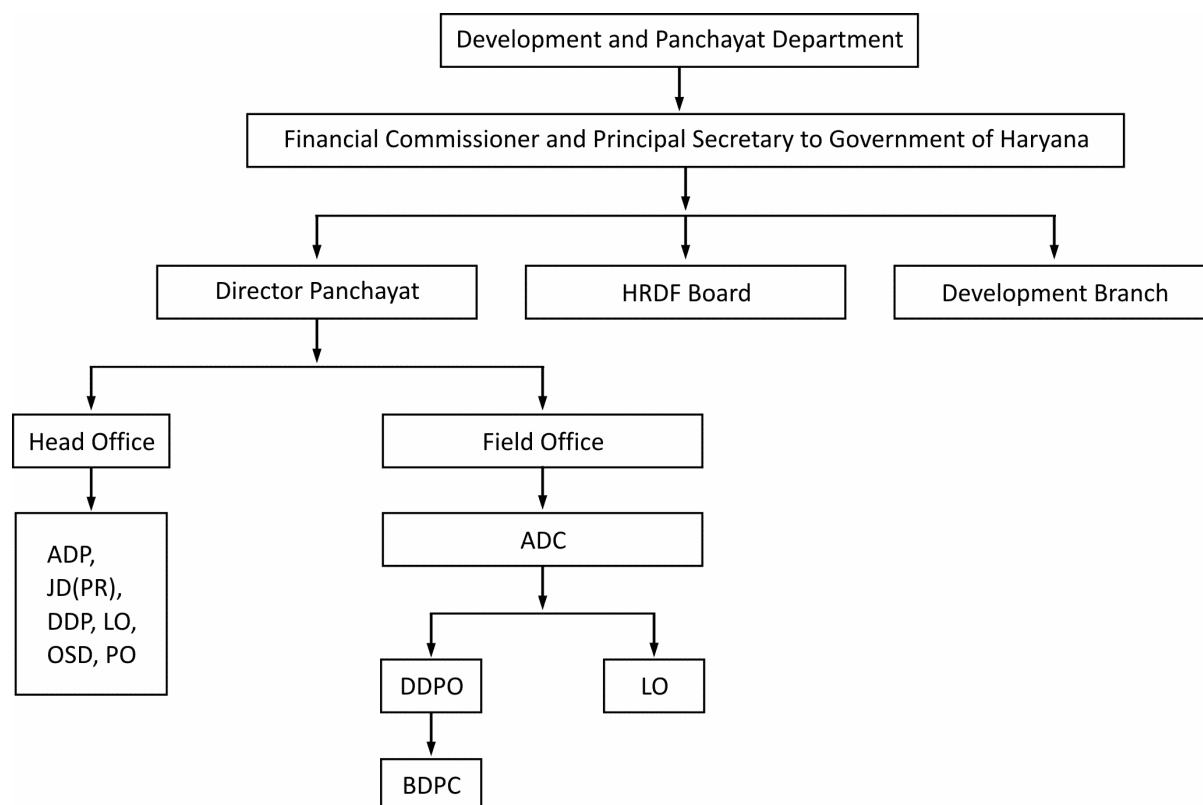
5.3.5 Every **Zila Parishad** (ZP) consists of one president, one vice-president and other directly elected members. The chairman presides over and conduct meetings, have access to the records of the Zilla Parishad, discharge all duties imposed under the act and others as are specified. The ZP operates at the district or Zilla level. For every district there is a district officer called as District Development and Panchayat Officer (DDPO) for administrative assistance.

5.3.6 **Gram Sabha**, though not explicitly visible in the above diagrams of the structure of the RLBs, it is a significant body consisting of persons registered as voters in the electoral rolls of a village comprised within the area of the Panchayat.

5.3.7 The number of Zilla Parishads depends upon the number of districts in the State, number of Panchayat Samitis depends on the number of Blocks in the State, and the number of Gram Panchayats depends on the number of villages in the State. However, it may happen that two or more small villages have one panchayat. Presently the State of Haryana has 21 districts (1 more district has been carved out of the existing 3 districts, but only 21 districts have been considered in our discussion for this Report), 216 Blocks and about 6205 villages. The detailed status of number of Districts, Blocks, Villages with their respective area and population is depicted in **Annexure 5.1**.

5.3.8 The administrative structure of RLBs consists of the State department for Panchayati Raj Institutions and respective administrative offices down the line. At the Ministry Level, the Directorate of the Ministry has four wings – Panchayat wing, HRDFA wing, Development wing and Engineering wing. The following Diagram depicts the structure:

Figure 5.3
Administrative Structure of RLBs in Haryana



Source: Constructed by the 5th SFC

5.3.9 The Ministry of Panchayati Raj (MOPR) is headed by the Principal Secretary to the Department of Development and Panchayat. This Department has four main wings - Panchayats Wing; HRDFA; Development Wing and Engineering Wing.

5.3.10 **Panchayat wing** is headed by the Director Panchayats. The field offices are at District and Block level. At District level, Deputy Commissioner is responsible for the overall developmental activities, Additional Deputy Commissioner, District Development & Panchayat Officer (DDPO) monitors the development works and Panchayat Activities. At Block level, Block Development & Panchayat Officer (BDPO) assist and monitors the works.

5.3.11 **Haryana Rural Development Fund Administration Board** (HRDFA Board) – Haryana Rural Development Fund Administration Board was constituted under Section 3(1) Haryana Rural Development Act, 1986 to improve quality of agricultural produce, to provide good markets and to increase the facilities of sale. For this purpose, a fee on ad-valorem basis, at a rate of two per cent of the sale proceeds of the agricultural produce bought or sold or brought for processing in the notified market area is levied under Section 5(1) of the Act. The amount collected is spent by the Board in the Rural areas for

development. Principal Secretary to Govt. Haryana, D & P Department is the chairman of the Board and Director Panchayats is the Managing Director of the Board. The funds of the Board are administered by the Board and the Chairman is authorised to make payment out of the fund of the Board for the purposes specified in the Act and Rules made there under.

5.3.12 Development Wing – The Development wing is responsible for various developments works in rural areas under various schemes such as Rural Health and Sanitation Scheme and also other constructions of administrative buildings such as construction of block offices and other buildings. Special Secretary, Development, looks after the Development Branch.

5.3.13 Engineering Wing - The Engineering Wing of the Panchayati Raj Department is providing the technical assistance and supervision for the works of RLBs and also for the schemes implemented by the Rural Development Department.

5.3.14 An overall view of the elected and administrative structure of RLBs suggests a well knit and well defined organisation structure. There is a set of elected representatives who are representing public and are accountable to them and administrative functionaries at the State, District, Block and Village level with well defined hierarchical chain.

5.3.15 The SFC's research suggests that while the structure of elected representatives is in place as has been envisaged. It has been qualitatively improved after the State of Haryana has mandated a minimum educational qualification for these representatives. However, the corresponding support and availability of the administrative staff continues to be limited. There is a capacity constraint in terms of numbers, for instance, one BDPO may be taking care of many blocks. Second, there is a capacity constraint in terms of quality. As an example, Gram Sachiv may have limited capacity to keep accounts properly. Third, the major powers are with the administrative staff, the elected representatives often are not well informed. In some cases they get sufficient support from the administrative staff.

5.3.16 During the interactions with the elected representatives, the 5th SFC found that many of them, particularly people from PSs and ZPs were not sufficiently aware of their roles, had limited funds, and were not sure of the administrative channels to use to deliver results.

5.3.17 The role of the DDPOs and BDPOs is critical in functioning of the RLBs as these officers are the main administrative link between the rural bodies and Departments. **The**

5th SFC recommends that the extent of capacity constraints with respect to the position(s) of DDPOs and BDPOs be ascertained, and then addressed.

5.3.18 The role of Gram Sachives is also critical for functioning of Panchayats. **The 5th SFC recommends that the number and quality of Gram Sachives deployed presently need to be rationalized keeping into account the modalities of 'Gram Sachivalays' for providing administrative services.**

Communication lines between local bodies, State department(s) and the public

5.3.19 Establishing communication lines between the RLB functionaries, elected representatives as well as local population is another significant thread in the administrative structure of RLBs which requires attention. The 5th SFC has observed that the elected representatives feel constrained about how to seek guidance on resolving the issues they face. People at the local also face severe constraints in resolving these issues.

5.3.20 Easy to access communication channels between elected and administrative functionaries of RLBs could facilitate coordination between the two. The elected representatives can then be well informed about their roles, funds and resources and different schemes being undertaken by State and Central governments. They can also resolve their queries and have their suggestions considered.

5.3.21 The 5th SFC recommends that a unified website of the PRI department, integrated with the websites of RLBs, may be designed. The website design may be uniform across RLBs to facilitate understanding and access. A window may be created for elected representatives to place their queries and setting up a system facilitating suggestions. Similar window may be created for the public. This may be connected with mobile application. Responding the queries and suggestions merit consideration.

5.3.22 Specific functionaries in the department with the assistance of a professional body such as the SJHIFM may be engaged in reading, analyzing and classifying the queries and suggestions and placing it before the appropriate authority in the form of periodical MIS for addressing the problems and issues.

5.3.23 This exercise may be helpful in several ways. First, the State would get to know the major areas of concern or dissatisfaction as most of the queries would be of the repetitive nature and decisions may be taken at higher level for such recurring issues. Second, the pressure on administrative functionaries at the operational level may reduce

as effective communication would take place without much physical involvement. Third, the satisfaction level amongst the elected functionaries could rise.

5.3.24 The 5th SFC also recommends that after the website(s) are developed, the responsibility of updating, operating and maintaining the site must be entrusted to the identified functionaries to ensure the appropriate functioning thereof.

5.3.25 Along with the bottom-up communication discussed above, top-down communication strategy is also needed. It appears that officials and other stakeholders down the line could be better informed about the schemes, amenities, services and thinking of top policy makers. The website and mobile applications can prove helpful in this case as well.

5.3.26 The Central Government has recently created small movies to disseminate information about various schemes on YouTube channel. Such efforts may be wisely used by the state. As suggested in Chapter 7, the programmes such as 'night camps' where the administrative officials from different departments come together to meet villagers and to interact with them must be started in an organized manner for an effective interaction with the masses.

5.4 Function Profile

5.4.1 The function profile of Rural Local Bodies is complex. First, the legislation has empowered the State to devolve a long list of functions to the RLBs. Second, in practice however there is not even a single function which RLBs are completely undertaking from their end. Third, the RLBs are primarily playing their role in implementation of various schemes. Fourth, these roles are varied and heterogeneous as these are generated from different schemes implemented by the Central and the State Governments, by different departments with different set of officials interact with the RLB officials. The challenge therefore is to clarify what is the role of an RLB in the Haryana context, what should be expected as an outcome from it.

Functions devolved to RLBs through legislation

5.4.2 The Eleventh Schedule of the Constitution of India (under article 243 G) lists 29 functions that may be devolved by the States to the RLBs. In line with the intent of the Constitution, the functions have been devolved to the different levels of RLBs namely, Zilla Parishad, Panchayat Samiti and Gram Panchayats by the Haryana Panchayati Raj Act, 1994 (hereinafter referred as 'the Haryana Act'). The Haryana Act has demarcated the 27 subjects (out of the 29 subjects in the Constitution) for gram panchayat and panchayat

samiti with little deviations in the coverage of the subject(s). Apart from these functions, some other general and planning related functions have been assigned to these bodies under the Act.

5.4.3 As for the zilla parishad, in the Haryana Act, the functions have not been assigned subject wise as has been done in the case of gram panchayats and panchayat samitis. ZPs functions are more in the nature of planning, advising, coordinating and consolidating, supervising, assist in securing the execution of development schemes and projects.

5.4.4 Apart from this, a window has been kept open for assignment of any function by the State to all or any of the level of the RLBs. A provision for granting enabling powers to the RLBs for performing all the assigned functions has also been made in the Haryana Act. For reference, a comparative status of the functions listed in the Eleventh Schedule of the Constitution and the functions devolved to the Panchayat Samitis, Gram Panchayats and Zill Parishads has been provided in **Annexure 5.2** of this report.

The Departments in Haryana holding responsibility for various functions meant for RLBs

5.4.5 Out of the list of 29 functions meant for the RLBs, in Haryana, the different departments of the State hold the responsibility to perform the specified functions. For instance, the functions of agriculture and agriculture extension, land improvement, implementation of land reforms, land consolidation and soil conservation, minor irrigation, water management and watershed development, social forestry and farm forestry, minor forest have been entrusted to the Agricultural Department ; functions relating to the animal husbandry, poultry and dairying have been entrusted to the Animal Husbandry and Dairying Department; functions relating to the Fisheries have been entrusted to the Fisheries Department, functions relating to the Small Scale industries and Khadi Village & Cottage industries have been entrusted to the Industries & Commerce Department; function of water supply has been entrusted to the PHED, functions relating to the Libraries have been entrusted to the Information, Public Relations & Language Department; and so on. **Annexure 5.2** of this report may be referred for the detail.

5.4.6 Thus when the services of RLBs are being identified in line with the functions listed in the Eleventh Schedule of the Constitution and the Haryana Act, *it will be very difficult to identify even a single function which is a complete responsibility of RLBs. RLBs are primarily functioning as scheme implementation bodies for various departments, that too not with high degree of policy coherence and organizational coordination.* Most of the functions devolved or purported to be devolved to the RLBs are practically performed by

the different State Departments and the reason often placed is that the RLBs lack capacity to perform these functions.

5.4.7 As per common understanding, the State Departments carrying out functions such as health, education etc. in rural areas are in one way or the other connected with the RLBs, where RLBs are also having a role for them. *In the 5th SFC's research to find the role for RLBs with respect to the relevant activities undertaken by various departments, we focus many documents where an attempt has been made to map the roles expected from GPs, PSs and ZPs in context of different State Departments.*

5.4.8 As an example, the State Government of Haryana issued instructions on 23-05-1995 to all the concerned departments and field formations defining the respective roles of RLBs has been carved out vis-à-vis 15 state departments namely, Development and Panchayat Department, Food & Supplies Department, Welfare of Scheduled Caste and Backward Classes Department, PWD Public health Department, Social Forestry & Farm Forestry Department, Social defence & Security Department, Horticulture Department, Ayurveda Department, Education Department, Health Department, Irrigation Department, Rural Development Department, Women & Child Development Department, Agriculture Department and Animal Husbandry Department.

5.4.9 The document mentions the source of funds for these activities, which are usually 'grants'. Though the work must have involved tremendous exercise at conceptual level, but it is difficult to ascertain how far these roles are being followed by the RLBs in practice.

5.4.10 In the Manual containing Publication of Documents under Section 4(1)(b) of the Right to Information Act 2005 of Panchayat Department Haryana, we found another set of roles defined for RLBs under different State Departments. The above set of roles probably has been carved out from the 'Activity Mapping' document made by the State of Haryana in the year 2006 on behest of the Government of India as envisaged under the 11th Five Year Plan of India.

5.4.11 *These are only two documents referred above, which are same in approach but differently define the role of RLBs. There may be more such documents. None of these documents reflect the practical position regarding the role of RLBs Haryana's current context, however, such documents may be considered as base inputs for undertaking the role mapping exercise relevant in context of the roles assigned to the RLBs under various Schemes.*

Roles expected from RLBs under various Central or State schemes

5.4.12 The activities undertaken under the Central or State Government schemes constitute a significant tangent of functional profile of RLBs in Haryana. *In response to the Questionnaires sent by the Fifth SFC, almost every Panchayat clearly mentioned one function, i.e. 'implementing government schemes'. There was however insufficiently clear understanding about the other activities of Panchayats.* Given the above position, the expectations from the RLBs in context of few selected schemes of the Government are cited below.

5.4.13 Ministry of Health and Family Welfare (MoHFW) envisages the following roles for Panchayats in National Health Mission (NHM):

- Preparation of Health planning through decentralized approach.
- Oversight and supervision of health services.
- GP Standing Committees and GPs to oversee GP level health service delivery.
- Support and supervision of ASHA, VHSNCs, VHND and AWCs.
- Selection of ASHA with the help of Gram Sabha.
- Role of PRIs in supporting District Health Mission and District health Society.
- Strong representation of PRIs in District and block level vigilance and monitoring committees.
- PRI representatives included in Rogi Kalyan Samitis of district hospital, CHCs and PHCs.
- Activating VHSNC (₹10,000/Annum is given to VHSNCs). Women Sarpanch is the Chairperson of the VHSNC. Total 5 lakh VHSNCs have been set up. Minimum 15 members should be included in VHSNC.
- ₹ 10,000/ Annum is given to Health Sub-Centers which can be jointly spent by Sarpanch and ANM.
- Community monitoring of health facilities.

5.4.14 Ministry of Women and Child Development (MWCD) expects that GP would play a vital role in selection of site for Angan Wadi Centres (AWCs), in which –

- Focus to be given on addressing these issues through Gram Panchayat Development Plan

- Activation of Mothers' Committee for monitoring quality of supplementary meals/mid-day meals provided by AWCs
- PRIS should monitor quality of services given through AWCs (Supplementary nutrition/ready to eat food, take home ration, immunization, growth monitoring of children).
- Special attention should be given to address issues like child malnutrition including stunting and wasting in children.
- Activities should be taken to promote philosophy of Beti-Bachao-Beti Padhao

5.4.15 Ministry of Rural Development in context of Self Help Groups (SHG) expects GPs to promote formation of SHGs, conduct of Mahila Sabha to ensure participations and addressing poverty through improving access of poor household to entitlements under various schemes (NSAP, MGNREGS, toilets etc.) and connecting Jan-Dhan accounts and Aadhar with mobile number to ensure financial inclusion is a priority. The role of Gram Panchayats (GPs) for adopting a 'good governance framework is envisaged as:

- Aadhar based beneficiary identification.
- Confirming eligibility of entitlement through SECC and Gram Sabha
- Ensuring accountability through use of e-governance, GIS/ remote sensing and social audit
- Promoting transition towards low cash driven economic transaction

5.4.16 The above discussion focused on selected Central Government Schemes. There are many schemes (may be more than 100 in numbers), initiated by the State or the Centre with different level of resources, different functionaries and channels, and different or similar or overlapping objectives in the same local areas. Reference to **Annexure 3.6** of this Report may help clarify this point further.

5.4.17 The State Government Schemes are no less varied and place different expectations for RLBs. For instance, the schemes which are to be implemented through the RLBs or through the Department of Development & Panchayats in the year 2017-18 are varied, large in number, contain heterogeneous activities and criteria, and amenable to leakages. Reference may be made to **Annexure 5.3**

Schemes implemented through different State Departments

5.4.18 Reference to the administrative structure of RLBs, the direct governing department of RLBs is Development and Panchayat Department of Haryana, however, various schemes

pertaining to rural development are implemented through different departments of the State involving the same RLB functionaries down the line.

5.4.19 For instance, the *Directorate of Rural Development* (DRD) has the responsibility to implement Special Centrally Sponsored Rural Development Schemes. The major existing schemes are:

- Aadarsh Gram Yojana (AGY) :- SAGY, VAGY & SPAGY
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- Indira Awaas Yojana (IAY) now revamped as Pradhan Mantri Awas Yojna (PMAY)
- Backward Regions Grant Fund (BRGF)
- Members of Parliament Local Area Development Schemes (MPLADS)
- NRLM/Aajeevika
- Pradhan Mantri Kishu Sinchayi Yojna (PMKSY –erstwhile IWMP)
- Shyama Prasad Mukherji Rurban Mission (SPMRM)

5.4.20 Each of these schemes has a different set of objectives and allocation of funds. For implementing the above schemes, the Department of Rural Development works through District Level Rural Development Authorities (DRDAs). The schemes are coordinated and implemented by the DRDAs with the help of Block agencies and other line departments. At the Block Level – BDPO and other staff also help to execute the schemes. The Gram Panchayats, Panchayat Samiti, Zila Parishad and Gram Sabha have substantial role in formulation and implementation of the wage employment scheme of MGNREGA and self employment scheme of SGSY now NRLM, rural housing schemes of IAY and area development scheme of IWMP. Thus the Panchayati Raj Institutions are fully involved in planning, execution, monitoring of schemes at the field level.

5.4.21 It may be noted that though, the department directly governing the RLBs is Development and Panchayat Department, however, in case of above schemes implemented by the Rural Development Department, the same functionaries of RLBs are involved. Similar is the case in case of schemes implemented by so many other departments such as agricultural department, animal husbandry department, education department, health department and so on.

5.4.22 With the above as a context, resuming our discussion to the function profile of RLBs, a clear picture emerges that there is no concerted function which can be called as the function activity of the RLBs apart from sanitation that too to a limited extent of garbage collection most of the times. Rural Local Bodies, however, have a long list of responsibilities under various schemes and are to work with many departments and

agencies under various schemes. These schemes may be in hundreds. In this role, Panchayats do not focus on other functions and responsibilities entrusted to them, and therefore the scope for local initiative is diluted. The whole Panchayat system, focusing on government schemes and programmes, is unable to express the aspirations and needs of the local people.

5.4.23 Another aspect is that Panchayats are increasingly focusing on infrastructure development such as roads and buildings. In their attempts to improve infrastructure, service-delivery systems have taken a back seat. Not many Panchayats channel their energy into providing drinking water or improving education and health facilities. In this limited vision of Panchayats, aspects of human resource development and empowerment are almost completely ignored.

5.4.24 A policy relevant question which emerges from this position is – what expectations should be placed on the RLBs in terms of their function profile and precise role both in the short term (in the next 1 to 5 years) and in the long term.

5.4.25 While the long term vision for the RLBs would be something the State should build up in terms of the functions expected from them, continual efforts be made to create corresponding capacities, the focus of the present discussion is the existing function profile of the RLBs so that an assessment may be made regarding the requirement of funds by the RLBs based on the activities entrusted to them or the outcomes expected from them.

Convergence of Schemes

5.4.26 Existing function profile of RLBs consists of bundle of expectations under different schemes where the respective funds may be placed in the hands of different nodal agencies and the grant transfers to the RLBs are limited. For identifying the precise role expected from different levels of RLBs, there is a need to converge their roles under different schemes with expected outcomes as well. This need to 'converge' has also been felt at top level and various schemes floated lately talk about convergence of existing schemes. Few instances are placed below.

- ¹As per an official from the Ministry of Women and Child Development (MWCD), Ministry of Women and Child Development (MWCD), Ministry of Rural Development (MoRD) and Ministry of Panchayati Raj (MoPR) have developed a framework of convergence in which funds from MGNREGS, Fourteenth Finance Commission, and

¹ Gramoday- Hamara Sankalp "Innovative Capacity Building Programme of Sarpanches and Gram Panchayat Secretaries 30th November -2nd December 2016, New Delhi

ICDS would be converged and used for construction of AWCs, construction of toilets and other basic facilities.

- The Haryana Gram Uday Yojana specifically includes a para on convergence, which provides that – the District Administration shall identify the existing Central Sector, centrally sponsored and State Government schemes relevant for the development of such village and covering their implementation in an integrated time bound manner. The scheme also lists out about 20 components of convergence, to name a few, upgradation of water supply facilities, provision of hosing, better governance, bus stand, better governance etc.
- The Haryana Swaran Jayanti Mahagram Yojna is aimed at planned development for provision of urban like facilities in eth villages having population of more than 10000 in the first phase. The scheme provides that the funds shall be mobilized through convergence of various central sector, centrally sponsored state schemes.
- Another place where convergence exercise has been done for selected schemes is 'Vision Document – 2030' of the State of Haryana. In this document, subject wise targets have been identified within the specified timeframes spanning upto the year 2030. For each subject, specified schemes have been consolidated.
- ²In context of the Saansad Adarsh Gram Yojana, a well-designed compilation of the Central Sector, Centrally sponsored and State schemes has been made for all the States including the State of Haryana by the Department of Rural Development, Ministry of Rural development, Government of India in collaboration of the National Institute of Rural Development and Panchayati Raj, Hyderabad. This compilation contains a list of 378 activities giving an activity wise reference of the scheme/institution under which the activity is to be undertaken, respective Ministry or nodal department and relevant components or description of activities so listed.

5.4.27 The above references are illustrative as almost every new scheme floated now has a para on convergence with the existing schemes, but the schemes usually do not provides the manner to converge at operational level. the outcome is that any change is extremely slow, and all the schemes continue in parallel, increasing the complexities and leading to poorer expenditure management.

5.4.28 In The 'Vision Document-2030' and the 'Samanvay' under the Saansad Adarsh Gram Yojana, concrete efforts have been made to converge the schemes for practical

² <http://www.panchayatgyan.gov.in> accessed on 04-09-2017

purposes, but both these documents have independently done the 'convergence exercise' and work completed as yet can be considered as 'Step-1' and require many more efforts and steps to be undertaken by the States to give a tangible shape to convergence at the operational level.

5.4.29 In Step-1, activities have been identified with respect to nodal departments/agencies/schemes under 'Samanvay' and targets have been quantified in Vision Document – 2030 converging those schemes which were relevant for the defined targets; Step-2 would require a reorganization of this result wherein the activities would need to be listed Department wise with reference to related schemes (in 'Vision Document 2030' this has been done for identified targets); Step -3 would be to identify the quantum of funds under various schemes available to a specified Department for specifically indentified activities; Step-4 would be to chalk out expected outcomes from the activities, roles of respective functionaries, lines of communication and reporting amongst them, monitoring and closing mechanism on achievement of objectives.

5.4.30 The idea is to create an action plan where the respective functionaries are conveyed about their part of actions and outcomes expected and the person in charge of particular activity(s) is in hold of the related work from beginning to end including the responsibility of ensuring availability of funds, accounting, monitoring and reporting.

5.4.31 Another important aspect for effective convergence of schemes is that for all the schemes (Central or State), same convergence plan is followed, whenever a new scheme floated, the same is included in the convergence plan. Hitherto, so many convergence plans have been made as referred above – all on independent basis, following a different approach, putting in huge efforts, preparing a beautiful document, but for practical implementation, *all these efforts need to be consolidated and one central approach for convergence of schemes in the state need to be followed.*

5.4.32 In Gram Panchayat Development Plan (GPDP) adopted by the State, a convergence at operational level is done in an integrated manner, however, that is for limited villages presently and also need to be connected with overall planning of the state.

5.4.33 In the simplistic terms – the functionary at the grass root level and also the functionary at the management level needs to know what is to be achieved and how much are the funds available for that and what the role of respective functionaries in the process is.

5.4.34 The existing state of affairs does not give a clear position in the above context. One can definitely look at different schemes, identify respective objectives and funds, but given

the hundreds of schemes and collective allocation of huge funds and overlapping activities, identifying role of RLB functionaries itself is a task which needs a serious attention.

5.4.35 The 5th SFC recommends that a special task force be set up to converge the Central and the State schemes in terms of activities to be undertaken under these schemes with reference to the specified function area (such as health or water supply or sanitation), the outcomes expected and funds, human resources and technology base available for such activities.

5.4.36 Once the activities and respective outcomes expected from the proposed activities under the schemes are identified, the complete job profile is ready. Now for the practical purposes, to achieve the targeted outcomes, there is a need to identify what roles are expected from GPs, PSs and ZPs, and what are specified activities to be performed by different level of functionaries in GPs, PSs and ZPs.

5.4.37 The 5th SFC recommends that efforts should also be made to consolidate the various schemes, particularly state schemes which are large in number, many schemes have same or similar objectives, some of the schemes date back to 20-30 years and needs to be reviewed in terms of relevance. Minimizing number of schemes would save funds and give more clarity regarding the expected outcomes, and would make the convergence easier.

5.4.38 The purpose of the above discussion is to help identify the functions or the roles expected from RLBs. The next step is the identification of the activities to be performed by the functionaries of an RLB at different levels, though in our discussion on the manner of convergence in tangible form, we have included activities as integral part of the action plan under converged schemes, but we wish to place some more related thoughts in this regard.

5.4.39 This may sound simple and usually it is presumed that everybody knows what an RLB functionary is expected to do. But in practice there seems to be lack of clarity in this regard. For instance, a review of the responses to the questionnaires sent by the 5th SFC suggests, that in reply to the question about the work of a gram panchayat, some panchayats say that their job is to get development work done in villages and implement government schemes, while others indicate that their job is to provide water facility and implementation of government schemes still others indicate that their job is to get roads and nalis constructed.

5.4.40 Broadly all these resources have partial validity, but the need for an RLB is to be more precise not only about the service activities to be performed by them, but also to

understand their role in the other administrative, planning, monitoring and other activities, so that efficient functioning may be ensured. A high level view of activity structure of RLB's may be summarised in the manner depicted in **Annexure 5.4**. The annexure contains an illustrative format which could be refined subsequently.

5.4.41 The above diagram is indicative of the kind of listing of the activities for simple and easy understanding both by the functionaries and by the local residents. This activity list needs to be supported by clear instructions, preferably in the form of SOPs, required formats, training videos, reporting and other communications structures, responsibility or accountability parameters etc. This is required both for the elected representatives and government officials responsible for administration.

5.4.42 The 5th SFC recommends that a clear activity chart be prepared for GPs, PSs and ZPs functionaries both elected and administrative, along with the manner and formats and instructions (that is, SOPs) for undertaking these activities. As the 'role convergence' exercise may take some time, this activity chart may be prepared in the interim for the major activities which are identifiable.

Role mapping of RLBs done by the State in the year 2006

5.4.43 This exercise was about clarity of role of functionaries in RLBs, which in the present context is limited to whatever work these RLBs have been assigned to do. It will not be out of context to mention here that the need to break a 'function area' into activities and sub-activities within each function through Activity Mapping was first realised under the 11th Five Year Plan of the Government of India.

5.4.44 The Plan suggested that the first step in the exercise of Activity Mapping is identification of individual sectors. The next step is to disaggregate an individual sector into a number of services. Each service is composed of several activities. Hence the third step would be to unbundle each service into activities. The fourth and the last step in the exercise of distribution of functions is to allot the activities to the different levels of governance.

5.4.45 As an example, a sector viz. elementary education may consist of several services. A particular service' of this sector viz. setting up and running primary schools is composed of several activities' like procuring funds for meeting the cost of free primary education, preparing curriculum, appointing teachers, construction and maintenance of school buildings, management of individual schools etc.

5.4.46 In pursuance of the directive of the 11th Five Year Plan, the State of Haryana prepared a function wise activity chart demarcating activities between GPs, PSs and ZPs for 10 functions (out of the 29 functions listed in the Eleventh Schedule to the Constitution). This chart was released on 17th February 2006, but after that neither this chart was used effectively, nor was exercise undertaken to map the rest of the functions. In this regard, reference is made to the report on 'Fiscal Decentralization to Rural Local Governments in India: Selected Issues and Reform Options' by NIPFP (May 2011), which analysed the status of activity mapping by the 12 States including Haryana. The analyses in relation to the State of Haryana are attached as **Annexure 5.5** to this report.

5.4.47 It should be emphasized that a need to create a clear picture about the role of GPs and PSs and ZPs has always been felt, tremendous efforts have been made in this regard, years on years, with highest level involvements of the Central government and the State government, and are still being made, beautiful reports by different agencies on different points of time, every time same subject is approached differently on standalone basis without using the database or inputs already created by the works of so many others (may be because everything is not available at one place), and the pointer stops at conceptualization level.

5.4.48 The 5th SFC suggests focusing on operational level clarity about the expected outcomes and respective roles so that achievement of outcomes may be ensured. Also, clarity about the functions to be performed by RLBs would bring certainty as to their structural and financial requirements.

5.4.49 Given the above status of function profile of the RLBs in Haryana, in the present conditions, it is not feasible to assess the requirements of funds by the RLBs based on the output activities the RLBs are expected to perform.

5.4.50 From the service delivery perspective, the RLBs are not primarily responsible for most of the function areas. But there should be a robust system for registering complaints and feedback by the citizens. As many communication channels as feasible should be made active. There should be clarity about the address on which the letters may be posted; a whatsapp number in which messages can be sent; a website window on which such issues or suggestion may be placed and a toll-free number on which such messages may be conveyed.

5.4.51 These issues and suggestions may be periodically (for instance weekly) summarized and be placed for MIS to higher official so that he can then decide that which issue merit attention and which are privilaious. Similarly, the suggestion received from

locals may constitute useful idea bank. Modalities of Gram Panchayats may be used to make this communication mechanism more effective.

5.5 Financial Position

5.5.1 The financial position of an organisation typically refers to the position of resources available with reference to the expenses to be incurred to achieve the purpose of the organisation. In context of RLBs, ensuring availability of funds is the focus area as expenditure is governed by the availability of resources only. The main sources of income of the Rural Local Bodies may broadly be classified under four heads: tax revenue, non-tax revenue, grants, and loans.

5.5.2 Tax revenue of RLBs consist of Own taxes, Assigned taxes and Shared taxes. *Own taxes* are those which are levied by the panchayats and collected by them. The entire proceeds of own taxes are appropriated by the panchayat. Presently, only one tax is levied and collected by RLBs namely House Tax. *Assigned taxes* are those which are levied by the panchayats, but collected by the State and given to the local bodies after deducting the cost of collection. To our information no such tax is presently collected by the State. *Shared taxes* are levied and collected by the State, but a portion is shared with the local bodies. Example: Surcharge on VAT, State Excise duty

5.5.3 Own Tax: The House Tax (also known as Chullah Tax) is the only tax which is levied and collected by the RLBs from every household in the rural area. The amount of such tax collected is minuscule. Reasons include low the rate of tax; (proposal has been made to increase this tax by Development and Panchayat Department of Haryana). The number of households have not been mapped in a way which facilitates tax collection. It appears that, system of numbering of houses in the rural areas has substantial scope for improvement. Consequently, an appropriate assessment of the taxes to be collected cannot be made.

5.5.4 Different estimations of taxes may be found in different databases. For instance, the report on "*Own Source Revenue in Panchayats of Haryana*" (hereinafter referred as 'Revenue Report') prepared by the PRI Department of Haryana mentions that the annual demand of households in village is assessed as ₹ 15 crores, whereas the memorandum given by PRIs department to the 5th SFC suggest that the estimated demand for the Year 15-16 is ₹ 8.2 Crores. There appears to be insufficient willingness to collect the tax on the part of RLBs and appropriate collection mechanism is also not in place.

5.5.5 The Table 5.1 shows the figure of Own Tax Revenue (House Tax) included in revenue envelope received from PRI department. There may be deviation in the above

figure to a larger extent as the corresponding figures for same tax are different in that booklet of own source revenue.

Table 5.1
Own Tax Revenue (House Tax) Collection

(₹ in Crores)

Components	2011-12	2012-13	2013-14	2014-15	2015-16
Own Tax Revenue	5.5	6.9	7.3	4.0	2.0

Source: PRI Department

5.5.6 The amount and trend of the above figures of own tax revenue suggests that thorough improvement is required both in the structure and collection mechanism of the tax. In the Revenue Report, the PRI department of Haryana has suggested a mild increase in the House Tax rates.

5.5.7 The 5th SFC recommends that the revision in rate of House tax considered by Government based on deliberations made by the Development and Panchayat Department should be made. The 5th SFC further recommends that, an exercise should be undertaken to allocate house numbers in rural areas to facilitate mapping the details of number of houses and allocating house numbers in rural area.

5.5.8 In the context of tax collection and reporting mechanism, there have been consistent reports from the audit that the demand and collection register is not maintained by the RLBs. The appropriate modality in PRIA soft for maintenance of this register may be put to use and an appropriate MIS in this regard should be placed. Efforts should be made to make the house tax collection in cash less mode.

5.5.9 Assigned Taxes: Presently there is no tax which is levied by the RLBs and collected by the State of Haryana for them. Section 41 (1)(b) empowers the GPs to impose stamp duty to the extent of 2% on sale or transfer of immovable property under the Indian Stamp Act, 1899 subject to the order made by the Government in this behalf. Similar power is there in the ULBs legislation in Haryana. However, while the state has been charging 2% stamp duty on the transfer of properties in Urban Area on account of ULBs the similar levy has not been enforced in case of RLBs. There have been consistent suggestions from RLBs and PRIs department of Haryana to augment their revenue by their share of Stamp duty.

5.5.10 The 5th SFC has included the revenue of the state on account of stamp duty in the global divisible pool out of which SFC grants is to be allocated. In this manner the RLBs

would be getting approximately 3.85% of the total revenue collected by the State on account of stamp duty. This would help augment the resources of the RLBs.

5.5.11 Shared Tax Revenue: The Shared Tax Revenue presently consists of State excise duty and 5% VAT which is transferred to the RLBs.

5.5.12 The proceeds of state excise duties are shared by the State with the Panchayati Raj Institutions and Municipal Bodies. As per the State Excise Policy, the existing share of local bodies is ₹ 5/- per bottle of Country Liquor (C.L). of 750 ml, ₹ 7/- per bottle of Indian Made Foreign Spirit (IMFS) of 750 ml. or equivalent and ₹ 3/- per bottle of beer of 650 ml. capacity or equivalent. The share of local bodies i.e. PRIs and ULBs depends on the sale of liquor in their respective jurisdictions. This is subject to the condition that the local bodies would not impose any tax/levy or octroi on C.L. and IMFL within their jurisdiction.

5.5.13 The share of rural local bodies in the state excise duty in the past years is depicted shown in the Table 5.2 :

Table 5.2

Share of Excise Revenues to PRIs in Haryana: 2011-12 to 2015-16

(₹ Crores)

Years	2010-11 Actuals	2011-12 Actuals	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
PRIs	37.34	48.04	80.53	78.40	90.16	103.68

Source: PRI Department

5.5.14 This transfer is treated as compensatory in nature. The payment to PRIs and ULBs is made from the concerned expenditure head "3604" of the state budget. The ratio for sharing the said proceeds between GPs: PSs: ZPs is 70: 20: 10. There has been consistent amendment for increasing the share of revenue of the RLBs from the excise duty collected as the existing rate was fixed long back. It is also in nominal terms and not in percentage term. Though the income of the state has increased many fold on account of State Duty, the share of RLBs has not shown the corresponding growth.

5.5.15 The 5th SFC has now included the revenue from the State Excise Duty in global divisible pool from which SFC grant will be allocated, thereby addressing this aspect. With this inclusion, the timely, and transparent distribution of such revenue to the RLBs would be enhanced. Thus, once the 5th SFC's recommendations are accepted on devolution of state revenue, there would be no separate assignment of state excise to RLBs.

5.5.16 Surcharge on VAT: The state of Haryana started the assignment of 5% VAT on Surcharge, w.e.f 2.4.2010, by amending the Haryana VAT act. The amount of surcharge

forms part of the Consolidated Fund of the State and shared between ULBs and PRIs in the ratio of 80:20. Share of PRIs is paid from expenditure head "2515" and share of municipal bodies is paid from expenditure head "2217" of the state budget. The amount of VAT surcharge so shared in the past years is depicted in the table below:

Table 5.3
Share of 5% surcharge on VAT to RLBs

(₹ Crores)

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
PRIs	62.00	121.40	135.68	156.03	179.44	206.35

Source: PRI Department

5.5.17 The assignment of 5% VAT constituted significant amount of revenue for RLBs. However, with the advent of GST with effect from 1st July 2017, VAT would not be leviable on sales transactions. Thus, the VAT cess share will not be available for assignment to RLBs. This will however be compensated by share in GST which is forming part of global divisible pool for SFC grant and would be much more in terms of quantum because of expected growth in GST revenue.

5.5.18 **Non-tax revenue** of RLBs majorly consists of Income from Shamlat Land, licence fees, market fees, contributions, and deposits. Gram Panchayats have lands in Shamlat Deh for common uses of the village Community. These lands are a major sources of income for the Gram Panchayats. At present, the Gram Panchayats are having an ownership of about 8.27 lakh acres of land. Regulation and management of these lands is done in terms of the provisions of the Punjab Village Common Land Act, 1961 and rules made thereunder. The Gram Panchayats are empowered to take action for removal of encroachments/ unauthorized constructions over Panchayat Lands under Section 7 of the said Act. The cultivable shamlat lands of Gram, Panchayats are given on lease basis and the income received from this source is also utilized on developmental/ maintenance of works of villages of the respective Gram Panchayat. The other sources of income of Panchayati Raj Institutions are the income from sale of the common lands and other properties vested in them. The income is also generated from commercial utilization of their common properties like trees, ponds, shops etc. The following table depicts the receipt base of the RLBs on account of non tax own revenue.

Table 5.4
Own non-tax revenues of RLBs

Components	2011-12	2012-13	2013-14	2014-15	2015-16
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Own Non Tax Revenue	206.3	230.9	252.4	407.6	274
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Source: PRI Department

5.5.19 The above income constitutes substantial part of the revenue of the RLBs from their own sources. However, there is a substantial scope to improve the revenue on account of lease etc. of shamlat land, if such lands are managed properly. The records maintained of land and property of RLBs requires substantial improvement. Reference may be made to an audit observation mentioning that the area of shamlat land vested in Panchayat was not known and that BDPO was to verify that all cultivable land vested in the Panchayat was duly leased out. These kind of situations required that to manage the property well, the first step would be to have a proper record of shamlat land.

5.5.20 Table 5.4 reflects the revenue on account of lease of shamlat land is not growing alongwith the growing market rate of the property over a period of time. An analysis of the responses to the questionnaire received from the RLBs by the 5th SFC suggests that in many cases for the same land, the lease amount has decreased over a period of time. *This situation requires concentrated efforts at the state level to review the revenue position of shamlat land and to assess the overall situation so that efforts can be made to better manage the land and property.*

5.5.21 The 5th SFC recommends that a time bound exercise be undertaken for appropriate recording of shamlat land. The 'e-suite application' developed by the Central Government for maintenance of Land records may be put to use to achieve good results. A review at the State level taking into account the overall factual position of shamlat land, actual and potential revenue from it merit consideration. The systems and guidance should be developed to assist the RLBs for land and property management.

5.5.22 **Grants & Loans:** Given the position that the own source revenue of the RLBs constitutes a miniscule amount, major part of funds of the RLBs comprises of the Grant from the Central Government under CFC & CSS and grant from the State Government under SFC and State schemes and loans to some extent. These grants may be tied or untied. Loans are conspicuously absent in most cases and constitute a negligible portion of the total receipts. Following table depicts the funds granted by the Central Finance Commission (CFC) to the Haryana RLBs.

Table 5.5
Haryana: Details of CFC and SFC Grants

(₹ in Crores)

Components	2011-12	2012-13	2013-14	2014-15	2015-16
CFC Grants	170.5	246.4	291.2	284.1	419.3
SFC Grants	143.0	171.9	213.4	200	150

Source: PRI Department

5.5.23 Under the Union Budget 2015-16, the share of net taxes revenue of Union had been devolved to the States was increased from exiting 32% to 42%. 14th Finance Commission awarded a grant of ₹ 2,00,292.20 crore directly to Gram Panchayats, creating enormous opportunity for responsive local governance to provide basic civic services. Haryana's share is ₹ 3883.00 cr. (including performance grant) over the period of 5 years from 2015 to 2020. In year 2015-16, Haryana will receive ₹419.00 cr. under 14th FC. The projection of the CFC grants upto 2019-20 are given below

Table 5.6
CFC Grant to be devolved to the PRIs in Haryana

(₹ Crores)

Components	2015-16	2016-17	2017-18	2018-19	2019-20
Basic Grant	419.28	580.57	670.80	775.99	1048.53
Performance Grant	-	76.15	86.18	97.87	128.15

Source: PPT from Finance Department, Haryana

5.5.24 The above table reflects that the 14th CFC has allocated substantial amount for the GPs, major part of which has been granted unconditionally, thereby improving the fund position with RLBs. However, the RLBs must make efforts to claim performance grants also as it is observed that in the past, the RLBs in Haryana could not take full benefit of performance grants offered to them.

5.5.25 The State Finance Commission (SFC) grant has not constituted a substantial part of the total receipts of the RLBs hitherto, because of the smaller size of the divisible pool and separate allocation of VAT cess and State excise duty to the RLBs. The following table depicts the amount of SFC grants devolved to RLBs during the past years.

Table 5.7
Haryana: Details of SFC Grants

₹ Crore

Components	2011-12	2012-13	2013-14	2014-15	2015-16
SFC Grants	143.0	171.9	213.4	200	150

Source: PRI Department

5.5.26 In addition to the CFC and SFC grants, funds would also flow to Gram Panchayats from State Finance Commission, MGNREGA, Plan Schemes of the Department, District Plan

fund. The funds under the schemes which are implemented through different department, do not flow to the RLBs although the functionaries of RLBs are involved in such implementation.

5.5.27 The grants under the State schemes are made by the State as per the conditions of the scheme. The schemes are in huge numbers, and may be implemented through different department of the state. A list of the state schemes to be implemented through the development and panchayat of Haryana is appended as **Annexure 5.3** . *The funds from such schemes are not giving regulars grants to RLBs, these are obtained depending their specific requirements and meeting the specific conditions.*

5.5.28 The loans as a part of revenue of the RLBs, form a miniscule amount. In this context a planned scheme is worth mentioning. Under this scheme interest free loan is given to Panchayats, Panchayat Samitis for installation of Tube wells, wells, construction of shops and Staff Quarters etc. The repayment of loan is in thirty yearly instalments.

Revenue Envelope of Rural Local Bodies

5.5.29 Having discussed the different components constituting revenue of the RLBs, following table depicts the overall position of revenue envelop of these bodies.

Table 5.8
Haryana: Resource Envelope of RLBs, 2011-12 to 2015-16

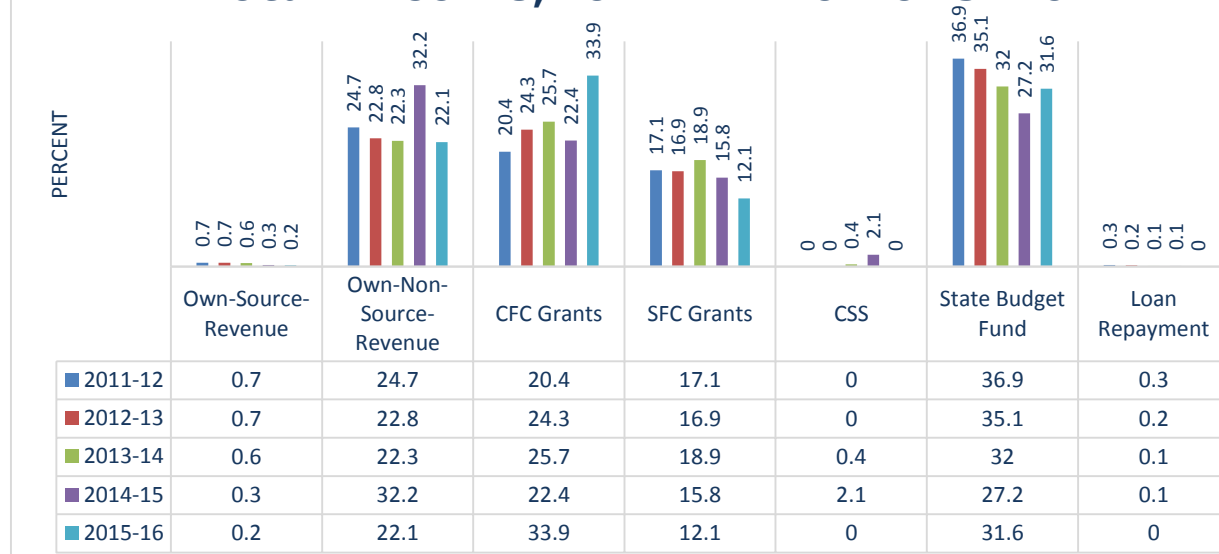
₹ Crore

Components	2011-12	2012-13	2013-14	2014-15	2015-16
Own Tax Revenue	5.5 (0.7)	6.9 (0.7)	7.3 (0.6)	4.0 (0.3)	2.0 (0.2)
Own Non Tax Revenue	206.3 (24.7)	230.9 (22.8)	252.4 (22.3)	407.6 (32.2)	274 (22.1)
CFC Grants	170.5 (20.4)	246.4 (24.3)	291.2 (25.7)	284.1 (22.4)	419.3 (33.9)
SFC Grants	143.0 (17.1)	171.9 (16.9)	213.4 (18.9)	200 (15.8)	150 (12.1)
CSS	-	-	4.1 (0.4)	26.3 (2.1)	-
State Budget Funds	308.3 (36.9)	355.9 (35.1)	361.9 (32.0)	344.1 (27.2)	391.2 (31.6)
Loan Repayment	2.2 (0.3)	2.2 (0.2)	0.9 (0.1)	0.7 (0.1)	0.6 (-)
Total Revenue	835.7 (100.0)	1014.2 (100.0)	1131.2 (100.0)	1266.7 (100.0)	1237.1 (100.0)

Source :- The 5th SFC calculation data received from PRI department Haryana,

Figures in Bracket are percent of Total

**Figure : 5.4 Haryana -Panchayats,
Percent of Income Composition Over
Total Income,2011-12 To 2015-16**



Source: Data received from PRI department Haryana

5.5.30 In the above table the figures of own-tax revenue majorly pertains to House Tax (Chula Tax). The revenue shows the decreasing trend from last two years and the position has never been very good. There seems to be a substantial scope of improvement in this area.

5.5.31 Own Non-tax revenue primarily consists of rent or lease of shamlat land and other properties owned by the GPs, again the trend does not reflect that land and property are well managed. Further, 30% panchayats do not have shamlat land and 10% have small holdings.

5.5.32 The CFC grants have been a useful source of revenue and are showing an increasing trend. Also, these grants have been substantially augmented by the 14th CFC and are expected to be substantial in future also. The SFC grants have not been substantial in the past but are going to increase for many factors including the growth in the tax revenue of the State particularly because of GST and use of global divisible pool for allocation of SFC grants.

5.5.33 Table 5.8 exhibits an erratic trend about remission of the share of funds under Centrally Sponsored Schemes to PRIs. While in the years 2011-12 and 2012-13, no fund is provided to the PRIs, in the years 2013-14 and 2014-15, ₹ 407.19 cr. and ₹ 400 cr. were provided to them on this account. Further, no funds were transferred under CSS to PRIs in the year 2015-16 and a significant amount of ₹1137 cr. was transferred to them in the year 2016-17. This suggests the inconsistencies in the policy and the role of PRIs in implementing the CSS. It suggests a need to examine the manner in which funds under CSS are assigned to and managed by the PRIs with reference to the respective planning.

5.5.34 The State budget funds consists of transfer on account of state excise duty and VAT surcharge. These will get merged if the 5th SFC's proposal of global divisible pool, developed in Chapter 6, is accepted.

5.5.35 The *Panchayat* system, despite the State Finance Commission and all centrally sponsored schemes, have to work with limited resources. The *Gram Panchayats* still look to the government for resources for two reasons. Firstly, *Panchayats* are not able to take decisions and often believe that doling out resources to *Gram Panchayat* is the State's responsibility. Second, despite decentralisation, *Panchayats* still do not have adequate expertise to generate resources. It is crucial to systematically study the resource situation of *Panchayats* and take necessary and adequate measures. It is important to stress here that most resources flowing to *Panchayats* are tied funds. Therefore, *Panchayats* are unable to decide on an expenditure pattern.

5.5.36 Apart from the above resources which are available to RLBs for spending, funds from different sources are channelized for the development works in the rural areas, it may be through various schemes or some other Boards etc. One such source which contributes significant amount for rural development is Haryana Rural Development Fund.

5.5.37 **Haryana Rural Development Fund (HRDF)** Board was constituted under section 3(1) of the Haryana Rural Development Act, 1986 to improve quality of agricultural produce, to provide good markets and to increase the facilities of sale. For this purpose a fee on ad valorem basis, at the rates of one per centum of the sale proceeds of the agricultural produce bought or sold or brought for processing in the notified market area was levied under section 5(1) of the Act.

5.5.38 The amount so collected is spent by the Board in the Rural areas for development of roads; establishment of dispensaries; making arrangements of water supply; sanitation and other public facilities; welfare of agricultural labour; conversion of the notified market area into modern market areas by utilising technical know-how and to bring necessary improvements, constructions of godowns for the agricultural produce brought in the market area for sale/purchase and the construction of rest houses equipped with all modern amenities; and for other specified purposes.

5.5.39 About Rs. 500 crore are collected and spent by the HRDF every year. Since the administration of this fund is with the hands of state level functionaries, this amount does not directly constitute part of the funds available to the RLBs.

Expenditure Envelope of Rural Local Bodies

5.5.40 The 5th SFC put many efforts to estimate the expenditure requirements of the RLBs in Haryana so that estimation may be made regarding the need of funds by them for the future period. However, because of the poor database, what the SFC could get as past years expenditure detail is the following data:

Table 5.9
Details of Expenditure by RLBs

(₹ Crores)

COMPONENT	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Expenditure	621.7	774.1	866.5	828.2	960.5	1567.2
Total	621.7	774.1	866.5	828.2	960.5	1567.2

Source: PRI Department, Haryana

5.5.41 Table 5.9 suggested the consolidated expenditure incurred by the RLBs, and may not prove to be helpful in our estimations. Thus, we have made suggestions regarding

improvement of accounting and convergence of various schemes by the State so that a meaningful database is available for further planning and reviews.

5.6 Measures to Augment Revenue of RLBs

5.6.1 Augmentation of revenue in any organisation is a consistent need and the efforts should always be on to find newer and efficient ways for doing it. So is true with RLBs. Broadly the own source revenue in RLBs can be earned either by levying new taxes or efficiently collecting existing taxes; or by managing the cash, assets and property efficiently; or by making proactive efforts to institute commercial activities on village level, attracting companies or NGOs for creating infrastructure in the village by contributing under their Corporate Social Responsibility (CSR) programmes or by adopting any other newer idea or practice.

Levy of new taxes

5.6.2 In case of local bodies, for revenue augmentation, as the first thought always leads to the possibility of levying newer taxes. It is relevant here to discuss whether the legislation gives sufficient powers to RLBs for levy of new taxes. The Haryana Panchayat's Act provides powers of taxation to GPs, PSs and ZPs under separate provisions. Further, there are specific taxation powers and general taxation powers given to different levels of RLBs.

5.6.3 Specific powers of GPs: Section 41 of the Act makes it obligatory for *Gram Panchayats* to impose a house tax within their jurisdiction and also empowers them to levy fee on teh bazari from the shopkeepers in fairs other than cattle fairs, service fee including fee on cleaning of streets and lighting of streets and sanitation, fee for registration of animals sold in the sabha area and water rates where it is supplied by the Gram Panchayat. The Gram Panchayats are also empowered to levy duty on transfer of property. Section 45 of the Act also empowers the GPs to impose a special tax for construction of any public work of general utility, and Section 45A empowers them to regulated and tax communicate towers, and provides that no person shall erect or re-erect communication towers in a sabha area unless he has taken approval from the concerned authority subject to conditions.

5.6.4 Specific powers of PSs and ZPs: Sections 91 and 149 of the Panchayat Act provides that PSs and ZPs may levy fee for the use of or benefit derived from public hospitals, dispensaries, schools, sarais, markets, rest houses and other public institutions; the supply, storage and preservation of water for drinking, bathing and agricultural purposes;

preservation and reclamation of soil and drainage and reclamation of swamps; fixed fee at fairs, agricultural shows and industrial exhibitions held under its authority.

5.6.5 General Powers of GPs, PSs and ZPs: In addition to the above, the Panchayat Act empowers the GPs, PSs and ZPs to impose any tax, which the legislature of the State has power to impose under the Constitution, subject to general direction and control of the state government.

5.6.6 *Thus, structure of power for taxation by RLBs is appropriately in place. And if the RLBs wish to levy a new tax, a decision has to be made at the Department level.*

5.6.7 The 5th SFC's interactions with the representatives of various local bodies, were made to augment RLBs revenue. Select suggestions include:

- Any function in which loud speaker is involved – a nominal fee of ₹100/- may be charged.
- On construction of new house, a nominal fees (Development Fees) of ₹100/- to ₹300 may be charged.
- Gram Panchayat may be permitted to levy Vehicle tax (Firni Tax) where mining is permitted.
- Hatchery, Brick Kiln, Hotel-Dhaba, Motel, Vatika/marriage Hall in Sabha Area may be levied at ₹100 to ₹300 per month.
- Tax on Petrol Pumps, automobile servicing repairs shops.
- Panchayats may be permitted to levy taxes on commercial premises (factories, shops, warehouses) operating in its sabha area.
- Communication Towers and Cable TVs should be Taxed.

5.6.8 In the Report prepared by the Department of Panchayats the year 2016, some of the unexplored areas of tax collection to enhance the resources of RLBs have been identified as follows:

- *Sanitation Fee may be levied by the GPs.* The Gram Panchayats have not been imposing any kind of sanitation fee to undertake activity under head of sanitation. Payment of Sanitation Fee by residents of the village would create a sense of awareness/owning up of 'Swachhh Bharat Mission'. They need to contribute to the cause of sanitation. The resident would be vigilant towards the duties being performed by 'Safai Karamchari' in the village.

- *Share of Change of Land Use (CLU) may be transferred to the GPs.* Another area for augment of revenue of RLBs has been identified as a share in Change of Land Use (CLU). Presently, the town and country planning department not only prepares the development plans and checks the un authorized constructions but also grants the permission for change of land use to regulate the proposals for development as per the zoning regulations stipulated for each zone. Conversion charges are charged for change of land use by Town & Planning department depending upon the location, nature of land and the activity proposed. It is proposed that 10% of the CLU charges collected should be transferred to the respective GPs on yearly basis.
- Another suggestion is to levy a *rural water cess* @ of 1% of the water charge per household.
- Establishment Fees is another suggestion. A large number of establishments such as Petrol Pump, Hotel/Dhaba/Motel, Marriage Halls, Industrial Units, Gas Agency, Brick Kilns on private land, Automobile Workshop/Showroom, Multiplex, Amusement Parks, Country Clubs, Resorts, Educational Institutes and Private Hospitals, Charitable hospitals, schools etc are operating in rural areas. All these establishments are earning profits and using the resources of village without paying any tax, fee etc. An establishment charge of ₹1000 per annum may be levied.
- *Another suggestion is for charging of Mutation Fee.* The transaction of each property has to be registered with Registrar/Sub Registrar and after that the process of mutation to be initiated by the Patwari and finalised by the Tehsildar. But the same is not the case with the land pertaining to Lal Dora. Thus, there is no property record available with Gram Panchayat. All transactions pertaining to Lal Dora must be mutated by the competent authority after following the prescribed procedure. For this purpose, Gram Panchayat should charge a one time fee i.e. Mutation fee. A fee of ₹200 per mutation is proposed.
- *Cable Fee* is another area where good revenue may be expected. A monthly small fee of ₹ 10 may be charged by the Gram Panchayats to a private cable operator which can be collected by him from the users along with his cable charges.
- Fair/Mela Fee could be another source of income. Melas/Fairs are organised in villages. They can be theme-based, promoting a particular culture, art or skill. Generally in "melas" people can find eateries, entertainment activities, shops and games. A small fee of ₹ 50 per stall/per shop can be charged from the stall owners/shopkeepers for their stalls organised in the village fairs.

5.6.9 Another area which merits consideration for a levy is the activity of 'erection of communication tower' in a gram sabha area. An annual charge of ₹ 10,000 (or whatever amount considered appropriate by the Panchayat Department) may be imposed on this activity. The Panchayat Act of Haryana had been amended lately to empower GPs to levy such charges.

5.6.10 The feasibility and fairness of the above areas identified for taxation needs to be further explored. A general observation is that local resource generation in *Panchayats* is very poor because *Panchayats* find it difficult to levy taxes. The *Panchayat* representatives and the community feel that basic services provided by the State are inadequate, and therefore raising (or even collecting existing) taxes meets with resistance. *Sarpanch* and *Panchayat* members appears to feel that with linking improved services with tax raising would not be politically rational. Steps must be taken for the community to have greater confidence in management capacities of *Panchayats* for proper utilisation of resources either received from the government or generated from the community.

5.6.11 The 5th SFC is of the view that the Department of Panchayats is best equipped to take a decision on the types and rates of taxes that may be collected in the RLB areas as they have already identified tax prospects and are well aware of the respective challenges. The areas already identified by them, coupled with the suggestions made by the local people may form a good basis to reconstruct the taxation spectrum of RLBs. However, it should be kept in view that the tax income should be commensurate with the efforts required to put in for collection of such taxes.

5.6.12 The 5th SFC recommends that to the extent possible the tax collection mechanism need to adopt a digital platform. This may be developed at state level. It is only when the tax or charges are collected directly from householders for sanitation fee etc., digital mode may pose constraints but in case of tax collection from commercial establishments, or for mutation charges etc., such constraints may not be there.

5.6.13 Land and other assets available with the RLBs if managed properly can augment the resources largely. Better and Commercial exploitation of Land Bank can be a major source of boosting income of both ULBs and PRIs. Good accounting procedures and records can take care of this to a large extent. This has been discussed in detail under the para relating to Accounting of Finances.

5.6.14 The 5th SFC's research and interactions, suggest that exploring following areas to enhance revenue by encouraging commercial activities merit consideration.

- Barren land may be used to set up cold storage, ware House, Banquette Hall etc. to raise income. Biogas Plant, Power Plant can also be set up, Factory, Industry, Fishery, Poultry. Tree Plantation should be encouraged.
- Growing Commercial crops like castor oil seeds on the Panchayat land or plantation across sidelines of land may get good revenue.
- Raising funds through Corporate Social Responsibility (CSR) programmes of the corporates or from NGOs. Presently, in Haryana, there is a scheme called swa-prerit Yojana for CSR contribution by companies but it entails many conditions, and the corporate in general are not even aware about it.

5.6.15 The 5th SFC suggests that the scheme for corporate contribution under their CSR programme be prepared with least conditions and execution hassels. The CSR initiatives need to be aligned with State and Central schemes with similar goals. It is useful to publicise such schemes.

5.6.16 The 5th SFC is of the view that the research on augmentation of revenue should be a continuous exercise where the potential may be explored for newer ways of earning revenue and for efficiently collecting the existing taxes. A professional institution such as SJHIFM may be helpful in this regard.

5.7 Accounting and Auditing Mechanism

5.7.1 A proper system of accounting is essential for ensuring proper control over expenditure and to prevent misuse of funds. Moreover, with substantial funds flow to the local bodies from various sources including conditional grants, a strong audit and accounting system is required to ensure that the funds are used for the defined purpose and that expected outcomes are achieved.

Legislative Position

5.7.2 ³The Constitution of India made a categorical mention about the accounting and audit function vide Article 243J thereof, which empowers the State Legislature to make provisions with respect to the maintenance of accounts by Panchayats and the auditing of such accounts. In line with this, the Haryana Panchayats Act provide for the persons responsible for keeping accounts and the persons allowed to inspect and audit the accounts

³ Haryana Panchayati Raj Act 1994 read with the Haryana Panchayati Raj Rules, 1995 and the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules 1996.

and empowers the State to make the rules regarding the manner of accounting by all the three tiers of the Rural Local Bodies, that is, GPs, PSs and ZPs.

5.7.3 With respect to the *Accounting of the GPs*, Section 15 of the Haryana PRI Act provides that the *duty of Gram Sachiv is to maintain accurate and up-to-date entries in accounts record and other property of the Gram Panchayat*. In relation to this, Section 43(3) provides that the Gram Sachiv shall prepare a statement of the accounts of the Gram Panchayat for each financial year, showing the income of the Gram Panchayat under each head of receipt, the charges for establishment, the works undertaken, the sums expended on each work and the balance, if any, of the Fund remaining unspent at the end of the year in such form as may be prescribed and in such manner as the Gram Panchayat may direct".

5.7.4 Section 43(1) provides that the Accounts of the receipts and expenditure of every Gram Panchayat shall be made up in such form as may be prescribed and the Gram Panchayat shall make arrangements for the examination and audit of the accounts by such persons as the Government may appoint in this behalf. Also, as per Section 43(2) *every Gram Panchayat shall keep a copy of accounts made under Section 43(1) at its office so that any member of sabha area may, at all reasonable times, inspect any such budget or account on payment of fee as may be prescribed*.

5.7.5 Section 18 of the Act provides that the *custody of Gram Panchayat Record or Property shall remain with the Sarpanch or Panch in his absence*. With respect to the *accounting of PSs and ZPs*, the law provides that the Accounts of the receipts and expenditure of every PS and ZP shall be made up in such form as may be prescribed and they shall make arrangements for the examination and audit of the accounts by such persons as the Government appoints in this behalf.

5.7.6 Thus the enabling provisions and responsible persons for accounts and audit are provided under the legislation wherein *Gram Sachiv has a significant role, and the manner and format of records to be maintained by the GPs and PSs and ZPs with respect to Budget and Cash Book and other records have been given in Haryana Panchayati Raj Rules, 1995 read with the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules 1996* (herein referred to as Accounting and Auditing Rules 1996). Also, the provisions allow any member of sabha area to inspect budget or account of Gram Panchayat, an ultimate mechanism to ensure accountability of GPs, which practically never seems to have been in practice.

Accounting System followed in Haryana RLBs

5.7.7 Given that the State legislation has provided elaborate enabling mechanism for accounting and control, the resulting ground level situation in this area at the level of RLBs is discouraging. For the mainline accounting of the PRIs, manual records are prepared and there is a vague understanding that these records are based on Model System of Accounting developed in 2009. But in practice that does not seem to be the case as the persons responsible for maintaining accounts lack the requisite capacity. The Model accounting system can be used appropriately only when records are maintained through a computerized system which is not the case.

5.7.8 The accounts at the GPs, PSs and ZPs level are still maintained under the conventional single entry system, on manual basis and are often incomplete and inappropriate. The present accounting system is not in a position to provide data for management decision making, neither it can assist in exercise of control over the receipt and use of money. Assets and Property Registers are not fully maintained or updated and cash received is not recorded.

5.7.9 The custody of complete accounting records also remains a challenge, particularly when handover of charge is made by the elected representatives. The situation of accounting and custody of accounts requires urgent attention.

5.7.10 For addressing accounting issues of the RLBs, on the recommendations of the 11th CFC, C&AG had in 2002 prescribed formats for preparation of budget and accounts of the PRIs. A sub-Committee of the Technical Committee later recommended revised model formats in the year 2009, known as Model Accounting System for Panchayats, 2009. The model formats are simple, comprehensive and robust and will aid in capturing expenditure under the correct Heads uniformly. It would further generally help in assessing Panchayat finances and consequently devising strategies to make Panchayats financially viable. Under the Model Accounting System, although initially, the accounts are to be prepared on cash basis, requisite features have been built into the Simplified System to enable subsequent transition to the accrual system.

5.7.11 For further facilitating the accounting by the PRIs, the Central government helped to develop an accounting application developed known as PRIASoft. PRIA Soft is a web-based accounting software through which PRIs can prepare their accounts online by all the three tiers of PRIs. It aims to keep track of all the in-flow (Receipts) and out-flow (Expenditure) of the Panchayati Raj Institutions. Apart from making the process of accounting simple and easy (necessarily due to lack of trained manpower at this level), it

ensures a better financial management, transparency and accountability at the Panchayat level. PRIAsoft not only allows the PRIs to prepare their scheme wise accounts clearly depicting the position of receipts and expenditure made in a particular scheme, but also has many other facilities including the facility of complete accounting by PRIs.

5.7.12 The RLBs in the State of Haryana are already using this software for the past couple of years. *The research by the 5th SFC suggests that the manner in which PRIAsoft is used by the PRIs in the State of Haryana needs a review.* Currently, the software is used for limited purpose of recording receipts and expenditure made in relation to scheme grants. The manner and extent of such recording is not serving the purpose of providing meaningful information and data for want of small changes required (only amounts recorded with no corresponding narration). Most of the tools in the software including general accounting tool have not been put to use in the spirit envisaged.

5.7.13 *Since the PRIAsoft system is already in place, and PRI units are making entries in it, by making small changes at the operational level, the system can be made efficient and result-oriented.* A data analysis report generated by the PRIAsoft software shows that not even 50% of the accounting units have entered their data in the system for the financial year 2016-17.

5.7.14 On the basis of the above observations, the **5th SFC recommends that the funds under the State Schemes should be released to RLBs using the PRIAsoft system. At the time of release of funds, a simultaneous entry should be made in the system under the respective accounting head of the specified Scheme, so that the recording can be appropriately done in this regard. Also, use of PFMS for state schemes would make the system more efficient.**

5.7.15 **Further, it may be mandated to the persons making the accounting entry in the system to necessarily write narration of receipts and expenditure. A standard operating practice in this regard may be made elaborating what all should be included in narration and within what timeframe the entry should be made. Thus, simple operational steps may ensure a big result with respect to control over grant money.**

5.7.16 The 5th SFC has concluded that the existing accounting system needs to be substantially changed. There exists a model accounting system 2009, and there exists a software PRIAsoft with elaborate guidelines. The need is to implement the system appropriately. The challenge is capacity and willingness. **The 5th SFC recommends that the software may be explored to identify the possibility of shifting entire**

accounting of PRIs to the PRIAsoft, and the manner of doing so needs to be drawn up along with the capacity requirements and steps involved.

5.7.17 Given the existing capacity constraints in this regard, **the SFC recommends that at least 2 systems analysts along with 2 chartered accountants should be exclusively assigned this task at the State Department level. These persons can study the system and establish standard operating procedures for the PRI units and then create training modules for the users. Assistance may also be taken from the PRI training Institution in Haryana and the Institute of Chartered Accountants of India.**

Capacity of Gram Sachiv to maintain accounts

5.7.18 In the present state of affairs in Haryana, 'Gram Sachiv' is a weak link in maintaining accounts. The number of Gram Sachives available in the system is less than required. As per information made available to the 5th SFC, only around 1750 Gram Sachives are deployed currently around 6200 villages.

5.7.19 The existing Gram Sachives do not have capacity to maintain accounts using computers. They are thus not in a position to make entries in the accounting software PRIAsoft. The qualification of these Sachives being 10+2 (higher secondary School Pass), how their skills can be augmented represents a challenge.

5.7.20 The State is making efforts to enhance the assistance to Gram Sachives by way of the scheme of establishing 'Panchayat Sachivalays' in which Village Level Entrepreneurs can assist in data entry for accounting, the point is in today's context, where even the gram sabha proceedings have to be entered in the 'planPlus system' and the entire e-suit of applications including PRIAsoft is to be adopted for better control and management, such kind of external assistance would not suffice.

5.7.21 The 5th SFC recommends that the State may consider enhancing the basic qualification requirements for Gram Sachiv position going forward by keeping it to the minimum graduate/post graduate level preferably with an accounting degree or professional background. For the existing Gram Sachives, well designed capacity building programmes must be initiated.

5.7.22 A very important aspect is to continually monitor the manner in which entries are made by the Gram Sachivs/VLEs (it is presumed that in Gram Sachivalayas, VLEs would be assisting Gram Sachives) in the accounting system. The respective persons should be assisted to rectify and to follow correct the procedure for making further entries in the

system. An MIS should be created relating to this, so that if a given person or official is not able to handle the accounting appropriately, either training should be imparted or replacement should be considered. The point is that given the complexities of the funds and the functions of the RLBs, the function of accounting cannot be taken lightly, it is serious.

5.7.23 The 5th SFC also recommends that appropriate measures be taken for recording and management of cash, bank accounts, assets and properties of the PRIs. One bank account in place of multiple bank accounts, maximum limit of keeping cash in PRIs, maintenance of asset and property register (preferably using respective e-suit applications) can bring manifold increase in revenues of the PRIs. A time bound execution of required directives and completion of related records is suggested.

Audit and Inspection

5.7.24 The Haryana Accounting and Auditing Rules 1996 cover provisions relating to Budget, manner of maintenance of Accounts, Panchayati Samiti and Zila Parishad fund; its application and investment, receipts and expenditure, receipt of Deposits, provisions relating to admission and sale of cattle pond, audit and internal check of accounts, taxation and various other rules. The auditor is competent to physically verify investment, stores and other property.

5.7.25 A unique aspect of audit rules relating to PRIs is that the auditors have been entrusted with many functions relating to accounting also. Rule 106 of the relevant Rules requires the auditor to give Utilization certificate after auditing the accounts relating to Grants placed in Gram Panchayats/ Panchayats Samiti and Zila Parishad. Rule 108 places responsibilities on auditor to prepare the Financial Statements in respect of annual accounts prepared by RLBs which shall be appended to their respective annual accounts so as to bring out the true financial picture as on last working day of the year to which it pertains.

5.7.26 From audit perspective, Rule 99 requires the audit of accounts of all receipts and expenditure of every Gram Panchayat to be conducted once after every two years and that of Panchayat Samiti and Zila Parishad shall be conducted after every year by such officer as may be appointed by the Government. Apart from audit, Rule 111 empowers the government to introduce check and inspection of accounts of RLBs by its departmental officers. These officers may inspect the accounts, raise query, help the RLBs in maintaining

accounts and responding to the queries. Rule 112 elaborates the areas of internal check, the scope of internal check and inspection in a very descriptive manner.

5.7.27 The legislative position for PRIs audit and internal checks is thus very sound and almost every aspect has been taken care of including the fact that PRIs do not have capacity to properly finalise the accounts in required formats and that utilization certificates may require expertise of auditors and that internal check mechanisms are must in the system.

Coverage of Audit in practice

5.7.28 There are two different departments in the State responsible for the audit of RLBs – one is Local Audit Department of Haryana and the other is the Office of C&AG. Unlike ULBs, no pre-audit exercise is done in case of RLBs though the relevant Rules empower the State to set up pre-audit system in RLBs also. Only post-audit of PRIs is being carried out by the Local Audit Department. From the year 2011, the office of C&AG undertakes test audit of PRIs as suggested by the 11th CFC and reiterated by the 13th CFC. The C&AG also provide technical guidance to the Director, Local Audit Department with regards to PRIs without affecting the administrative control of Finance Department over Director, Local Audit Department and the status of Director, Local Audit Department vis-a-vis his responsibility as statutory auditor of these institutions. The annual technical inspection report of C&AG as well as the annual report of the Director, Local Audit are placed before the state legislature and the comptroller and auditor general or his representative have the right to report to the state legislature the results of audit as his discretion.

5.7.29⁴The Audit which is being conducted by C&AG is very limited in its scope. For instance, the audit coverage of PRIs by C&AG for the year 2014-15 was 4 ZPs out of 21, 24 PSs out of 126 and 150 GPs out of 6083 as these institutions were test checked. Apart from these, grants released under some of the schemes were test audited.

5.7.30 The capacity of audit team both with the LAD and with C&AG is a known constraint and needs to be attended urgently. Usually it is felt that audit is an expense function, but a close look will reveal that if audit is respected appropriately and an action is taken on the audit observations, it may turn into a revenue function.

5.7.31 The 5th SFC recommends that appropriate measures be taken by the State in consultation with the LAD and C&AG to enhance the audit capacity of these

⁴ CAG report year 2014-15

departments so that the appropriate coverage and timeliness of audit may be ensured.

5.7.32 A common issue undermining the effectiveness of audit, which is persisting from years on years is that, the audit objections are not attended with seriousness and in fact one may find observations pending from decades. For instance, the audit report (Part II) of PRIs by the LAD for the year 2014-15 alone reveals observations about crores of rupees of mishandling coupled with the modus operandi causing such situations. If one would go back to earlier audit reports, one can see the similar observations. The point is – if such observations are timely attended – that will not only lead to augmentation of resources but would also convey a message that wrong practices would be identified and arrested and cannot continue as a way of life.

5.7.33 In the above context, a strange observation made by the 5th SFC is that in the response to the Questionnaires sent by the SFC to the PRIs, almost every PRI unit said that they did not receive their last audit report while on interacting with the LAD, the response was that they always send many copies of audit report to the appropriate authorities in PRIs and PRIs always as a matter of practice refuse to acknowledge that they received last audit report. The apathy is that – where the auditor says audit done and the audited says report not received, that means he would never be answerable to the audit observations and the purpose of audit will be completely refuted. It is a small operational issue but needs to be addressed.

5.7.34 The 5th SFC recommends that the audit reports of every PRI unit be placed on the respective website of the PRI Unit (a suggestion for an integrated website of PRI department with each PRI unit website in uniform format is made in fact to a large extent it exists also), and a system of sending mail and getting acknowledgement of the receipt of the audit report should be made part of the audit exercise.

5.7.35 The 5th SFC further recommends that an analysis of existing audit reports including the past years reports be done to identify the nature of frequent observations and the transactions where issues occur frequently and the modus operandi which is used to deploy unfair means or to cause leakages. A concerted view can then be taken to design the transactions or points susceptible to distortion and the issues can be addressed at policy level. Even in the existing state of accounting, the ways may be found to address these issues. This exercise may be done by a special task force involving LAD officers and C&AG officers, not requiring huge numbers and long time.

5.7.36 The 5th SFC also recommends that a onetime exercise may also be done to close the long pending audit observations within a given time frame, preferably within 1 year from the acceptance of the SFC's report.

5.8 Initiatives by the Central Government and the State of Haryana

5.8.1 The Central Government has been consistently working for improvement in the conditions of life of rural masses and a visible positive factor in the State of Haryana is – continuous efforts to improve the administration and functionality of RLBs in the State. These initiatives have been across the service delivery, planning, record maintenance and other areas requiring attention. The State of Haryana is also taking lot of initiatives in line with the schemes of the Central Government and also some newer initiatives are taken.

5.8.2 The objective of the initiatives is to create and boost infrastructure for the RLBs at all the levels, provide them with supporting IT applications to organize and smoothen their working and dissemination of information about the schemes and programmes of the Government to the RLBs as well to the local masses.

Select Initiatives of the Central Government

5.8.3 *Publication of News Magazine:* A Quarterly news Magazine "Gramoday Sankalp" is being published by the Ministry of Panchayati Raj (MoPR) with joint efforts of Ministry of Rural Development and Ministry of Drinking Water and Sanitation. The first edition of the magazine was published for April to June 2017 quarter. The news magazine contains the latest developments about the Government initiatives for rural development and the best practices followed by the local institutions across India. contribute significantly to ensure active and effective role of the Panchayati Raj Institutions in rural areas along with the building of new India and with rural development.

5.8.4 *Incentivizing Best performing Panchayats:* To bring the focus on Panchayat performance and to encourage all panchayats, Ministry of Panchayati Raj has been incentivizing the best performing Panchayats at all the three levels of Panchayati Raj Institutions through Panchayat Awards. This also creates model for the Panchayats and Gram Sabhas to follow and an eco- system for overall good governance at the local level. Even the States, which perform best in adoption and usage of various software Application developed for making the panchayat processes transparent and efficient are conferred with the e-Puruskars by the Ministry. Further, the performance of States regarding devolution is also measured through a Devolution Index and the States are conferred awards for Devolution of Powers to Panchayats.

5.8.5 Assistance for Computers and IT infrastructure in Panchayats: Under the e-enablement component of Rashtriya Gram Swaraj Abhiyan, the Ministry of Panchayati Raj provided financial assistance to State/UTs for computers and peripherals. The Gram Panchayat have also been permitted to use up to 10% of Basic Grant funds available with them under the Fourteenth Finance Commission for purchase of Computers, internet connectivity, data entry etc. as per the guidelines. Furthermore, the *Bharat Net project is also being implemented by the 'Department of Telecommunications' for connecting all the Gram Panchayats in the country through Optical Fiber Cable and provide high speed broadband at Panchayat level.* This helps in improving the overall functioning of Panchayats.

5.8.6 Assistance to construct and repair Gram Panchayat office building: Under BRGF, RGSY and RGPSA Schemes, Ministry of Panchayati Raj has provided funds to the State Government to construct and repair Gram Panchayat office building and also to provide requisite human resources at Gram Panchayat level. States have created large number of Panchayat Resource Centers at State, District and Block level and deployed faculty for conducting training. Apart from financial resources to States, initiatives such as National Write-shop and Training of Trainers on GPDP, Panchayat Sammelan for innovative training; National Write-shop on Panchayat Roadmap towards attainment of SDGs; partnership with national institutes of excellence and universities for capacity building have been taken by the Ministry. To increase the outreach of training programs, in addition to cascade mode of training, distance education, mobile based training is being promoted by the Ministry.

5.8.7 Audio-visual content on Youtube for Panchayats: The Central Ministry of Panchayats has launched Youtube channel to disseminate audio-visual content on panchayat level success stories, panchayat-centric issues, etc. About 100 videos have already been uploaded in various categories and these can be searched in both English and Hindi (https://www.youtube.com/channel/UCZpNLrx-YCGg9ixfuUrQ_dw). These can be accessed by anyone from anywhere and at anytime on any device.

5.8.8 Development of e-panchayat modules: While aiming to transform the functioning of Panchayati Raj Institutions, making them more transparent, accountable and effective as last mile cutting edge units of decentralized local self-government, ministry of panchayati Raj has developed a suite of Core Common Software Applications under its e-Panchayat Mission Mode Project. Under e-Panchayat a suite of 11 Core Common Applications is available that address nearly the entire spectrum of Panchayats' functioning viz. from internal core functions such as Planning, Monitoring, Implementation, Budgeting, Accounting, Social Audit etc. to citizen service delivery operations like issue of certificates,

licenses etc. Together these eleven software Applications constitute the *Panchayat Enterprise Suite (PES)*. At present, Panchayat Enterprise Suite has been deployed/operational with 10 Core Common Applications and GIS layer module is under conceptualisation. The operational modules includes LGD (Local Government Directory), Area Profiler (Socio-economic & general details), Plan Plus (to strengthen Decentralised & Participatory Planning), PRIASoft (Panchayat Accounting), Action Soft (Works/scheme implementation Monitoring System), NAD (National Asset Directory), Service Plus (To facilitate Service Delivery), Social Audit and Meeting Management (SAMM), Training and National Panchayat Portal (Dynamic website of Panchayats).

5.8.9 The State of Haryana has adopted 7 applications namely LGD (Local Government Directory), Area Profiler, PRIASoft (Panchayati Raj Institutions Accounting Software), NPP (National Panchayat Portal), NAD (National Asset Directory), Plan Plus in all the districts and Training Management Portal by the State training institutes. The detailed status of PES applications in the State is mentioned in the table attached in **Annexure 5.6**.

5.8.10 Adoption of these applications by the State is a significant step towards strengthening the administration of RLBs, but more crucial aspect is putting these applications in practical use in an appropriate manner. It is noticed that while the applications, namely Local Government Directory (LGD), National Panchayat Portal (NPP), and Area profiler are being put to use in true spirit, the applications National Asset Directory (NAD), PriASoft, and Plan Plus need a structured implementation and monitoring mechanism to ensure that these applications are put to use appropriately to meet the desired objectives. Further, these applications are only 'tools' and once data is feeded in the system in the right format, then only it will form basis for planning and control. Thus the emphasis should be on ensuring the timely punching of correct data in a given timeframe. Though the State of Haryana has conducted many training programmes to ensure this, however, an MIS and periodical review in this regard may be useful.

5.8.11 For instance, *National Asset Directory (NAD)*, one of the software applications of e-Panchayat MMP, aims to keep stock of all the assets created, controlled and maintained by the RLB/ULB/Line Department in the country and assign a code to each asset for its unique identification leading to effective utilization of the Assets. This software application is to be primarily used by the officials of RLBs (Village Panchayat, Block Panchayat, and District Panchayat), ULBs (Municipalities, Town Areas etc.), State PR Departments, and Other Line Departments of State, Ministry of Panchayati Raj and other Central Line Ministries/Departments. While adding asset in National Asset Directory, the application captures movable and immovable assets which must be verified from SDO, Panchayati Raj

and it must be countersigned by Exen/DDPO Panchayati Raj before feeding it in software. This application captures various aspects regarding the immovable assets, such as, position of Asset; Financial details of the asset, that is, funds from which scheme under which component are used for creation of the respective asset; Expected Life of Asset (in years) must get from concerned JE as per norms issued by B&R/Panchayats Deptt; Condition or status of the asset, so that its maintenance can be appropriately planned; Earning from asset to be captured from the accounts of PRIs. Details of asset disposal are also to be added in the data. Also Scanned copy receipts and vouchers must be uploaded in the software.

5.8.12 The State of Haryana adopted this NAD application. This step taken by the State is commendable and if serious efforts are made to capture all the assets of the RLBs, may result into substantial savings, and resource augmentation coupled with better controls and less leakages. The status of assets recorded in the system, however, is not encouraging. As conveyed to the SFC by the Department – total 22,300 Assets have been entered in National Asset Directory, and Out of 6205 Gram Panchayats, 2532 Gram Panchayats have started entry in National Asset Directory. This data do not give any idea about the percentage of work done. Further the report that 2532 Gram Panchayats have started entry does not convey anything.

5.8.13 The 5th SFC recommends that an appropriate timeline and monitoring mechanism should be established for completing assets recording in NAD with specific mention of 'person responsible' for the job with respect to each GP. If need be, professional assistance may be hired at Block or District level to get the recording completed for existing assets within six months to one year time frame from the date of acceptance of SFC report; and to establish a system for regularly recording new assets.

5.8.14 **PRIAsoft**, the accounting and reporting application for Panchayats, though in use in the State for past many years but the extent of use of this software is limited to the entry of receipts and payments of the scheme funds only. The 5th SFC has recommended measures to improve the use of this software in para relating to 'Accounting and Auditing of RLBs'.

5.8.15 The abovementioned initiatives by the Central Government are selective. The 5th SFC is of the view that a more elaborate research is required to identify what all has been done or created or offered by the Central Government to the States for the well being of rural masses. **The 5th SFC thus recommends that SJHIFM be assigned a task of continual research and identification of the works done by the Central**

Government in this regard and the extent the State of Haryana is making use of the resources so created or offered, and suggest the ways to make fullest use of such resources. A system of periodical MIS in this context should be created and followed.

5.8.16 The State of Haryana has been consistently working for finding newer ways to improve the conditions of life of the rural masses.

Select Initiatives of the Central Government

5.8.17 Minimum Qualification prescribed for contesting RLB elections: The State of Haryana created a major milestone in the development of rural local governance by prescribing minimum qualification for the contestants in the Panchayat elections at every level, that is, GPs, PSs and ZPs. In the last elections, for the first time in Haryana, 100% literate Panchayats have been elected and this is expected to improve local leadership. In earlier times, the proceedings of the gram sabhas/meetings were verbally dictated by Sarpanch and written by the Gram Sachivs or Junior Engineers (Panchayati Raj). Due to illiteracy of the Sarpanches, they used to put thumb impressions on it. Now every panchayat member will be aware of the activities or the development works which he would like to begin with in his area of operation, he would understand the schemes available to his people, would be able to make their voice reach to the right place and lead the masses for good.

5.8.18 State's MOU with Universities for training of PRI functionaries: The Haryana government and the state universities will soon sign a Memorandum of Understanding (MoU) to start a course with the aim to make the representatives of the Panchayati Raj Institutions (PRIs) more efficient in rural development. The state universities will start a certificate course to make the representatives of the Panchayati Raj Institutions (PRIs) more efficient in rural development.

5.8.19 The 5th SFC suggests that a programme may be designed for community service by the college or university students for at least 1 month or 2 months out of 3 year or 2 year tenure were they can get engaged with the ULBs or RLBs. This will fulfill twin needs of Sensitizing the children towards the needs of rural areas and making available assistance to the RLBs from educated resources. The programme however needs to be designed keeping in view the factor that the RLBs get this assistance throughout the year and the students are to do the participation for a month in the year. The concept needs to be further evolved.

5.8.20 Efforts to adopt the system of Shared Services: Given the position of continual capacity constraint on the part of RLB functionaries, the State of Haryana has been consistently working about placing an effective mechanism of shared services centers. In the year 2014, the Government notified scheme for establishment of **Common Service Centres (Haryana e-seva)** and roll-out the CSCs under the name and style of "Haryana e-Seva" throughout the state of Haryana following a Private Entrepreneurship Business Model. A convergence model was envisaged wherein the CSC is authorized to transact businesses and deliver a rich basket of relevant services to the citizens from multiple government departments/ enterprises/ agencies besides the private and financial sectors. This convergence was sought to be achieved by clubbing the following categories of services: G 2 C Services, such as issue of Birth certificate, death certificate, Nakal of Jamabandi, Caste certificate, etc. The IT Department of Haryana developed an in-house application platform known as the "*Integrated Village Information & Service Delivery System*" (referred to as IVISS hereinafter), which is an enabling platform to bring about such technology and operational convergence, with a facility to accept all government and non-Government payments at the CSC; B2C Services such as mobile phone bills and top-ups, PAN card, Voter card for delivery through the CSCs.

5.8.21 For this, a Memorandum of Understanding (MoU) had been entered with CSC-SPV India Limited, a Special Purpose Vehicle (SPV) formed under the Department of Information Technology, Government of India. The CSC operations are operated and managed by the selected Village level Entrepreneur (VLE) who will be formally authorized for the purpose. Each District has a District IT cum eGovernance Society (DeGS), of which the Deputy Commissioner (DC) is the Chairman with the District Information Officer (DIO) of the NIC as member-secretary supporting the DC in this behalf. The District e-Governance Society is responsible for administrative control, supervision and monitoring the working of the CSCs within its jurisdiction. An independent Division known as eSDA (Electronic Service Delivery Agency) has been created within Hartron which will act as the state level agency for operating this scheme. This Division is responsible for providing all necessary enabling technology, IT infrastructure, IT Operations and support for necessary business operations for successful operation of the scheme on a perpetual basis.

5.8.22 As the above CSCs serve a limited purpose, the State has now planned for the **Development of Gram Sachivalays** following a cluster approach. In the 1st phase of 4 years, the Gram Sachivalayas would be set-up at Cluster level i.e. one Gram Sachivalaya is being set up in each cluster. These sachivalays will bring Gram Panchayat and village-level functionaries of all departments under one roof for better functioning and coordination. There would be enough space for housing the office of Panchayat members, Gram Sachiv and Common Service Centre. Adequate space is being provided to the office

of village level functionaries of the different departments who visit the village such as Revenue, Agriculture, Electricity Board, Public Health, Veterinary etc. The concerned departments have instructed their village level functionaries to report in the Secretariat when they visit the village. A notice board displaying the time and date of visit has been installed at Gram Sachivalaya. Besides this, the map of village, grievance board and activity board shall also be displayed. Further, an activity note has been circulated among all Administrative Secretaries under Government of Haryana to make the Gram Sachivalaya fully-functional.

5.8.23 The Gram Sachivalaya complex has offered space for extension counters of bank, post office, etc. For instance, Gram Sachivalaya in GP Umri, District Kurukshetra has an extension counter of Post office and Gram Sachivalaya in GP Chandana, District Kaithal has an extension counter of Punjab National Bank. Such initiatives have provided an ease of access to villagers.

5.8.24 Further, it has been envisaged by the Government that Gram Sachivalaya at cluster level shall have a common service centre (CSC) and national optical fibre network (NOFN) so that it could be developed as a hub of citizen service delivery. CSCs are envisioned as the front-end delivery points for government, private and social sector services to citizens of India. The rural common service centre (CSCs) have been converged with Gram sachivalayas for ensuring accessible and efficient citizen services (like G2C, G2B, B2C) to the people in the village. In this regard, MoU regarding convergence of rural CSCs with Gram Sachivalaya has been signed between Development and Panchayats department, HARTON, CSC-SPV and DITS. And, a tri-party agreement is being signed between Village Level Entrepreneur/VLE (who is interested to operationalize the CSC at the gram Sachivalaya), BDPO (of the concerned Gram Panchayat) and respective DC (i.e. Chairman, DITs) of the concerned District. Once the Tri- party agreement is executed, self-declaration from signed by VLE is verified by Gram Sachivalaya and VLEs are trainee on the software applications under e-panchayats MMP by the concerned District Project Manager (for e-Panchayat) or Data Entry operator of DDPO office. Thereby, making the village level Entrepreneur (VLE) at rural CSCs responsible for data entry in the said software applications on regular basis. For this purpose, Gram Sachivalays will provide all required data to the VLE for the data entry bin software applications under e-Panchayat MMP.

5.8.25 There are 6645 villages in the State which have been clubbed in 2294 clusters. Each cluster consists of 3-4 villages. Therefore, one Village Secretariat in one cluster would be developed in the village having largest population. The existing Panchayat Ghars or Rajiv Gandhi Seva Kendras or any other asset at Gram Panchayat will be upgraded to Gram Sachivalaya. Village clusters, which do not have a Panchayat Ghar, in such villages,

a new Village Secretariat building shall be constructed. The target of setting up of Gram Sachivalayas for all the districts was 1563 till 31/03/2017. Till date (that is, first half of the year 2017), 1299 Gram Sachivalayas have been established in the State. Out of which, 917 are equipped with all basic facilities like Electricity, Water Supply and Furniture.

5.8.26 The above concept of shared services under Gram Sachivalayas established by the State appears promising, and has a potential to make a huge difference in the rural governance. This system has a potential to create synergies between Gram Sachiv and VLEs thereby complementing the capacities and also presence of other functionaries like patwaris and health or education department persons in these offices will resolve a long pending need of villagers for better communication and accessibility. The Scheme "Garvit: Gramin Vikas Tarun" may also be converged with the Gram Sachivalaya scheme a worker under this scheme may be given responsibility for collating the information about the issues faced by villagers or suggestions offered by them and for explaining about the schemes etc. to them. But to ensure efficiency in delivery of service by them, a robust monitoring and assisting mechanism must be put in place.

5.8.27 The 5th SFC suggests that a District level functionary should be assigned an exclusive task to ensure proper functioning of Gram Sachivalays and all such district level functionaries should have a corresponding reporting authority in the State. An appropriate MIS is also required to be established. This modality of shared services must be closely monitored and effectively implemented and operated.

5.9 Concluding Remarks

The structure of rural governance has become complex over the period of time with local bodies having number of elected and administrative representatives coupled with blurred understanding of powers and roles and responsibilities between the elected representatives and the administrative officials; and amongst the three level of local bodies. The situation further complicated with thin lines of communication, multiple agencies working through these bodies, uncertain financial position and many other like factors. Simple structure of governance with clear lines of communication seems to be the need of the time.

CHAPTER -6

Devolving State Funds to Urban and Rural Bodies: Approach, Criteria, Methods, and Results

CHAPTER-6

Devolving State Funds to Urban and Rural Bodies: Approach, Criteria, Methods, and Results

6.1 Introduction

6.1.1 The ToR of the 5th SFC mandates that it allocation of the State's fiscal resources between and among urban and rural local bodies for the period of 2016-17 to 2020-21.

6.1.2 This Chapter explains the approach, criteria, methods, results obtained by the 5th SFC for devolving of funds to Urban and Rural Bodies. The Chapter provides estimates of the 5th SFC funds to be received over the above period for each of the 80 Urban Bodies (81 if Ambala Cantonment is included as a separate urban body). Estimated flow of funds are also provided for each Zila Parishad (Z.P) and Panchayat Samities (P.S)

6.2 The Approach

6.2.1 As part of its research and deliberations, the 5th SFC has reviewed the approach, the devolution criteria and the reasoning adopted by the previous SFCs of Haryana; by SFCs of selected other States, such as the 5th SFC Report of Tamil Nadu, Interim Reports (2015-16 and 2016-17) of Rajasthan 5th SFC and 5th SFC of Bihar. A review of the Central Finance Commission (CFC) Reports, particularly of the 13th and 14th CFCs has also been undertaken. The 5th SFC has also discussed with various experts regarding these matters.

6.2.2 It may be useful begin by summarizing the total devolution of funds made by Haryana to urban and rural bodies to assess the existing level of devolution.

Space Intentionally left blank for ease of reference to table 6.1

Table 6.1
Haryana, Total Devolution of State Resources to ULBs and RLBs

	2011-12	2012-13	2013-14	2014-15	2015-16
Total Devolution (SFC Grants+ State's Tax Share) (₹ crore)	1484.9	1518.4	1571.7	1966.0	2006.1
As % of SOTR	7.3	6.4	6.1	7.1	6.5
As % of total Receipts of RLBs and ULBs	49.5	39.7	40.6	47.9	40.5
As % of CFC Grants	669.5	494.3	343.9	551.0	361.9
As % of GSDP	0.50	0.44	0.39	0.45	0.41
CFC Grant as % of State OTR	1.1	1.3	1.8	1.3	1.8
CFC Grant as % of Total Receipt (ULBs+ RLBs)	7.4	8.0	11.8	8.7	11.2

Source: The 5th SFC calculations from data received from Department of Urban Local Bodies and Panchayati Raj Institution, and CAG Report No 4 of 2016 "Haryana State Finances".

SOTR: State's Own Tax Revenue

6.2.3 Table 6.1 provides data concerning the relative importance of total devolution for the 2011-12 to 2015-16 period. These bodies receive (SOTR) devolution from two sources the SFC grants, and a share in select taxes of the State. The following observations may be made from the data in Table 6.1.

- i) The Total devolution as a percent of State's Own Tax Revenue has ranged from a low of 6.1 percent in 2013-14 to 7.3 percent in 2011-12. The average for the period was 6.7 percent.

The total devolution as a percent of GSDP has ranged from 0.39 percent in 2013-14 to 0.50 percent in 2011-12. The year to year variations are quite large, hampering resource planning of the Urban and Rural Bodies, and therefore their expenditure planning as well.

This strengthens the case for allocating the 5th SFC recommended devolution of funds on the basis of a fixed percentage of an aggregate revenue indicator, such as the SOTR.

- ii) The role of the CFC grants, which unlike the SFC devolution are conditional in principle, has increased during this period from 1.1 percent of SOTR in 2011-12 to 1.8 percent in 2015-16. Even in 2015-16 their share in the SOTR

was only around a quarter of the devolution by the SFC plus the share of taxes.

- iii) The reliance of the RLBs and the ULBs combined in state devolution and CFC grants has been quite high at between 50 and 56 percent of their total receipts. In 2015-16 the corresponding proportion was 51.7 percent. This lends urgency to ensuring that the resources devolved from the State and from the Central government are spent to obtain desired outcomes. Better expenditure management thus acquires urgency.

6.2.4 Table 6.2 provides the respective share of urban and of rural bodies in total devolution (SFC's grants plus share of taxes) for the 2011-12 to 2015-16 period.

Table 6.2
Haryana, The Share of Allocated Devolution to the ULBs and RLBs
2011-12 to 2015-16

Components	₹ crore				
	2011-12	2012-13	2013-14	2014-15	2015-16
Total Devolution (SFC Grant+ Share of Taxes)	1484.9 (100.0)	1518.4 (100.0)	1571.7 (100.0)	1966.0 (100.0)	2006.1 (100.0)
ULBs Share as % of Total Devolution	1173.8 (79.0)	1167.2 (76.9)	1091.3 (69.4)	1516.4 (77.1)	1575.9 (78.6)
RLBs Share as % of Total Devolution	311.1 (21.0)	351.1 (23.1)	480.4 (30.6)	449.6 (22.9)	448.2 (22.3)

Source :- The 5th SFC estimations from data received from Department of Urban Local Bodies and Panchayati Raj Institution, and CAG Report No 4 of 2016 "Haryana State Finances". The figures in bracket are percent of total

6.2.5 The data provided in Table 6.2 suggests that during the 2011-12 to 2015-16 period, the average share of total devolution allocated to the ULBs was 76.2, and to the RLBs was 23.8. This is in contrast to the CFC's grant allocation share of 24.8 for the ULBs, and of 75.2 for the RLBs. The effective share of RLBs in the SFC's grant is low because shared taxes (VAT and Stamp Duty) are heavily weighted towards the Urban areas.

6.2.6 **The 5th SFC's research underscores the need to ensure that the actual devolution of funds adheres to the recommended allocation formula for the CFC and for the SFC. Moreover, these two streams of funds to the ULBs and the RLBs in Haryana must be made explicit, transparent, and distributed in a timely manner. These observations would apply to the devolution under the 5th SFC's mandated period as well.**

Table 6.3
Allocation of SFC Grants and Share of States Taxes to the ULBs and RLBs
2011-12 to 2015-16

	₹ crore				
Components	2011-12	2012-13	2013-14	2014-15	2015-16
Total Devolution SFC grant + State Share tax	1484.9 (100.0)	1518.4 (100.0)	1571.7 (100.0)	1966 (100.0)	2006.1 (100.0)
Total SFC grants (ULB +RLB)	270.8 (18.2)	319.1 (21.0)	331.5 (21.1)	352.5 (17.9)	340.0 (16.9)
ULBs share	127.8 (8.6)	147.1 (9.7)	118.1 (7.5)	152.5 (7.8)	190.0 (9.5)
RLBs Share	143.0 (9.6)	171.9 (11.3)	213.4 (13.6)	200.0 (10.2)	150.0 (7.5)
Surcharge on VAT	671.8 (45.2)	628.2 (41.4)	627.2 (39.9)	896.9 (45.6)	942.1 (47.0)
ULBs share	550.4 (37.0)	492.5 (32.9)	470.6 (29.9)	717.5 (36.5)	753.5 (37.6)
RLBs Share	121.4 (8.2)	135.7 (8.9)	156.6 (10.0)	179.4 (9.1)	206.6 (10.3)
Excise Duty	59.2 (4.0)	89.9 (5.9)	146.5 (4.0)	136.5 (6.9)	149.6 (7.5)
ULBs share	12.5 (0.8)	46.4 (3.1)	36.1 (2.3)	66.3 (0.8)	58.0 (2.9)
RLBs Share	46.7 (3.1)	43.5 (2.9)	110.4 (7.0)	70.2 (3.6)	91.6 (4.6)
Stamp Registration	461.2 (31.1)	468.0 (30.8)	452.9 (28.8)	569.8 (29.0)	560.0 (27.9)
Vehicle Tax	21.9 (4.7)	13.2 (2.8)	13.6 (3.0)	10.3 (1.8)	14.4 (2.6)

Source: The 5th SFC estimations from data received from Department of Urban Local Bodies and Panchayati Raj Institution, and CAG Report No 4 of 2016 "Haryana State Finances". The figures in bracket are percent of total

6.2.7 On the basis of data in Table 6.3 concerning the SFC grants and the share of State taxes allocated to the ULBs and the RLBs for the 2011-12 to 2015-16 period, the following observations may be made.

- i) The role of the SFC grants in total devolution of State funds to the ULBs and the RLBs has been relatively small, and declining. Thus, this share declined from a peak of 21.1 percent in 2013-14 to 16.9 percent in 2015-16.

- ii) The share of ULBs and the RLBs in the SFC grants has exhibited an inconsistent pattern. Thus, the difference between the share of SFC grants allocated to ULBs and RLBs has differed considerably. Thus, in 2011-12 the difference in the share between the two was 1.0 percentage points in 2013-14. Indeed, in 2015-16 the RLBs share, which has been higher in earlier years, was lower than that of the ULBs by 2.0 percentage points. It is not clear what factors have contributed to such inconsistent pattern. The 5th SFC aims to address this issue in its recommendations.
- iii) The overwhelming share of total devolution of State funds is thus accounted by the share taxes, namely Surcharge on VAT(47.0 percent in 2015-16), Excise Duty(7.5 percent in 2015-16), Stamp Duties and Registration(27.9 percent in 2015-16) and Vehicle Tax(2.6 percent in 2015-16). With the implementation of GST from July1, 2017, the VAT has ceased to exist.

The share of each of these taxes going to ULBs and RLBs has varied. Indeed revenue from Stamp Duties and Registrations and from Vehicle Tax accrues entirely to Urban areas. The surcharge on VAT, the largest category, accrues predominately to urban areas.

- iv) The above analysis suggests that there is unnecessary complexity, resulting in high transaction costs of transferring resources to the ULBs and the RLBs. There appears to be considerable room for discretion in the current devolution arrangement.

6.2.8 In its approach to devolution, the 5th SFC has been unable to link recommended devolution with studies of spending needs in specific function or support areas of the ULBs.

6.2.9 Such an analysis is a highly technical exercise, beyond the expertise of the 5th SFC.

6.2.10 Funding to meet needs and aspirations are correctly perceived to be beyond the fiscal capacity. But the direction of funding needs, along with better expenditure management, is clearer.

6.2.11 The 5th SFC has therefore taken a conservative approach, and not linked development recommended with financing gaps explicitly.

6.3 Criteria and Methods

6.3.1 The 5th SFC has reviewed the literature on devolution criteria relating to

- (i) State's resources to Urban and Rural Local Bodies.
- (ii) Division of devolved resources between Urban bodies and Rural Bodies
- (iii) And Criteria for allocating among Urban Bodies and among Rural Bodies.

Each of the above require explicit criteria for devolution of funds, and is discussed in turn.

6.3.2 Research undertaken by the 5th SFC strongly suggests that the trend has been towards using an aggregate indicator of State revenue (and there are variations in the indicator used) as a base, and then allocating a proportion of this base, essentially unconditionally, to the Urban and Rural Bodies.

6.3.3 The overall indicator of the State revenue chosen has varied. In some cases, total State tax and non-tax revenue, including state's share in Central taxes is chosen. In other cases, State's Own- Tax Revenue (SOTR), excluding State's share in Central taxes is chosen. In some cases, a hybrid measure, excluding some items from revenue receipt of the State is chosen.

6.3.4 Use of a proportion of an overall indicator as criteria for devolution to Urban and Rural Bodies has several advantages over the option of selecting specific taxes, and allocating them to Urban and Rural Bodies according to a different formula for each tax.

6.3.5 The first advantage is simplicity. Only one- overall revenue indicator needs to be ascertained. A percentage of this indicator allocated to Urban and Rural Bodies is easy to understand by all the stakeholders. This ease of understanding contributes to better transparency of the allocations to be made by the State as well as to be received by the Urban and Rural Bodies. As a result, these bodies are more likely actually receive the SFC grants.

6.3.6 The Second advantage is that the choice of overall revenue indicator, particularly the SOTR, aligns the interests of Urban and Rural Bodies with the State's interest in ensuring high compliance rates with its own overall tax effort. This is because higher the SOTR, greater the amounts devolved to the Urban and Rural Bodies. Such an alignment of incentives is lacking when revenue only designated taxes is used for development to Rural and Urban Bodies.

6.3.7 The Third advantage is that an aggregate (rather than a sub-set) of all of the own taxes of the State is more responsive to overall economic activity, and is less volatile than allocations based on designated taxes. Greater degree of responsiveness of SOTR

permits Urban and Rural Bodies to share in the changes in overall economic activity. This in turn helps align their interests to sustaining high level of economic activity in the State.

6.3.8 Lower volatility of SOTR as compared to designated taxes would result in lower variability of revenue allocated to Urban and Rural Bodies. This in turn would facilitate resource and expenditure planning by the Urban and Rural Bodies.

6.3.9 Fourth, based on the 5th SFC's research, there are strong indications that the manner in which the funds from the share in the taxes collected by the State are being made available to Urban and Rural Bodies is not conducive to achieving outcomes by these bodies. Currently, the state shares revenue from stamp duty, state excise, cess on VAT, electricity duty and some other minor taxes. There are frequent instances where the ULBs have not received their share of these taxes or some of these taxes for years, or they may have received some amount in any year. This has led to uncertainty and unpredictability about the timings and amounts of funds that would be available to local bodies in a given year which has adversely affected expenditure and resource management of these bodies.

6.3.10 Based on the above analysis, the 5th SFC recommends that an aggregate tax revenue indicator, SOTR (adjusted as explained subsequently) be used as the base for devolution to urban and rural bodies till 2020-21, the final year of its mandate.

6.4 Methods of Computation

6.4.1 The 5th SFC has estimated devolution of SFC funds by making three different sets of assumptions. In Set 1, SOTR has been projected based on the compounded Annual growth rate of SOTR of Haryana for past 5 years. In Sets 2 and 3, SOTR has been projected based on the estimations of GSDP of Haryana for next 5 years. Base document used for this purpose is 'Statistical Abstract 2015-16' of Haryana.

6.4.2 This provides the range rather than the absolute amount of devolution to Urban and Rural Bodies. A range is more realistic than a single figure, given the challenges in projecting many variables accurately.

6.4.3 The projections indicate the higher the GSDP growth rate, greater the SFC fund accruing to Urban and Rural Bodies. It is therefore essential that all stakeholders strive towards sustaining high GSDP growth for Haryana.

6.4.4 The devolution base of SOTR (adjusted) needs to be multiplied by the recommended share to obtain the amount to be devolved.

6.4.5 After considerable deliberations, the 5th SFC has decided to recommend that the 7 percent of the SOTR (adjusted) of the State be devolved to the Urban and Rural

Bodies. It should be noted that the 7.0 percent is somewhat higher than the 6.5 percent of SOTR (unadjusted) devolved in 2015-16; and an annual average of 6.7 percent for the 2011-12 to 2015-16 period.

6.4.6 The recommendation will thus provide broad continuity in the aggregate funds devolved to Urban and Rural bodies, but the result devolution will exhibit greater transparency, less volatility, higher level of certainty, and be more compatible with the incentives facing both the State level officials and Urban and Rural bodies.

6.4.7 The computation of devolvment of funds to the urban and rural bodies involves several steps.

6.4.8 The first step is to estimate the SOTR of Haryana for the 2016-17 to 2020-21 period. Haryana's SOTR has been divided in two components, the first is GST (VAT) component and the second is the Non-GST SOTR.

6.4.9 Estimating GST revenue for Haryana has been facilitated by the Union Government guaranteeing to all States that it will make up the difference if the GST revenue falls below 14% per annum for five years on the agreed upon GST(VAT) base for the year 2015-16 (Table 6.4)

Table 6.4
Haryana: Revenue projection of GST till 2020-21

₹ crore					
2015-16 (GST Base)	2016-17	2017-18	2018-19	2019-20	2020-21
15168.0	17291.5	19712.3	22472.1	25618.1	29204.7

Note: The GST projections are based on the GST base for 2015-16 submitted by the Haryana Government to the Union Government. The latter has assured all States, including Haryana, that on the 2015-16 base of GST revenue accepted by the Union Government, a 14 percent increase will be guaranteed by the Union government.

6.4.10 The above base for Haryana was ₹15168.06 crore in 2015-16. Thus, as shown in Table 6.4, Haryana's GST revenue will increase to ₹ 29,204.7 crore by 2020-21. This will form a major part of the SOTR.

6.4.11 The second step is to estimate non GST SOTR. This has been undertaken by initially making adjustments to Gross SOTR.

6.4.12 As shown in Table 6.5, gross SOTR for 2011-12 to 2015-16 is first adjusted for assumed collection costs of 1.5% (Called SOTR-A). Another adjustment made is to deduct 2% stamp duty and registration revenue which the State collects on behalf of the ULBs (Called SOTR-B). Then, VAT revenue is deducted from SOTR B to yield SOTR C in Table 6.5.

Table 6.5
Computation of SOTR-C (i): for SFC devolution

	₹ crore				
	2011-12	2012-13	2013-14	2014-15	2015-16
SOTR (Gross)	20399	23559	25567	27635	30929
Less 1.5 % to assumed tax collection costs by the State	306	353	384	415	464
SOTR- A (SOTR Gross-1.5%)	20093	23206	25183	27220	30465
2% Stamp Duty and Registration Revenue collected on behalf of Urban Bodies	461	468	453	570	560
SOTR-B(iii-iv)	19632	22738	24730	26650	29905
Less VAT Revenue	13384	15377	16774	18993	21060
SOTR -C(i) (v-vi)	6248	7361	7956	7657	8845
SOTR- C, Compound Annual Growth Rate(CAGR)	9.1%				

Source: The 5th SFC estimations from data received from Department of Urban Local Bodies and Panchayati Raj Institution, and CAG Report No 4 of 2016 "Haryana State Finances".

6.4.13 SOTR-C(i) in Table 6.6 (Set-1) is then projected for 2016-17 to 2020-21 period. First method used is that of summarising the 2011-12 to 2015-16 data by estimating CAGR (Compound Annual Growth Rate) (See Box-6.1 for the formula and interpretation). The CAGR estimated for SOTR-C the above period is 9.1%.

Box: 1

CAGR (Compound Annual Growth Rate)

The CAGR is widely used to estimate one constant rate summarizing the entire period. It is also known as the geometric progression ratio. The CAGR recognizes the compounding nature of the underlying values, and dampens the effect of underlying volatility. Annual growth rate during a given period.

The formula for CAGR is:

$$\text{CAGR} = [(\text{Final Value}/\text{Initial Value})^{1/t} - 1] \times 100$$

Where t=Number of years

The 5th SFC has estimated CAGR for Haryana's GSDP and SOTR for 2011-12 to 2015-16. The resulting values are:

GSDP: 13.0 %

SOTR C: 9.1 %

Source: Calculations by the 5th SFC

Table 6.6
Projections of SOTR-C at 9.1 percent CAGR

	₹ crore					
	2015-16 (Base Year)	2016-17	2017-18	2018-19	2019-20	2020-21
SOTR- C(i) Projection at 9.1% CAGR	8845	9650	10528	11486	12531	13672

Source: Calculations by the 5th SFC

6.4.14 This CAGR is used to project SOTR-C for the 2016-17 to 2020-21 period as shown in Table 6.6

6.4.15 As both GST and non-GST components of SOTR (adjusted) have now been projected separately, both can be added to obtain the SOTR (adjusted) for the 2016-17 to 2020-21 period.

6.4.16 Applying 7 percent to the projected SOTR(adjusted) provides the total funds devolved by the SFC to Urban and Rural Bodies combined.

6.4.17 From the resulting aggregate amount, an annual grant to SJHIFM has been deducted as shown in Table 6.7 (Set 1). The rationale, functions, and structure for this grant is explained in Section 6.6.

Table 6.7
5th SFC's Devolution Recommendation: Projection Set-1

		₹ crore				
		2016-17	2017-18	2018-19	2019-20	2020-21
i	Projected SOTR-C(i)	9650	10528	11486	12531	13672
ii	GST Projection*	17292	19712	22472	25618	29205
iii	Divisible SOTR(i+ii)	26942	30240	33958	38149	42877
iv	7% of SOTR-5th SFC Devolution	1886	2117	2377	2670	3001
v	Grant-in-Aid to SJHIFM	12	13	14	15	16
vi	Distribution Amount for ULBs and RLBs(iv-v)	1874	2104	2363	2655	2985
vii	55% to RLBs	1031	1157	1300	1460	1642
viii	45% to ULBs	843	947	1063	1195	1343
ix	Grant-in-Aid for Shared Service Centre(SSC)	50	50	50	50	50
x	Net Amount of SFC's devolution for distribution to ULBs	793	897	1013	1145	1293

Source: Calculations by the 5th SFC

6.4.18 The resulting aggregate distribution amount has been divided in the ratio of 45% for Urban and 55% for Rural bodies.

6.4.19 From the amount allocated to the Urban bodies, an annual grant of ₹ 50 crore is provided for the Urban Shared Services Centre (USSC) to be located at the Urban Directorate.

6.4.20 The resulting amount is then allocated to Urban bodies. It should be stressed that the Urban bodies will continue to receive 2% stamp & Registration tax collected by the State on behalf of urban bodies.

6.4.21 With aggregate SOTR (adjusted), shared with both urban and rural bodies, the latter will also receive a part of stamp & registration taxes accruing to the State. This is not the case under the current arrangements. So rural bodies will also benefit from the 5th SFC's proposed devolution.

6.4.22 In assumptions Set-2 and 3 in Table 6.8, 6.9 the SOTR-C(ii), (iii) has been projected by first computing the average ratio of SORT-C to GSDP ratio for the 2011-12 to 2015-16 period. The average ratio for this SOTR (adjusted) period is 2.0% of GSDP.

YEAR	2011-12	2012-13	2013-14	2014-15	2015-16
GSDP ₹ in Crore	297539	347032	400662	437462	485184

YEAR	2015-16 (Base Year)	2016-17	2017-18	2018-19	2019-20	2020-21
GSDP Projection at 12% CAGR	485184	543406	614049	693875	784079	886009
GSDP Projection at 13% CAGR		548258	619531	700071	791080	893920

6.4.23 This ratio is then applied to the projected GSDP on the assumption that the Haryana will grow at 13% annually (Set-2 in Table 6.9); and on the assumption of 12% annually (Set-3 in Table 6.10). In both cases, GST revenue projections remain the same as for Set-1.

Table 6.8
Projection of SOTR-C (ii) at 13% projected GSDP

	₹ crore				
	2016-17	2017-18	2018-19	2019-20	2020-21
Projected GSDP at 13% Growth Rate(in Crore)	548258	619531	700071	791080	893920
GSDP X 2% = [SOTR(ii)]	10965	12391	14001	15822	17878

Source: Calculations by the 5th SFC

Table 6.9
5th SFC's Devolution Recommendation: Projection Set-2

	₹ crore				
	2016-17	2017-18	2018-19	2019-20	2020-21
SOTR-C(ii)	10965	12391	14001	15822	17878
GST Projection	17292	19712	22472	25618	29205
Divisible SOTR	28257	32103	36473	41440	47083
7% of SOTR -5th SFC Devolution	1978	2247	2553	2901	3296
Grant-in-Aid to SJHIFM	12	13	14	15	16
Distribution Amount for ULBs and RLBs(iv-v)	1966	2234	2539	2886	3280
55% to RLBs	1081	1229	1397	1587	1804
45% to ULBs	885	1005	1143	1299	1476
Grant-in-Aid for Shared Service Centre(SSC)	50	50	50	50	50
Net Amount of SFC's devolution for distribution to ULBs	835	955	1093	1249	1426

Source: Calculations by the 5th SFC

Table 6.10
5th SFC's Devolution Recommendation: Projection Set-3

	₹ crore				
	2016-17	2017-18	2018-19	2019-20	2020-21
SOTR-C(iii)	10868	12281	13878	15682	17720
GST Projection	17292	19712	22472	25618	29205
Divisible SOTR	28160	31993	36350	41300	46925
7% of SOTR -5th SFC Devolution	1971	2240	2545	2891	3285
Grant-in-Aid to SJHIFM	12	13	14	15	16
Distribution Amount for ULBs and RLBs (iv-v)	1959	2227	2531	2876	3269
55% to RLBs	1078	1225	1392	1582	1798
45% to ULBs	882	1002	1139	1294	1471
Grant-in-Aid for Shared Service Centre(SSC)	50	50	50	50	50
Net Amount of SFC's devolution for distribution to ULBs	832	952	1089	1244	1421

Source: Calculations by the 5th SFC

6.4.24 Here state that the results derived for the three sets of assumptions have been provided in Table 6.11

Table 6.11
Haryana, Devolution Amounts by the 5th SFC, according to Different Assumption Sets

₹ in Crore

	2016-17			2017-18			2018-19			2019-20			2020-21		
Category	SET-1	SET-2	SET-3	SET-1	SET-2	SET-3	SET-1	SET-2	SET-3	SET-1	SET-2	SET-3	SET-1	SET-2	SET-3
i Divisible SOTR	26942	28257	28160	30240	32103	31993	33958	36473	36350	38149	41440	41300	42877	47083	46925
ii Amount Devolved to Rural and Urban Bodies (7% of Divisible Pool)	1886	1978	1971	2117	2247	2240	2377	2553	2545	2670	2901	2891	3001	3296	3285
iii Amount Devolved to Rural Bodies (55% of Divisible Pool)	1031	1081	1078	1157	1229	1225	1300	1397	1392	1460	1587	1582	1642	1804	1798
iv Amount Devolved to Urban Bodies (45% of Divisible Pool)	843	885	882	947	1005	1002	1063	1143	1139	1195	1229	1294	1343	1476	1471

Source: Calculated by 5th SFC Haryana.

6.5 Methods for Devolving Among Urban Bodies and Among Rural Bodies.

6.5.1 There are 80 Urban Bodies in Haryana (81 if Ambala Cantonment is included). The 5th SFC has been constrained by the lack of robustness of the databased to utilize simple criteria for devolving of funds among the Urban and the Rural Bodies.

6.5.2 After long deliberations, the 5th SFC has decided to recommended only population (2011 Indian population Census) (weight of 80 percent), and Area(weight of 20 percent), for allocation among Urban and Rural Bodies. Both these are relatively good quality statistics.

6.5.3 It is hoped that the 5th SFC's recommendation concerning continuing the SFC related work, especially on collection of more timely and better data (section 6.6), would enable future SFCs to adopt more refined methods for allocation among Urban and among Rural Bodies.

6.5.4 Among the Rural Bodies the 5th SFC recommends that 75 percent be devolved to Gram Panchayat, 15 percent to Panchayat Samitis, and 10 percent to Zila Parishad. This has been fairly standard allocation. The 5th SFC does not have strong enough empirical evidence to depart from it.

6.5.5 It should be noted that as population and area for new District (Charkhi Dadri) are not available, separate allocation to this district has not been projected. The SFC however hopes that Charkhi Dadri will be provided SFC funds on the same basis as other.

6.5.6 *Annexure 6.1 and 6.2 (A,B,C)* provides projected allocation of SFC funds to 80 Urban Bodies and 21 Zila Parishad, 126 Panchayat Samities for the period 2016-17 to 2020-21. This computation is based on the 'Set 3' projections of SOTR.

6.5.7 For 6000 plus Gram Panchayats, it has been too difficult to obtain reliable and consistent data of area and population. Therefore the 5th SFC has provided an Excel Sheet for projecting the SFC funds to each ULB, Zila Parishad and Panchayat Samiti. On the similar basis, the devolution amount for the Gram Panchayat may be computed.

6.5.8 The 5th SFC strongly recommends that the annual devolution of SFC fund to each of the Urban and Rural Bodies be made in a transparent manner. To facilitate expenditure and revenue planning by these bodies, the SFC funds, which are devolved without conditions, be allocated as early in the fiscal year as feasible.

6.6 Monitoring of the 5th SFC Report and Continuing the SFC's Work

6.6.1 The 5th SFC recommends that a division be created in Swarna Jayanti Haryana Institute for Fiscal Management(SJHIFM) as a repository of the data and information about the ULBs and RLBs – about finances, about schemes, about services, about capacity, about central and state government's initiatives etc. This will immensely facilitate the work of the future SFCs.

- In this context, the Division of SJHIFM should be structured so as to assist the urban and rural departments in specific policy oriented research on issues considered important to Haryana.
- A separate website be created and maintained by this division of SJHIFM relating to the SFCs of the State of Haryana. This website should have provision for the communication from the Urban and Rural bodies and from citizens, and other stake holders in addition to containing the 5th SFC's Report. It should monitor and put on the website the action taken by the Haryana government, agencies on the 5th SFC recommendations. The website should also act as a continuous discussion forum among the urban and the rural local bodies and the stake holders. The website therefore should be professionally designed and be interactive.

It is urged that the feedback obtained from this website be shared with the concerned departments for making improvements on ongoing schemes and programs.

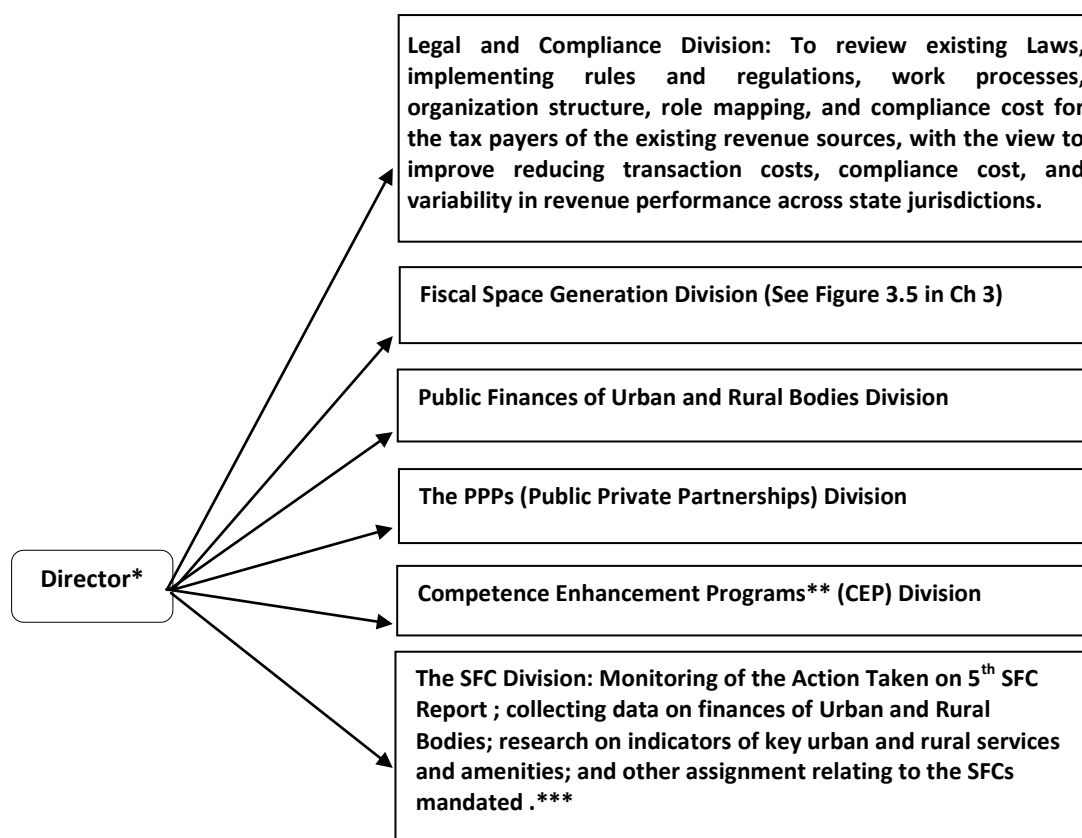
This is designed to substantially shorten the period with which the next or future SFCs complete their report. In the Fifth SFCs view, if such background work with continuation of SFC related work, the completion of report should be at most within 12 months of the establishment of the SFC. The shortened time will result in significant cost savings for the State, and enable State to benefit from SFC's recommendations much earlier.

6.6.2 The SFC's recommendation for the organizational structure of SJHIFM is - provided in Figure 6.1. Its focus should be public financial management in Haryana and monitoring and continuing the SFC's work. Essentially it should be designed to function as a think tank to the Haryana government in the above areas.

6.6.3 It is suggested that in addition to the Governing Board which sets the broad policy guidelines. The operational aspects of SJHIFM should be overseen

by a Director, with an Executive Council providing research and related guidance.

FIGURE 6.1: Suggested Divisions of SJHIFM



Source: Constructed by 5th SFC

* It is suggested that the Director should have exposure in the area of public finances at a national level, and a Ph. D. (or at least Masters) Degree in Economics, Finance or related fields, or a professional degree in accounting or finance. Those with academic degrees from recognized international universities to be preferred. The Director should oversee the Head of Administration of SJHIFM.

** It is suggested that the SJHIFM be given the responsibility of enhancing skill-sets of government officials and of elected representatives in public fiscal management. Customized programs to meet specific information and skills-gaps in the shortest possible time be devised. The SJHIFM could create a data base of resource persons, with domain and language abilities to address the skills-gaps for this purpose. Haryana should be the priority. But it could also provide relevant training to officials from other States as well.

*** The 5th SFC has recommended special grant to SJHIFM to fund this Division.

CHAPTER -7

Technology Innovations and Knowledge Application: Select Case Studies from Haryana and Rest of India

CHAPTER -7

Technology Innovations and Knowledge Application: Select Case Studies from Haryana and Rest of India

7.1 Introduction

7.1.1 Among the key research findings in the growth literature is that ideas, innovation, and adaptation of technology are critical element explaining progress. Their role is to help rearrange existing ways in which financial, human and organisational resources are combined to achieve better outcomes from existing resources and organisations.

7.1.2 It is widely accepted that in the 21st century, knowledge – intensity, technological – intensity, and digitization will play a crucial role. Haryana as a high income State with well diversified economy, needs to pro-actively and competently adopt to the requirements of the 21st century.

7.1.3 There have been documented cases by NITI Aayog¹ and others to document governance and service delivery innovations in the country. Haryana has also attempted to document such innovations at the State level².

7.1.4 It appears that the documented cases are primarily due to exceptional policy and administrative entrepreneurship exhibited by individuals who provided needed leadership for such innovative initiatives. As a result, their impact has been limited; and the initial successes have not always been sustained.

7.1.5 The larger challenge in India, including Haryana, is to replicate such initiatives on a wider scale and with expanded scope. This requires political leadership, and strong linkages between government authorities and agriculture and technological universities. It also requires a governance environment in which government administrators have flexibility and reasonable tenure period to undertake innovative initiatives.

7.1.6 It is in the above context that this Chapter provides select case studies from Haryana and from the rest of the country illustrating how innovations in urban and rural

1. http://niti.gov.in/writereaddata/files/humandevelopment/Resource_Book_on_Good_Practices.pdf

2. Best Practices 2016, Chief Minister Good Governance Associate; ashoka University <http://www.cmga.in/>

services and amenities have been successfully introduced. The challenge is to adept the approach and lessons of these case studies in context-specific situations to wider geographical areas in Haryana, and to more urban and rural public services and amenities. Such diffusion would be growth enhancing, equitable, and be consistent with the theme of the 5th SFC Report of “*Financing for Improving Outcomes*”.

7.2 - Haryana: Case Studies

Chandawali Village, Faridabad: Installing CCTV Camera to Address Crime

7.2.1 This initiative is noteworthy for the innovative use of CCTV technology by a young 22-year-old women sarpanch, Anju Yadav, of Chandawali village in Faridabad district of Haryana, She has provided leadership in installing 72 solar powered CCTV cameras to primarily help reduce the crime rate in the area.

Anju Yadav, who is a second year M.A student of Hindi, won in the panchayat election of 2016, the first election after the Haryana government made it mandatory for panchayat candidates to have completed their education up to class 10 (with some relaxation for certain groups).

7.2.2 The young Sarpanch not only recognised the need for CCTVs for crime investigations, but also adopted eco-friendly approach for it. The cost of installing the 72 cameras came to ₹11 lakh and an additional ₹4 lakh was spent on solar panel. She used Panchayat funds for the capital costs, and for operations and maintenance required for smooth functioning of the CCTV cameras.

7.2.3 Her task has been facilitated by strong family support. Her parents have assumed the responsibility of monitoring the video control room, which is set up in the Sarpanch’s house. Chandawali is the first village in the State to have installed CCTV cameras.

7.2.4 The 5th SFC hopes that the scope of what the CCTV cameras could accomplish in terms of additional services in the village, such as monitoring staff as they perform waste collection, locations where village street or related works are needed, etc, would be expanded over time. This would make the investments in the CCTV cameras more efficient, and help deliver more services better.

7.2.5 The 5th SFC urges the other villages in Haryana to consider the adaptability of this initiative to their own context.

7.3 Indira Bal Swasthya Yojana: Haryana

7.3.1 It is a preventive health scheme launched by the National Rural Health Mission (NRHM) on 26th January 2010 with a forbidding goal to screen population under 18 years of age in the State.

7.3.2 The key stakeholder in the IBSY is NRHM Haryana and the beneficiaries are children and adolescents up to the age of 18 who are in Anganwadis and government schools.

7.3.3 The main objective of this scheme is to screen all children accessing public health and education facilities like schools and Anganwadis, for diseases, disabilities and deficiencies and refer them for free follow-up treatment if required.

7.3.4 This makes Haryana the only state in the country to have a single preventive healthcare measure that so comprehensively covers the under-18 population. The IBSY screens lakhs of children each year, resulting in large-scale preventive treatment and the discovery of significant health risk patterns in society that are used for future policy formulation.

7.3.5 It is reported that The IBSY has covered a population of ₹38 lakh, and has contributed to better health status through preventive disease screenings. Such screenings can help identify adverse health conditions, and as a result, initial treatment can be provided earlier.

7.3.6 This initiative is of relevance to Haryana, as the National Health Mission focuses on preventive, early detection, and more integrated curative approaches towards better health status of the Indian citizens³.

7.4 Village Night Camp Initiative in Haryana: An Innovative Approach Towards Communication and Taking Services to the Citizens

7.4.1 While reviewing the relevant literature, interactions with the 5th SFC of Rajasthan, and during the 5th SFC's visits across Haryana, it became abundantly clear that the following issues are essential required to be addressed urgently (though not sufficient), if the benefits of public amenities, of services, and of government schemes are to be obtained by the intended beneficiary households and administrative units such as Gram Panchayats. It also became evident that the current methods of governance,

3. <http://niti.gov.in/bestpractices/indira-bal-swasthya-yojana-applying-preventive-healthcare-measurespromote-children%E2%80%99s>

administration, and delivery require a transformative change, not only incremental change, marginal if measurable and perceptible progress towards this objective is to be attained in Haryana.

7.4.2 **First**, administrative arrangements for communicating design features, and utilization requirements of a large number of government schemes and initiatives currently being implemented, including those Central Schemes implemented by the States, need to be substantially improved.

7.4.3 The 5th SFC found that on many occasions, knowledge of about how to utilize even those Schemes which are explicitly pronounced to have priority, has been poor in many parts of Haryana. It adversely affects realization of intended outcomes of the Schemes.

7.4.4 **Second**, unless transaction and hassle costs of accessing routine government services (e.g. related to health animal husbandry, pension, education women development , land records, vote IDs Aadhar card, Swaach Bharat related services, etc.) are substantially reduced and confidence and trust in and integrity of government part of services is enhanced; good governance requirements to meet even simple expectations of the households cannot be met, let alone addressing aspirational expectations which will increasingly be manifested.

7.4.5 **Third**, globally, there is a challenge that information flows reaching the high-level decision-makers, both from political class and from bureaucracy, are often of such poor quality, reliability, and timeliness that context-specific policymaking becomes difficult, and so does monitoring outcomes of existing programs.

7.4.6 This challenge could in part be addressed if there is a systematic calendar of events for many concerned Government Departments to hold on a pre- announced basis one or two-Night Camps in designated villages, in a District on a regular basis with calendar announces in advance. The Deputy Commissioner could be given the lead co-ordinator and communicator role with accompanying accountability for outcomes.

7.4.7 An innovative initiative to help address the above challenges observed by the 5th SFC was in Faridabad, the initiative, called the Night Camp Initiative (NCI), made context specific for these two areas in Haryana by the former Deputy Commissioner of this area Mr. Chander Shekhar. The NCI was initiated by him in 2012, illustrating how innovations in governance practices could be introduced.

7.4.8 A brief note to the 5th SFC indicates that in Faridabad, Night Camps were held in 18 villages, administering 61 services to a total of 98717 beneficiaries till December 2016. The services range from registration of Aadhar Card, Voter IDs, Ration Cards, Birth and Death certificates, Health check-ups to Opening of bank accounts, approval of loans, sale of fertilizers and seeds and obtaining electricity and water connections.

7.4.9 Based on the 5th SFC's interviews with Mr. Chander Shekhar, and based on the SFC's research, there are strong indications that these camps helped to reduce the case-burden on government service centres while reducing transaction and hassle costs enabled local Panchayat's to participate and helped them to find local solutions and improved awareness of schemes.

7.4.10 Exposure and direct contact with higher level officials, and atmosphere of participation, could with effective communication lead to desired changes in social values and in behavioural changes among villagers, PRI representatives, and district officials. Such changes leading to greater community participation are essential as ultimately without them full potential of government programs and schemes cannot be realized. That people need to take responsibilities and stakeholders must be held accountable, are key elements of any successful reform.

7.4.11 This point became evident when the 5th SFC member, Ms. Rohini Aggarwal conducted a telephonic conversation with the Sarpanch of Dhauj village of Faridabad District Ms. Nazma Khan. The interview covered, among others, the initiative to bring about a behavioural change in villages to shift away from the practice of women covering their full face with a Ghunghat (this practice was observed by the 5th SFC during a visit to a village in Rajasthan as well), and of wearing a Burkha by women from Muslim community.

7.4.12 The Sarpanch observed that the "respect is in the eye of beholder, not in a piece of cloths". Progressive views of such Sarpanches in Haryana, aided by the education and other requirements introduced by the CM Sh. Manohar Lal Khattar led government in September 2015, augur well for rural governance in the future.

7.4.13 Using this initiative, it is feasible to cover Haryana's around 6 thousand villages in a period of roughly five years. Thus, if village Night Camp program in all the 22 districts of Haryana is organised by District Administration in their respective blocks (126 Blocks in Haryana) during the weekend, assuming four weekends in a month, 88 villages could be given benefit of this program, and high-level government officials including Chief Minister would be able to obtain first-hand information and from perception and form perception for context specific policy and its implementation. If the monthly coverage is

88 villages then per year coverage will be $(88 \times 12 = 1056)$. This suggests that in five years nearly all villages could be covered. A supplement to this program could be more specialized specific service oriented programs such as water and electricity.

7.4.14 The potential of NCI for addressing the issues raised above has been recognized in Haryana. This is indicated by the announcement of the Chief Minister Sh. Manohar Lal on January 2, 2017 that 50 night camps will be organised.

7.4.15 A high-level visit during these camps, could also help address the issue of whether there is an alignment between functioning of the bureaucracy and the political leadership. This is essential as globally, political cycles, and therefore that of political leadership, is much shorter than the bureaucratic cycle. Well governed States create institutional structures and social norms which do not let such alignment to become dysfunctional, with adverse impact on the outcomes.

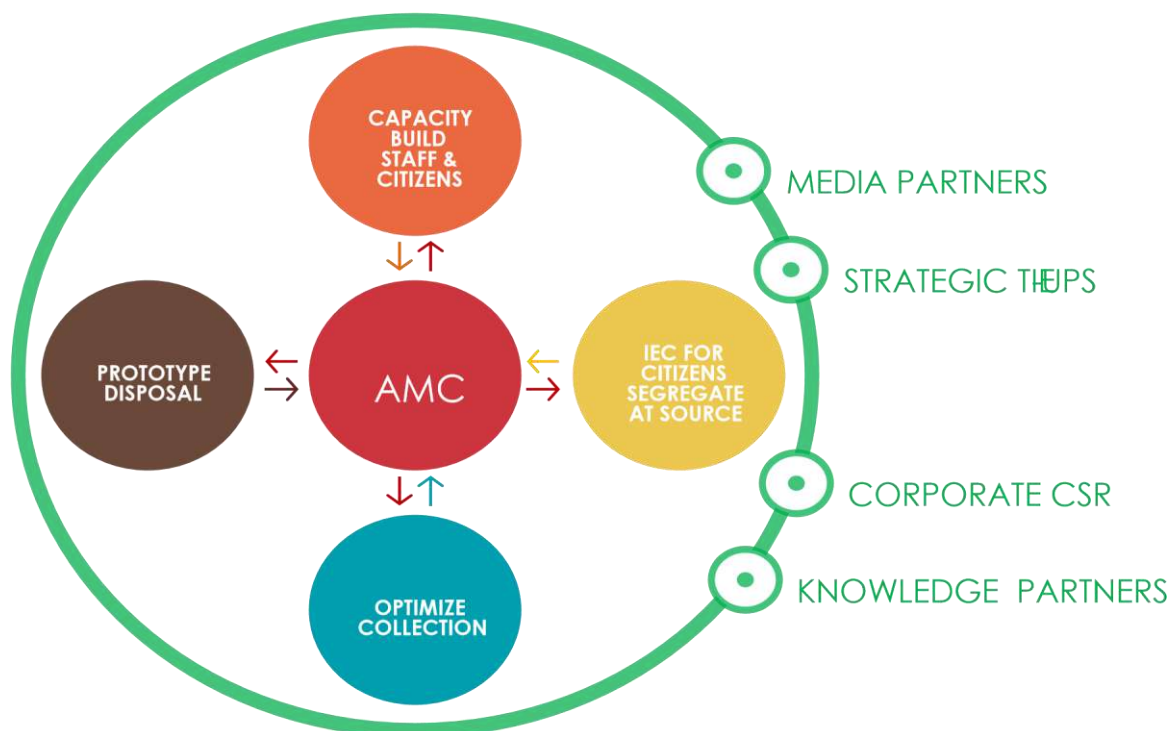
7.4.16 The 5th SFC strongly urges that the NCI become an integral part of Governance structure and practices. This would have far reaching implications for Haryana in data gathering, data analysis and incorporating them into policymaking. It also has implications for how statistics are gathered and analysed, and human resource appropriateness of those entrusted with this task.

7.4.17 Practices such as the NCI are crucial to help identify the ratio of actual beneficiaries and outcomes assessment of various Schemes.

7.5 Solid Waste Management (SWM) Initiative: The OYE! Ambala

7.5.1 The waste management is an important challenge facing Haryana and the country. The Ambala Municipal Corporation (AMC) has observed that "...despite the agreement between the Contractor and the Municipal Corporation, which imposes an obligation on the Contractor to collect segregated waste as per the Solid Waste Management Rules, 2016, the same is not being adhered. Thus, it is important to enforce the SWM Rules, 2016".

Figure 7.1:-Conceptualization of OYE Ambala initiative Source:- AMC Presentation



Source: Figure provided by Ambala Municipal Corporation

7.5.2 In recognition of the above, the AMC launched the OYE! (Open Your Eyes!) Project in July 2017. The total cost of the project is estimated to be ₹18.36 crore.

7.4.3 The aim of the campaign is to improve the cleanliness level of the city, primarily by more scientific waste management practices on a sustainable on-going basis. Services of a Mumbai-based private body have been obtained to assist the Ambala Municipal Corporation (AMC) to help implement the OYE.

7.5.3 The OYE project is motivated by the desire to improve Ambala's ranking in the Swachhta Sarvekshan Report 2017. Ambala's rank was 308 out of 434 cities in 2017⁴. The aim is to bring Ambala's ranking to within top 100 by 2018. The ranking of Haryana's District in Swachhta Sarvekshan Report 2017 can may be found in *Annexure 7.1*.

7.5.4 In implementing the OYE! Project, some of the procurement (e.g. procuring dustbins), GEM (Government e Marketplace) has been used. This has the potential to help realise savings in procurement.

4. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=161535>

7.5.5 One of the components of the OYE! Project is smart monitoring on TV screen in SWM department. The expenditure under this component is divided as follows. The first involves geo-tagging households, merging property tax data, Code maintenance support for three years, and smart centre in AMC. Its cost is projected to be ₹5.71 crore.

7.5.6 The second part involves printing and installing UNIQUE Plates on ₹2.5 lakh households in AMC the cost of this component is ₹84 lakh. The third part involves software training to 1500 waste workers; conducting city wide communicating meeting and; training tele-calling staff. The cost of this part is ₹1.45 crore.

7.5.7 The **OYE project regards** segregation of waste at source as key to realizing its objective. The project managers recognize that a behavioural change among people in undertaking segregation of different types of waste (primarily segregation of organic and non-organic waste) is essential. The national and global experience suggests that without it, a transformative change in this area is difficult to initiate and sustain. Such a behavioural change is to be facilitated by establishing appropriate systems to monitor collection of segregated waste from households, from commercial and other establishments, and from public and private sector organizations.

7.5.8 Once collected, the processes are needed to utilize or to store city waste in an economically and environmentally sound manner. As traditional methods of using land-fill areas, and of incineration are both economically and environmentally costly, newer waste management technologies (converting organic waste to marketable, usable compost, using a combination of centralized and decentralized waste processing technology; converting waste into energy, etc. Need to be an integral part of OYE.

Operational Aspects of OYE

7.5.9 Under the OYE project, the city has been divided into six sectors. These are, Government facilities, Religious precincts and markets, Academic institutions, Healthcare facilities, Hospitality sector and Households, offices, retail and informal settlements.

7.5.10 The initial phase of the project includes making the residents of the city aware of the importance of sound waste management practices and their positive impact on household welfare. It also aims to motivate them to segregate the garbage at the household level. The goal of the OYE project in its initial phase is to achieve segregation of 30 percent of total waste at source at the household level.

7.5.11 The Solid Waste Management (SWM) team of the civic body has distributed 2.50 lakh, two different dustbins for the segregation of solid and liquid waste. The SWM team

had opted ward number four where this pilot project is being carried out in which 150 residents have voluntarily agreed to join the campaign and about 2,500 households have started the segregation of the waste at source level.

7.5.12 The residents of the city would be facilitated by being providing two different dustbins (blue for dry waste and green for liquid waste) by the Corporation. The collected garbage is being taken to the Solid Waste Treatment Plant at Patvi.

7.5.13 Requiring decentralized waste management for large organizations (such as hospitals, large hotels, large housing complexes, and agricultural markets) has so far not been incorporated in the OYE, but could be considered simultaneously. Other cities in the country, such as Pune, have implemented such mandatory requirements for decentralized waste management, in return for some incentive such as property tax rate reduction. This helps reduce the waste management load on the city, and on waste processing plants or methods.

7.5.14 In the OYE project, there is a provision for collection centres, each comprising 450 square metre area. Each centre costs INR 8.8 lakh. In some of the centres, it may be feasible to initiate decentralized waste management, the compost output of which could be used for maintain neighbourhood parks and other green areas in the city.



7.5.15 The corporation is providing every household with unique ID plates that would be installed outside each household. The project would have a provision, in which if the door-to-door waste is not collected, then the particular resident will be required to click a picture of the unique ID numbers on the plate and upload it on the monitoring screen of the AMC, following which the contractor would be fined ₹1000 per day.

7.5.16 If a particular resident does not provide the workers with the segregated waste for three consecutive days, then the worker can upload the picture of the unique ID plate

on the monitoring screen of the AMC and the corporation would impose a fine of ₹100 on the house owner.

7.5.17 The 5th SFC commends the leadership of the AMC for its frank assessment of the current waste management methods, and even more importantly, for the commitment to introduce a more scientific, and professional system of waste management, aided by technology, sound processes and systems.

7.6 Case Studies from Rest of India

24 x 7 Metered Water: Improving water supply in rural areas of Punjab

7.6.1 The main objective of 24x7 metered water initiative started in 2005, is to cover the villages that are Not Covered (NC) or Partially Covered (PC) under existing water supply schemes and to convert them to Fully Covered (FC) villages. The initiative has functioning at various administrative units of the State charges.

7.6.2 The responsibility to implement this initiative is with different Departments of the Punjab Government. Initially, the total beneficiary share was fixed at a minimum of 10% of the overall cost. But this was subsequently this has now been relaxed, owing to difficulty in collecting large amounts from the community. The charges have been fixed at a minimum of ₹800 for general category persons and ₹400 for members from Scheduled Castes/Scheduled Tribes/ Backward Communities. Meter readings in each house are jointly undertaken by the pump operator and the cashier on 25th day of every month.

7.6.3 There are two modes available to the beneficiaries of the water initiative feedback and service related problem, they are tele-calling beneficiaries – proactive feedback mechanism and Shikayat Nivaran Kendra.

7.6.4 Uptake of the initiative by an increasing number of villages, increases in revenues and improvements in distribution networks. As of May 2013, 15 villages in four districts were provided 24x7 metered water supply under this initiative.

7.6.5 It has been observed that users have better incentive to monitor in their water usage as it is metered and charged. This is particularly noteworthy in rural areas, where such metering is not practised.

7.6.6 As an example, judicious water usage in Singhpura village in Mohali district has reduced the wastage of water from 30% to 8% and reduced consumption of electricity by 20%.

7.6.7 The initiative suggests that metering is feasible in rural areas. Punjab state borders Haryana. This initiative is therefore merits further study as conservation of water in rural Haryana is a challenge⁵.

7.7 E-Uparjan for Farmers in Madhya Pradesh

7.7.1 The primary objective of e-Uparjan is to implement a smooth, regulated and efficient process of procurement at the agricultural centres of the state. The total cost of this initiative including application design, development, implementation, trainings, support and maintenance, hardware and temporary manpower has been estimated to be 19.58 crore. Under the e-Uparjan system, more than ₹15 lakhs farmers have registered all across Madhya Pradesh. The farmers can visit designated government officials in their vegemite to ascertain the status of MLP, reimbursement of procurement.

7.7.2 The e-Uparjan (2010) initiative uses versatile technological innovations in implementation and shows significant impact in efficient operations for the speedy and transparent transfer of Minimum Support Price (MSP) dues into the accounts of farmers directly. Madhya Pradesh has got best IT initiative in Madhaya Pradesh for the year 2011-12.

7.7.3 This system is developed in the mother tongue—Hindi to give a better understanding to all the people getting benefited from the project. After this initiative quantity and procurement of wheat between year 2010-11 to 2013-14 increase from 89 to 162 and 35 to 64 (lakh metric tonnes) respectively.

7.7.4 This initiative illustrates how transaction costs of transferring MSP can be reduced through technology, and how the benefits to the farmers could be provided with low leakages and greater certainty. The use of Hindi in the initiative also suits Haryana's context. This is also of relevance to Haryana where agriculture is a major economic activity, and livelihood provider⁶.

5. <http://niti.gov.in/writereaddata/files/bestpractices/24%20x%207%20Metered%20Water%20Improving%20water%20supply%20in%20rural%20areas%20of%20Punjab.pdf>
 6. http://www.csisigegov.org/pdf/e_governance.pdf / accessed on 03-14-2017

7.8 Intelligent Transport System: Karnataka State

7.8.1 This initiative of the Karnataka State Road Transport Corporation (KSRTC) Launched in 2012. The Intelligent Transport System(ITS) of Mysore, for the entire bus fleet has been funded by the World Bank

7.8.2 Mysore is the first city in the country to have a World Bank funded Intelligent Transport System (ITS) for public transport which allows commuters access to real time bus travel information and also facilitates effective monitoring of their movement.

7.8.3 The Intelligent Transport System (ITS) that Mysore implemented in 2012.It permits access to real time bus travel information to the commuters. It also facilitate monitoring their movement by GPS tracking system. An almost 50 % dip in fatal accidents, reduced number of personal vehicles on roads, punctuality rate of over 90% in the operation of state run buses which was 13% in 2013, less than 10 minutes waiting time for passengers at bus depots and more. In its entire city bus fleet has bought the much-needed efficiency and safety in public transport service. Technology has helped in bringing down road fatalities from 15 in 2014¹⁵ to 8 in 2016 (till October).

7.8.4 This initiative has helped to reduce waiting time and uncertainty of when bus will arrive, improved the accessibility of the system, increased safety to the users, reduce the fuel consumption and emissions, reduce the operational costs; improve traffic efficiency; reduce traffic congestion; improve environmental quality and energy efficiency and improve economic productivity of the transport system.

7.8.5 This initiative has relevance for Haryana as bus transport system are likely to be a part of SMART cities and AMRUT initiatives⁷.

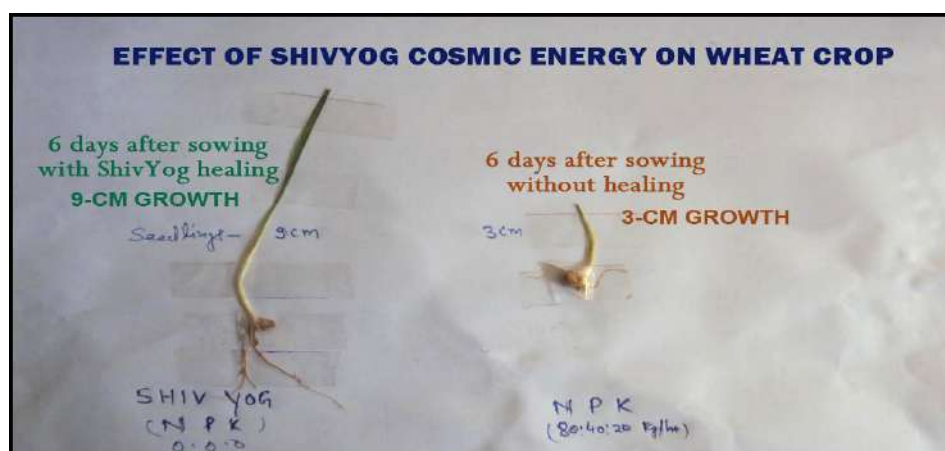
7.9 Farmers in Orissa, Gujarat and Maharashtra adopted Shivyog Krishi under ATMA Scheme: Agriculture Production Increased many folds with amazing results

7.9.1 The States of Orissa, Gujarat and Maharashtra included Shivyog Krishi in their Agriculture Technology Management Agency (ATMA) programme. It is a way of krishi by which a farmer can redirect sun's energy to plants and earth, this solar energy activates the living microbes in the earth, and as a result, the soil becomes rich and fertile leading to healthy crops.

7. <http://mitra.ksrtc.in/MysoreMBus/abti.jsp>

7.9.2 The 5th SFC research shows that the farmers have experienced that when they use Shiv Yog way of krishi, their agricultural produce multiplies in terms of both quantity and quality, the need to use chemicals gets reduced thereby reducing their costs to large extent, and their produce gets saved from all kinds of diseases and pests. No additional costs are to be incurred for using this method of farming and lesser water is required for this farming. Across India, lacs of farmers have adopted this practice of farming including the farmers in the city of Latur where water is scarce. More details can be found on following links: (https://www.youtube.com/watch?v=KNydiTQ_0FQ&app=desktop; <https://www.youtube.com/watch?v=fnkxKSyo54M&app=desktop>)

7.9.3 Assam Agriculture University has undertaken many scientific trails on shiv yog farming and have analysed the difference between the scientific parameters for two sets of the produce – one grown by regular farming techniques and the other by using shiv yog Krishi, and found that there is a noticeable qualitative and quantitative difference between the two. They are therefore continuing with their research for some more crop cycles after which they would be in a position to publish the research report. The details about the research done by many other scientists and agricultural universities can be accessed on <http://krishi.shivyogindia.com/research-studies/>



Source: <http://krishi.shivyogindia.com/research-studies/>

7.9.4 In Haryana also, hundreds of farmers have adopted the Shiv Yog way of farming. The 5th SFC team along with the SDM of the District visited to one such farm in Hisar where the rice crop was grown using Shiv Yog way of krishi and the produce was visibly of the superior quality. The young farmers, including a professional were excited about the kind of production they could make in doing farming this way.

7.9.5 The research of 5th SFC suggests that many state governments and central government officials have recognized the Shiv Yog krishi as an effective way of agriculture which has potential to substantially improve the agricultural produce and

conditions of life of the farmers. It is notable that recognizing the potential of Shiv Yog farming, the Chief Minister of Gujarat issued a letter of appreciation about it and in June 2016, the Honorable Minister of AYUSH recommendations for conducting Shiv Yog Krishi training programs in the benefit of farmers, to initiate scientific studies on this and to allot a time slot on krishi channels for the same. Subsequently a circular was issued by the Ministry of Agriculture to advise all nodal officers in the States to take appropriate steps for this under ATMA (https://drive.google.com/file/d/0B-3tv15x_4ACNmNpOFJqU2kzOXM/view)

7.9.6 The State of Haryana does not seem to have taken any formal step in this direction though number of farmers are doing this on individual level.

7.9.7 The 5th SFC recommends that proactive steps should be taken by the ATMA nodal officers to start shiv yog training programmes. The officers may visit the farmers who have already adopted this method of farming and may also connect with shivyog foundation where the volunteers also provide support in such training programmes.

7.9.8 The 5th SFC also recommends that the Agricultural Universities of Haryana should undertake research on Shiv Yog farming to have an authentic and scientific view about this.

7.10 Community Managed Water Supply Programme: Gujarat

7.10.1 State -led Water and Sanitation Management Organisation (WASMO) adopted a unique cost-sharing model to connect rural areas of Gujarat to the water supply network. The rural water supply initiative in Gujarat is a community managed programme where 90% of the funds are provided by the state-supported organisation WASMO, and 10% of the funds come from the village community.

7.10.2 It has facilitated the village communities in planning, designing, selecting the site and implementing the scheme under a community managed, demanddriven decentralised system. The village community, working through its 18,185 Pani Samitis (local water committees) which were 82 in 2002, spread across the state, is involved in the planning, implementation, arrangement, operation and maintenance of the village water supply system in 18,185 out of 18,478 villages of Gujarat.

7.10.3 The community was encouraged to share the partial cost (10%) and look after the maintenance and operation of the scheme with the help of the money collected as water tariff from users. The government and WASMO provided continuous support in

response to the requirements of the community. The government has worked to ensure improved services and satisfaction of the community. The programme has provided close to 76.84% households with tap water facility and collected water tariff from approximately 6,787 villages.

7.10.4 This initiative illustrates financially sustainable system of providing clean water to rural households. WASMO is playing a crucial role in strengthening the community's capacity for managing water supply services efficiently and adequately. To encourage this, WASMO has introduced a Pani Samiti award.

7.10.5 This initiative illustrate that it is feasible to convince rural community to at least partially pay for water use. This has relevance for Haryana as convincing rural communities to least partially pay water is needed as water is becoming an important constraint in the State⁸.

7.11 The “Yuva Vikas Prerak” Initiative in Rajasthan

7.11.1 “Yuva Vikas Prerak” (YVP) (inspiring young persons towards development) initiative, launched in December 2016, is primarily designed to address two limitations in obtaining outcomes from Government (both State and the Union Schemes⁹.

7.11.2 These limitations are: firstly, personally communicating the nature of the Schemes and their benefits to the intended beneficiaries in urban and in rural local bodies; and secondly, facilitating enrolment into the Schemes so that usage rate (actual enrolment of beneficiaries divided by potential number of beneficiaries).

7.11.3 The YVP operates as follows. Each of the 33 districts of Rajasthan is assigned three staff members. They have at the minimum a Bachelor's degree from recognized institutions. They are not regular staff of the government, but are given positions similar to interns, with a competitive salary (around ₹25,000 per month as of May 2017). This also increases awareness of the committed and competent young persons regarding complexities of governing the State. Since the inception in December 2016, select activities by the YVP staff have included conducting development dialogues within the State to help spread awareness of the Schemes; taking measures to improve transparency in distribution of ration and labor card registration; and helping to educate the concerned population about disadvantages of child marriage.

8. <http://niti.gov.in/writereaddata/files/bestpractices/Community%20Managed%20Water%20Supply%20Programme%20Bringing%20drinking%20water%20to%20the%20doorsteps%20of%20people%20in%20rural%20Gujarat.pdf>

9. [http://ryvp.rajasthan.gov.in/\(S\(d30ng02zvsuo2dpvjtkbcugo\)\)/default.aspx](http://ryvp.rajasthan.gov.in/(S(d30ng02zvsuo2dpvjtkbcugo))/default.aspx)

7.11.4 A positive feature of the YVP initiative is the task specific intensive training which the staff receive as they begin their work. The training is being provided by the Rajasthan's 5th State Finance Commission, but this arrangement appears very context-specific to the State. The 5th SFC of Haryana during its visit to Rajasthan had the opportunity to meet some of the YVP staff. Their knowledge of the Union and State Schemes, and their constructive approach and attitude were impressive.



Image: Three YVPs staff of Dausa District of Rajasthan, discussion with one of the Member of 5th SFC Haryana (Ms. Rohini Aggarawal)

7.11.5 The Chief Minister has also launched 'Yuva Vikas Prerak' YouTube channel and the web magazine 'Rajasthan Swabhimani' as integral components of the YVP. The district administration assigns specific geographical areas and Schemes to YVPs. The YVP staff are responsible for communicating about Schemes to intended beneficiaries, and also for obtaining feedback from them.

7.11.6 The state of Haryana has scheme on similar lines namely "GRAVIT" Gramin Vikas Tarun". The scheme has been elaborately designed with various details including an estimation of 10 volunteers per Panchayat.

7.11.7 The 5th SFC is of the view that the idea of connectivity young members of the society with the villagers has a good potential to bring awareness about the government schemes to the rural masses. Efforts should be made to effectively implement GRAVIT Scheme in Haryana incorporating appropriate training and monitoring mechanism.

7.11.8 The SFC also learnt of the challenges facing Rajasthan in undertaking their work, including poor quality data and delay in providing it, which is a common concern for SFCs across the different States.

7.12 Concluding Remarks

7.12.1 In this chapter, the 5th SFC's research on select case studies involving initiatives using technology, leadership and policy and administrative entrepreneurship by individual government officials of relevance to Haryana have been presented. NITI Aayog has analysed wider set of such innovations¹⁰. Annexure 7.2 provides NITI Aayog's "Lesson Learnt" in different areas of delivery of public services and amenities.

7.12.2 The 5th SFC recommends that the relevant Departments and officials (such as District Commissioners, Block Development Panchayat Officers, Municipal Commissioners and others) consider how issues highlighted by the case studies (and by wider set of case study by NITI Aayog) in this Chapter, could be better approved in their jurisdiction for improving outcomes.

7.12.3 The role of the higher level political and executive leadership would be to create an environment in which the government officials can pursue outcome oriented initiatives within the existing framework. The focus in this chapter has been on case studies of innovations in the government sector. There are however innovations in the area of social sector by non government organisation, some of which have been undertaken through the CSR initiatives.

7.12.4 An illustration of the recognition of such social sector innovations provided by the Marico innovations Foundation¹¹. Started in the year 2006, the MIF identifies and awards innovations that hold potential to generate large scale impact. Innovations are recognized under two categories – Social Impact and Business Impact. The MIF encourages social enterprises which use modern practises and technology to meet social needs. Haryana hosts leading domestic and global corporation in the State. Their CSR activity could potentially assist the state to obtain knowledge and technology to better deliver urban and rural public services and amenities

7.12.5 The 5th SFC suggests that the relevant state agencies, particularly in the social and agriculture sectors, explore the potential role in knowledge transmission, technology, design, delivery, and monitoring of public services and amenities in Haryana. This could also assist the State in obtaining better outcome with same level of fiscal resources utilized.

10. http://niti.gov.in/writereaddata/files/humandevlopment/Resource_Book_on_Good_Practices.pdf

11. <http://www.maricoinnovationfoundation.org/about/>

Recommendations

Summary of Recommendations

CHAPTER- 1	
<i>Introduction</i>	
1	<p>It is strongly recommended that the 6th SFC of Haryana should be established by September 2019 with the interim Report to be submitted by September 2020, and the final Report by December 2020. This would facilitate adoption of the 6th SFC proposals from the 2021-22 fiscal year, which would be right after the recommendation period of the 5th SFC.</p> <p style="text-align: right;"><i>Para 1.1.10</i></p>
2	<p>If the fiscal year of the Union Government is shifted to the calendar year, as seems likely, then appropriate changes in the date of establishment of the sixth SFC and submission of its Report should be considered. It should be ensured that the SFCs Report is submitted at least three months <i>before</i> the commencement of the first fiscal year of the SFCs recommendations.</p> <p style="text-align: right;"><i>Para 1.1.12</i></p>
<i>The Approach of the 5th SFC of Haryana</i>	
3	<p>The 5th SFC recommends that Haryana as a State take a lead in enhancing citizen responsiveness of government agencies at all levels.</p> <p style="text-align: right;"><i>Para 1.4.5</i></p>
<i>Administrative Arrangements</i>	
4	<p>It is urged that in the future, the Member Secretary should be a full-time member. It is also strongly urged that standard SOPs be prepared and included as an agenda item for the first meeting of the subsequent SFCs. It is also suggested that drafting of the TOR for each SFC be undertaken through consultations some months before the SFC is constituted. While some items of TOR will continue to be common, some items should reflect particular period priorities of the GoH.</p> <p style="text-align: right;"><i>Para 1.5.5</i></p>
5	<p>The 5th SFC urges that the staff strength, its composition and job descriptions be done in the future with the consultation of the Chairman of the SFC and of the Member Secretary. There should be a timeline for appointment of the SFC staff preferably within 30 days of the appointment of the chairman of the SFC.</p> <p style="text-align: right;"><i>Para 1.5.8</i></p>
6	<p>The 5th SFC recommends that an SOP (standard Operating Procedure) document be prepared concerning day to day functioning of the commission, clearly specifying the administrative and financial powers of the Chairman and Member Secretary. It should also specify procedures for winding down winding-down the future SFCs, and for preserving records and assets of the SFC.</p> <p style="text-align: right;"><i>Para 1.5.10</i></p>
7	<p>The 5th SFC commends the Haryana government for establishing the SJHIFM (Swarna Jayanati Haryana Institute of Fiscal Management) on November 3rd,</p>

	<p>2016. This recognizes the need for a continuing research body with relevant expertise to support policy making, implementation, and evaluation in the area of public finances and their management in Haryana; and in continuing the work related to SFC issues. The challenge is to inject substance into SJHIFM and make it a vibrant functioning policy research organization.</p> <p style="text-align: right;">Para 1.5.12</p>
8	<p>The 5th SFC strongly urges mandating the SJHIFM; which has already been established, to undertake data collection, analysis, and research; on issues, relevant to ULBs and RLBs. This would have the following advantages:(i) Regular collection and analysis of data will significantly shorten the time for subsequent SFCs in initiating and undertaking their work agenda; (ii) it could provide policymakers empirical-evidence based analysis on specific issues faced by the ULBs and the RLBs on a continuous basis; (iii) it would help develop skills of research staff which the subsequent SFCs could usefully deploy. (iv) it could assist in monitoring the implementation of the SFC's recommendations - a task which has till now been left unexplored.</p> <p style="text-align: right;">Para 1.5.15</p>
SFC Meetings, Consultations and Workshops	
9	<p>The SFC recommends that GoH may comments the practice of system of official records at district level, which would be useful for district level planning, with supporting empirical data, and for obtaining better outcomes.</p> <p style="text-align: right;">Para 1.6.9</p>
CHAPTER- 2	
NITI Aayog	
10	<p>The SFC urges the State Government to urgently initiate the exercise to address the implications for Statistics and how statistical agencies in the State are organized and staffed. The assistance of NITI Aayog at the Centre could prove to be helpful in this task.</p> <p style="text-align: right;">Para 2.3.9</p>
11	<p>The 5th SFC recommends that the State government designate a high level, liaison officer from the office of the Chief Minister for NITI Aayog. The main function would be to help tap NITI Aayog's expertise for Haryana's development. NITI Aayog's advocacy and practical experience with managing lateral entry of officials in selected government agencies may also be considered by Haryana.</p> <p style="text-align: right;">Para 2.3.10</p>
12	<p>The 5th SFC strongly recommends that Haryana establish a formal liaison mechanism with designated focal person(s) and points, with the NITI Aayog, preferably in the office of the Chief Minister. This is because political commitment to achieve better outcomes must be communicated to all the Departments through the chief Minister's office for the liaison to yield anticipated results in terms of better outcomes.</p> <p style="text-align: right;">Para 2.3.14</p>

13	It would also be useful to designate a small group of officials to identify urgent challenges for the States where the expertise of the NITI Aayog could help improve governance and outcomes. Para 2.3.15
14	The 5 th SFC also strongly recommends that Haryana designate a small group of officials to identify urgent challenges for the States where the expertise of the NITI Aayog could help improve governance and outcomes. This should be followed by regular interactions with the NITI Aayog not just by the State officials, but also by select ULBs and the RLBs officials should also be considered. This is because while many services and amenities are provided by the Districts, the ULBs and the RLBs, they have limited opportunities to interact with knowledge and domain specialists who could help generate context - specific measures to address specific challenges. Para 2.3.16
GST Implications	
15	The 5 th SFC therefore recommends that relevant tax and other authorities (those dealing with ULBs and the RLBs and the Finance Department) explicitly co-ordinate to address the issue of the entertainment tax at the local level. Para 2.4.23
16	The 5 th SFC recommends that the State authorities review arrangement for the HRDF levy, and other similar levies and ensure that their objectives in meeting needs of rural development and PRIs continue to be met under the GST. Para 2.4.27
17	The 5 th SFC therefore strongly recommends that the State authorities, particularly the Finance Department, and the Urban and Rural Departments of Haryana, co-ordinate to ensure that the ULBs and the RLBs are capable of meeting the above requirement in compliance with the GST regulation. Para 2.4.34
Rationalization of Centrally Sponsored Scheme (CSS)	
18	The 5 th SFC recommends that the outcome review of the government schemes should be on a continuous basis, with appropriate systems established, and organizational responsibilities specified. At the end of the specified, a more strategic view of given scheme can be taken. Thus, the first such strategic review should be coterminous with the end period (i.e. 2020-21 financial year) of the 5 th SFC's recommendations. Para 2.5.20
Beti Bachao Beti Padhao (B3P) Scheme: The Haryana Context	
19	The 5 th SFC strongly recommends that the Haryana government initiate measures to address the coordination issues, and set up appropriate reporting, monitoring and data gathering systems essential to realize the objectives of the B3P Scheme. Para 2.9.12

CHAPTER-3	
<i>Public Finances of Haryana: An Overview</i>	
20	<p>The 5th SFC suggests that the above declining trend in TRNDCR be addressed by a combination of greater revenue generating measures and better expenditure management. Throughout the Report, the 5th SFC has made suggestions for specific measures in this regard, within the context of a framework for generating fiscal space in Figure 3.6 which could assist in addressing the declining trend in TRNDCR.</p> <p style="text-align: right;"><i>Para 3.2.4</i></p>
21	<p>Taxes on Commodities and services, particularly Value Added Tax (VAT), and Central Sales Tax combined, accounted for 88 percent of the tax arrears. Since both these taxes are subsumed under the GST, the 5th SFC recommends that the State devise strategies to collect these arrears as early as possible.</p> <p style="text-align: right;"><i>Para 3.2.7</i></p>
22	<p>The SFC also urges the concerned Department to review the reasons for such large tax arrears, the initiate measures to minimize them.</p> <p style="text-align: right;"><i>Para 3.2.8</i></p>
23	<p>The 5th SFC is of the view that the States will increasingly need to adopt in their own context some of the statements provided by the Union Government, when presenting its budget. The 5th SFC suggests that the Haryana consider including a tax expenditure statement in its budget document.</p> <p style="text-align: right;"><i>Para 3.2.9</i></p>
24	<p>As the Public Accounts category accounts for a significant share in total disbursements, the 5th SFC suggests that it would be useful to disaggregate it, and include it in the policy discussions concerning Haryana's public financial management.</p> <p style="text-align: right;"><i>Para 3.2.17</i></p>
25	<p>The 5th SFC strongly urges the Haryana government agencies involved in budget preparation to review the basis for its revenue and expenditure projections in the budget.</p> <p style="text-align: right;"><i>Para 3.2.20</i></p>
<i>FRBM Arrangements and Progress in Haryana</i>	
26	<p>The 5th SFC is of the view that the FRBM Review Committee's suggestion of independent monitoring of debt and liabilities profile of the State, preferably by the CAG, merits serious consideration by the Haryana government.</p> <p style="text-align: right;"><i>Para 3.3.19</i></p>
27	<p>A Statement of Contingent Liabilities: The 5th SFC is of the view that there is considerable merit in Haryana considering preparing a statement of its contingent liabilities. The cash basis of accounting used in preparing the</p>

	financial accounts does not adequately enable recognition of future fiscal liabilities. These however need to be taken into account in managing the State's fiscal liabilities. Para 3.3.20
28	The 5 th SFC suggests that for preparing a Statement on Contingent Liabilities, Indian Government Financial Reporting Standard (IGFRS)-5 on <i>Contingent Liabilities (other than guarantees)</i> and <i>Contingent Assets</i> (http://gasab.gov.in/pdf/igfrs-5.pdf) be adopted. Para 3.3.21
PFMS in Haryana	
29	The 5 th SFC is concerned about slow progress by DULB in PFMS preparedness in the State. It recommends that the DULBs leadership exhibit stronger and sustained commitment to rapidly progress towards effective PFMS implementation. Para 3.4.14
30	The 5 th SFC also recommends giving priority to requisite training and capacity generation for operating the PFMS portal by the officers at the headquarter and at the district level. Para 3.4.15
An Analysis of Funds Flow of CSS in Haryana	
31	The 5 th SFC strongly urges the Haryana Government to examine the reasons for such huge variations between the Actual and the Revised Expenditure on CSS, and initiate requisite corrective measures. Para 3.5.8
32	The SFC therefore strongly recommends that an Inter-Departmental task force be set up, led by the Finance Department, to obtain maximum leverage from the Centrally Sponsored Scheme (CSS) for the State. It would be essential to set accountability of enhancing this leverage, with benchmarks. Para 3.5.13
33	The 5 th SFC strongly urges that administrative reforms, including in human resource management (obtaining persons with requisite skills) and in enabling technology, be undertaken to achieve the above goal. Para 3.5.14
34	The 5 th SFC recommends that the GoH consider utilizing the SJHIFM as an organization which in collaboration with other government agencies can undertake research and initiate pilot projects on issues in public fiscal management having high policy priority. SJHPFM can draw on NITI Aayog's work along similar lines, and consider seeking its help in building needed capacities. Para 3.5.16

35	<p>The 5th SFC is of the view that the current structure of SJHIFM merits a revamp, with lateral entry of professional researchers and technical staff, and greater degree of autonomy in its research activities, albeit within the overall guidance of the Governing Board.</p> <p style="text-align: right;">Para 3.5.17</p>
State Public Enterprises (SPEs) in Haryana	
36	<p>The 5th SFC recommends that a road map for addressing this imbalance be a part of overall reform plan of the PSEs.</p> <p style="text-align: right;">Para 3.6.12</p>
37	<p>The 5th SFC suggests that the state needs to give priority to reforming existing SPEs. The power sector reforms are being addressed under the UDAY scheme. The Scheme's impact on public debt has been noted under FRBM (para 3.3.5 and 3.3.6). Realization of substantial operational efficiencies is essential for UDAY scheme to have positive impact on the performance of the SPEs in the power sector.</p> <p style="text-align: right;">Para 3.6.14</p>
38	<p>The 5th SFC also suggests that the remaining existing SPEs be divided into the following sectors: sugar, finance, infrastructure, and others. Setting up separate expert groups to study and recommend the future of these SPEs.</p> <p style="text-align: right;">Para 3.6.15</p>
39	<p>The 5th SFC recommends that those SPEs who have not done so, should transit to accrual accounting method by the 2019-20 fiscal year.</p> <p style="text-align: right;">Para 3.6.16</p>
40	<p>The 5th SFC recommends that the formation of the new SPEs, including partnerships with other public and private sector organization, be undertaken in a professional manner, with due regards to the commercial viability, appropriate technological choices, human resources with requisite skills and sound governance structures. Without such professional approach, the State competitiveness and its ability to deliver key public amenities and services would be adversely affected.</p> <p style="text-align: right;">Para 3.6.19</p>
Procurement Arrangements	
41	<p>The 5th SFC urges the GoH to utilize the GeM platform for better expenditure management, and as an integral part of generating fiscal space as described in Figure 3.5.</p> <p style="text-align: right;">Para 3.7.15</p>
Generating Fiscal Space: A Framework	
42	<p>To help acquire competency in contextualizing the generating fiscal space for Haryana, the 5th SFC suggests that the Finance Department and the SJHIFM initiate specific joint work-plan to help expand the State's fiscal resource generation.</p> <p style="text-align: right;">Para 3.8.3</p>

CHAPTER-4	
<i>Legislative Background and Framework</i>	
43	<p>The 5thSFC therefore recommends establishing a State Level Urban Shared Services Center (USSC) to provide technological support and expertise to urban local bodies to help improve their delivery of public amenities and services. This will not only reduce burden on the local municipalities and help them working with the limited capacities, but facilitate enhancing their focus on critical issues of planning public amenities and in delivery of urban services.</p> <p style="text-align: right;"><i>Para 4.2.17</i></p>
<i>Organizational and Administrative Framework</i>	
44	<p>The 5th SFC recommends that the Municipal Legislations of the State of Haryana be reviewed in view of the Cantonments Act, 2006 read with Article 243P of the Constitution of India, and the Ambala Cantonment be considered in the list of beneficiaries of SFC and Other grants. The 5th SFC has made provisions in its recommendations for the above to help facilitate this anomaly.</p> <p style="text-align: right;"><i>Para 4.3.6</i></p>
45	<p>The 5thSFC recommends establishing a 'Standard Operating Procedures' (SOPs) for making any conversion from one type of 'local body' to the other, whether from 'rural' to 'urban'; or from Committee to Council to Corporation. SOPs should also be established for handing over of charge by administrative or functional heads in the municipalities. There should be a detailed checklist to be fulfilled for completion of the conversion or handing over process with clear responsibilities assigned to the outgoing and incoming persons and also about the position of assets, liabilities and outcome status. This could minimize administrative concerns, and permit energies to be focused on better urban governance.</p> <p style="text-align: right;"><i>Para 4.3.9</i></p>
46	<p>The 5thSFC therefore recommends substantially strengthening the Directorate of ULBs of the State based on the scientific assessment of the human resource requirements for various functional responsibilities entrusted to it. The 5th SFC is of the view that clearly defined roles and responsibilities of various administrative verticals in the Directorate could contribute to improved governance.</p> <p style="text-align: right;"><i>Para 4.3.16</i></p>
47	<p>The 5thSFC recommends that the roles and responsibilities of all the Boards and Authorities including Local Bodies involved in the Urban development in Haryana be integrated and aligned, and a system of information sharing with respect to the outcomes be put in place as early as feasible.</p> <p style="text-align: right;"><i>Para 4.3.20</i></p>
48	<p>The 5thSFC recommends an objective review of the MIS formats already created for the ULBs keeping in view the purpose of data to be obtained, the manner in which they are to be analysed, the format of the reports to be generated from</p>

	<p>the data, and the purposes for which could be used. If required, additional formats may be created. It would be desirable to issue a clear 'Standard Operating Procedure' for filling the information by the ULBs so that the uniformity and clarity be maintained in the data. A system of monitoring the quality of data coupled with follow ups and rationalisation mechanisms to make the exercise meaningful also merits consideration.</p> <p style="text-align: right;">Para 4.3.32</p>
49	<p>The 5th SFC recommends that an integrated website for Directorate of ULBs having gateway/link with all ULBs is likely to be helpful in placing all relevant developments with respect to the function areas of ULBs, such as, function wise information about all departments and state and other bodies involved in performance of different activities of the same function, related initiatives taken by the Central and the State Government, best practices followed in other ULBs in Haryana or across India or Globe, and the like. Also, placing all related instructions/notifications etc. with a clear set of SOPs to be followed by the ULBs for implementing the same could be helpful in making the communication effectively reach the ULBs. A gateway for queries by ULBs to the Directorate and set of FAQs may reduce the burden of one to one interaction on the Directorate at many occasions. This recommendation may be developed further as needs and specific contexts change.</p> <p style="text-align: right;">Para 4.3.33</p>
Framework for Service Functions	
50	<p>The 5th SFC recommends that there should be a well-publicized location which indicates the service delivery activities undertaken by a given municipality, and which takes into account the needs of the citizens regarding transparency and accountability. A Digital Board placed outside the wall of a municipal body may list such activities, preferably along with related desk location. Such information may be included in website also.</p> <p style="text-align: right;">Para 4.4.7</p>
51	<p>The 5th SFC recommends that there should be a mapping of activities by functions related to the ULBs. This should incorporate various ULBs functions performed by different departments and other government bodies. One of these departments/bodies must be identified as the nodal body for overall performance of that function with the responsibility for coordinating and ensuring that resources of the State are utilized without overlapping. This could help to minimize resources devoted to a given function for the outcome level obtained.</p> <p style="text-align: right;">Para 4.4.13</p>
Service Delivery	
52	<p>The 5th SFC suggests that the procurement policies for contracting out of road repairs be reviewed to identify possibilities for improving outcomes.</p> <p style="text-align: right;">Para 4.5.5</p>

53	<p>The 5thSFC recommends that the Toll-Free phone number or 'whatsapp' number or web address meant for feedback from local residents of a municipal area be well publicized through Boards or by any other means by which general public may become aware of such means of communication.</p> <p style="text-align: right;">Para 4.5.17</p>
54	<p>The 5thSFC recommends that a mechanism should be put in place to prepare a periodical (at least monthly) MIS of the feedback received from the local residents (be it complaints or suggestions), analyse and classify these to identify the problem areas and the areas where improvement may be made.</p> <p style="text-align: right;">Para 4.5.18</p>
Financial Position	
55	<p>The 5thSFC urges the State government to undertake a technical review of its budget forecast practices; and to regularly evaluate reasons for the fiscal marksmanship record exhibited by disaggregated revenue and expenditure categories in the State budget as well as those of the ULBs and PRIs.</p> <p style="text-align: right;">Para 4.6.9</p>
56	<p>The 5th SFC recommends that the urban Department of Haryana reconsider the current classification of receipts and of expenditures as it is not conducive for analytical and policy purposes. It is also not consistent with integrating accounting and reporting requirement of the current and capital expenditure budget classification and with the PFMS.</p> <p style="text-align: right;">Para 4.6.11</p>
57	<p>The 5th SFC recommends that processes by which data are obtained by the Urban Department from the municipal bodies be reviewed with the objective of obtaining real-time data from them. Progress towards this objective, with clear roadmap stated, could be gradual. This would also require augmenting human resources and accounting and budgeting technology of the Urban Department and the municipal bodies.</p> <p style="text-align: right;">Para 4.6.20</p>
Revenue from Shared taxes	
58	<p>The 5th SFC recommends that revenue raising powers of the Municipal Corporations, Municipal Councils and Municipal Committees be rationalized and be made explicit for better policy coherence. In reviewing the revenue raising powers of the municipalities, it would be appropriate to ensure that they are also authorised to levy and collect all taxes, fees and toll, which can be collected by the Municipal Committees and Councils and vice-versa.</p> <p style="text-align: right;">Para 4.7.9</p>
59	<p>The 5th SFC suggests that a 'Standard Operating Procedure' for (how to start levying or collect a new tax or a toll or a fee),be prepared at the State Level and be circulated in all ULBs so that the ULBs wanting to take such initiative have clarity on what is permissible, how rate can be determined and what is the procedure.</p> <p style="text-align: right;">Para 4.7.12</p>

60	<p>The 5th SFC recommends that a database be created at the State Level (giving access to all ULBs) about all the heads under which tax may be collected along with their rates and manner of collection including the list(s) of license fee under various Bye Laws with clear guidelines about the coverage of assesses and potential tax or fee which can be collected.</p> <p style="text-align: right;">Para 4.7.20</p>
61	<p>The 5th SFC suggests that a review be made of the design of the current property tax rates and base. This review should also examine how to improve service standards so as to be able to place a demand for more taxes.</p> <p style="text-align: right;">Para 4.7.24</p>
62	<p>The 5thSFC recommends that at the State Level, a clear 'Standard Operating Procedure (SOP)' for collection of taxes should be circulated to all municipalities and internal control mechanisms should be prescribed for adoption thereby, and the municipalities may be instructed to adhere to that SOP.</p> <p style="text-align: right;">Para 4.7.28</p>
63	<p>The 5th SFC also recommends that the property survey of entire urban Haryana may be done at the State Level for all municipal areas, so that efficiency, central database and economies of scale may be achieved. The State may look for appropriate technology to use for the purpose keeping in view its budget constraint. Also, at the State level, a mechanism be devised to develop third party information relevant for property tax collection. Alternate avenues may be explored for creating or updating such database by rationalizing the property data received available with some other departments like electricity utilities in Haryana.</p> <p style="text-align: right;">Para 4.7.29</p>
64	<p>The 5th SFC recommends that concerted efforts need to be taken at the State level by coordinating activities of all state agencies. The State of Haryana may consider adapting Water Policy 2013 of the Government of India for its context, including measures to recover cost of supply through differentiated user charges from the beneficiaries. The user charges should be structured not in nominal terms, where real value declines with time. A formula based user charges which help preserve real value merits serious consideration.</p> <p style="text-align: right;">Para 4.7.42</p>
65	<p>The 5th SFC recommends that a robust system be created for transfer of stamp duty collected by the registrar or sub-registrar on account of the duty levied by the ULBs. The relevant legislative and regulatory provisions concerning the ULB's require an immediate intimation to them regarding collection of stamp duty on their account. This should be followed in practice and a system of direct transfer in real time to the ULBs must be put in place.</p> <p style="text-align: right;">Para 4.7.54</p>
66	<p>Regarding the share of municipal bodies in electricity duty, the 5th SFC makes recommendations in two parts. First, the pending issue of the respective amounts due on ULBs and Power Companies on account of electricity bills and</p>

	<p>ULB tax share respectively be effectively addressed at the State Level, and a closure may be made in whatever way the State Government thinks fit. Second, 5 paise being a very inflexible amount in nominal terms and as the transmission of this money involves considerable administrative and operational costs and disputes, it's inclusion in the proposed devolution arrangement of the 5th SFC which is based on State's adjusted SOTR, category would improve certainty and buoyancy of revenue to urban and rural bodies and enhance transparency.</p> <p style="text-align: right;">Para 4.7.66</p>
67	<p>The 5th SFC recommends that the Municipal Bodies of Haryana be encouraged to undergo their credit rating process, able it after appropriate preparation. Such a rating would be helpful in accessing municipal bond markets particularly for those cities, such as Karnal, which have been included in the Smart Cities list of the union government.</p> <p style="text-align: right;">Para 4.7.80</p>
68	<p>The 5th SFC is of the view that the research on augmentation of revenue should be a continuous exercise where the potential may be explored for newer ways of Earning revenue and for exploiting the existing ways to the optimum. A professional institution suggests SJHIFM may be helpful in this regard.</p> <p style="text-align: right;">Para 4.7.81</p>
Accounting Mechanism	
69	<p>The 5th SFC recommends that a uniform form of accounting with uniform coding should be adopted and used in all ULBs in Haryana.</p> <p style="text-align: right;">Para 4.9.5</p>
70	<p>The 5th SFC's research also suggests that the following additional areas merit consideration. The system for recording and maintaining assets, land and property in the ULBs is very weak. Inadequate maintenance of these records suggests that the assets and properties are not able to provide high quality services expected from them. The current arrangements imply that not only available assets/property are not utilized efficiently, but they also provide opportunities for theft and pilferage and for unauthorized occupation. As a result, the asset and property base of the ULBs is eroded.</p> <p style="text-align: right;">Para 4.9.11</p>
71	<p>The 5th SFC recommends that a onetime exercise be undertaken to take stock of assets with the ULBs. It should involve ensuring the numbering and recording of the assets along with indication of physical location thereof in a standard format is done for all ULBs. Standard Operating Procedures may be framed for maintaining records of such assets as well as disposal thereof along with the timeframe within which it should be done. In every ULB, specified official should be given responsibility of maintaining & updating such record. It may be noted that the Government of India has developed an application to record the assets of ULBs and RLBs. The application is termed as 'National Asset Directory' and is</p>

	<p>available for use. The details are available at the website assetdirectory.gov.in. Haryana State authorities are urged to study if this application could be adopted for the needs of the State.</p> <p style="text-align: right;">Para 4.9.16</p>
72	<p>The 5th SFC recommends that a onetime exercise may be undertaken to take stock of the property owned by the ULBs, to ensure that the recording of all the properties owned or claimed to be owned by the ULBs, the status of encroachment and legal cases if any, is done. Also, at the State Level, the status and action plan for the properties encroached may be considered. Standard Operating Procedures may be framed for maintaining records of such property, the format of periodical information to be sent to the Directorate of ULB in this regard, to as well as disposal thereof along with the timeframe within which it should be done.</p> <p style="text-align: right;">Para 4.9.20</p>
73	<p>The 5th SFC recommends that the municipalities should maintain a single bank account for crediting or debiting all its income and expenses, in line with the concept of corporation fund or municipality fund in the related statutes.</p> <p style="text-align: right;">Para 4.9.25</p>
74	<p>The 5th SFC recommends that a policy be initiated for the accounting of scheme wise receipt and expenditure of funds and reporting of yearly status of closure of the schemes.</p> <p style="text-align: right;">Para 4.9.27</p>
Audit and Internal Control Mechanisms	
75	<p>The 5th SFC recommends that the current system of audit should be reviewed; use more of strategic and modern information technology for timely and effective audit, with the assistance of limited but skilled manpower.</p> <p style="text-align: right;">Para 4.10.8</p>
76	<p>The 5th SFC thus recommends the adoption of e-procurement system by the ULBs. (para 3.7 of chapter 3)</p> <p style="text-align: right;">Para 4.10.10</p>
77	<p>The 5th SFC further recommends that a scientific assessment be made concerning the manpower requirements for the purposes of audit, and steps should be taken to ensure sufficient and quality audit staff.</p> <p style="text-align: right;">Para 4.10.11</p>
78	<p>The 5th SFC recommends that a policy should be in place about the manner and timeframe in which audit observations would be dealt with by the ULBs, and fixing of responsibility will be addressed.</p> <p style="text-align: right;">Para 4.10.12</p>
79	<p>The 5th SFC recommends that the ATIRs prepared by the C&AG office of Haryana, should be considered for action within a defined framework of time preferably one year from the date of acceptance of the SFC report, and a</p>

	timeframe may be prescribed by the State Government for closure of the future audit reports. Para 4.10.17
80	The 5 th SFC recommends that internal control mechanisms be established for the ULBs at the State Level in the form of statements in specified formats to be filled and transmitted to the appropriate officer of the Directorate of ULBs in the form of MIS and a small software programme may be made to identify larger deviations and risk areas so that corrective actions can be taken accordingly. Para 4.10.21
Human Capital and Capacity to Spend and Deliver	
81	The 5 th SFC recommends that a professional assessment of the staff required for the Directorate and for the ULBs to perform in a manner which produces desired outcomes be undertaken. Such an assessment should focus on functions (and not individual activities) including the function of coordination and planning. Further, an analyses as to what kind of functions can be outsourced and to what extent would also be helpful in this regard and would be helpful in guiding the ULBs in outsourcing its activities and in hiring contractual staff. <i>The need for manpower may undergo a change if the 5th SFC's recommendation for State Level Urban Shared Service Centre is accepted.</i> Para 4.11.8
82	The 5 th SFC recommends that role mapping for the work positions in ULBs and SOPs for such roles including the reporting and MIS and responsibility factor may be done and the information be placed at a defined and known medium which can be accessed easily, but with appropriate checks and balances. Para 4.11.9
Planning and Budgeting at the Local Level	
83	The 5 th SFC recommends that the Budget Document of the ULBs be based on a uniform format. This would include the function wise estimation of expenditure and revenue attributed to the function. Also, appropriate explanations should be given for the differences between budget estimates and actual realization. Para 4.12.17
A Case for Establishing Urban Shared Services Centre	
84	The 5 th SFC strongly recommends that to align resources, capacities, and functions to be performed by the ULBs an Urban Shared Services Centre (USSC) located in the Urban Directorate of the State, be established. Para 4.13.4
CHAPTER-5	
Organisational and Administrative Structure	
85	The 5 th SFC recommends that the extent of capacity constraints with respect to the position(s) of DDPOs and BDPOs be ascertained and then addressed. Para 5.3.17

86	<p>The 5th SFC recommends that the number and quality of Gram Sachives deployed presently need to be rationalized keeping into account the modalities of 'Gram Sachivalays' for providing administrative services.</p> <p style="text-align: right;">Para 5.3.18</p>
87	<p>The 5th SFC recommends that a unified website of the PRI department, integrated with the websites of RLBs, may be designed. The website design may be uniform across RLBs to facilitate understanding and access. A window may be created for elected representatives to place their queries and setting up a system facilitating suggestions. Similar window may be created for the public. This may be connected with mobile application. Responding the queries and suggestions merit consideration</p> <p style="text-align: right;">Para 5.3.21</p>
88	<p>The 5th SFC also recommends that after the website(s) are developed, the responsibility of updating, operating and maintaining the site must be entrusted to the identified functionaries to ensure the appropriate functioning thereof.</p> <p style="text-align: right;">Para 5.3.24</p>
Functions Profile	
89	<p>The 5th SFC recommends that a special task force be set up to converge the Central and the State schemes in terms of activities to be undertaken under these schemes with reference to the specified function area (such as health or water supply or sanitation), the outcomes expected and funds, human resources and technology base available for such activities.</p> <p style="text-align: right;">Para 5.4.35</p>
90	<p>The 5th SFC recommends that efforts should also be made to consolidate the various schemes, particularly state schemes which are large in number, many schemes have same or similar objectives, some of the schemes date back to 20-30 years and needs to be reviewed in terms of relevance. Minimizing number of schemes would save funds and give more clarity regarding the expected outcomes, and would make the convergence easier.</p> <p style="text-align: right;">Para 5.4.37</p>
91	<p>The 5th SFC recommends that a clear activity chart be prepared for GPs, PSs and ZPs functionaries both elected and administrative, along with the manner and formats and instructions (that is, SOPs) for undertaking these activities. As the 'role convergence' exercise may take some time, this activity chart may be prepared in the interim for the major activities which are identifiable.</p> <p style="text-align: right;">Para 5.4.42</p>
92	<p>The 5th SFC suggests focusing on operational level clarity about the expected outcomes and respective roles so that achievement of outcomes may be ensured. Also, clarity about the functions to be performed by RLBs would bring certainty as to their structural and financial requirements.</p> <p style="text-align: right;">Para 5.4.48</p>

Financial Position	
93	<p>The 5th SFC recommends that the revision in rate of House tax considered by Government based on deliberations made by the Development and Panchayat Department should be made. The 5th SFC further recommends that, an exercise should be undertaken to allocate house numbers in rural areas to facilitate mapping the details of number of houses and allocating house numbers in rural area.</p> <p style="text-align: right;">Para 5.5.7</p>
94	<p>The 5th SFC recommends that a time bound exercise be undertaken for appropriate recording of shamlat land. The 'e-suite application' developed by the Central Government for maintenance of Land records may be put to use to achieve good results. A review at the State level taking into account the overall factual position of shamlat land, actual and potential revenue from it merit consideration. The systems and guidance should be developed to assist the RLBs for land and property management.</p> <p style="text-align: right;">Para 5.5.21</p>
Measures to Augment Revenue of RLBs	
95	<p>The 5th SFC is of the view that the Department of Panchayats is best equipped to take a decision on the types and rates of taxes that may be collected in the RLB areas as they have already identified tax prospects and are well aware of the respective challenges. The areas already identified by them, coupled with the suggestions made by the local people may form a good basis to reconstruct the taxation spectrum of RLBs. However, it should be kept in view that the tax income should be commensurate with the efforts required to put in for collection of such taxes.</p> <p style="text-align: right;">Para 5.6.11</p>
96	<p>The 5th SFC recommends that to the extent possible the tax collection mechanism need to adopt a digital platform. This may be developed at state level. It is only when the tax or charges are collected directly from householders for sanitation fee etc., digital mode may pose constraints but in case of tax collection from commercial establishments, or for mutation charges etc., such constraints may not be there.</p> <p style="text-align: right;">Para 5.6.12</p>
97	<p>The 5th SFC suggests that the scheme for corporate contribution under their CSR programme be prepared with least conditions and execution hassels. The CSR initiatives need to be aligned with State and Central schemes with similar goals. It is useful to publicise such schemes.</p> <p style="text-align: right;">Para 5.6.15</p>
98	<p>The 5th SFC is of the view that the research on augmentation of revenue should be a continuous exercise where the potential may be explored for newer ways of earning revenue and for efficiently collecting the existing taxes. A professional institution such as SJHIFM may be helpful in this regard.</p> <p style="text-align: right;">Para 5.6.16</p>

Accounting and Auditing Mechanism	
99	<p>The 5th SFC recommends that the funds under the State Schemes should be released to RLBs using the PRIAsoft system. At the time of release of funds, a simultaneous entry should be made in the system under the respective accounting head of the specified Scheme, so that the recording can be appropriately done in this regard. Also, use of PFMS for state schemes would make the system more efficient.</p> <p style="text-align: right;">Para 5.7.14</p>
100	<p>Further, it may be mandated to the persons making the accounting entry in the system to necessarily write narration of receipts and expenditure. A standard operating practice in this regard may be made elaborating what all should be included in narration and within what timeframe the entry should be made. Thus, simple operational steps may ensure a big result with respect to control over grant money.</p> <p style="text-align: right;">Para 5.7.15</p>
101	<p>The 5th SFC recommends that the software may be explored to identify the possibility of shifting entire accounting of PRIs to the PRIAsoft, and the manner of doing so needs to be drawn up along with the capacity requirements and steps involved.</p> <p style="text-align: right;">Para 5.7.16</p>
102	<p>The SFC recommends that at least 2 systems analysts along with 2 chartered accountants should be exclusively assigned this task at the State Department level. These persons can study the system and establish standard operating procedures for the PRI units and then create training modules for the users. Assistance may also be taken from the PRI training Institution in Haryana and the Institute of Chartered Accountants of India.</p> <p style="text-align: right;">Para 5.7.17</p>
103	<p>The 5th SFC recommends that the State may consider enhancing the basic qualification requirements for Gram Sachiv position going forward by keeping it to the minimum graduate/post graduate level preferably with an accounting degree or professional background. For the existing Gram Sachives, well designed capacity building programmes must be initiated.</p> <p style="text-align: right;">Para 5.7.21</p>
104	<p>The 5th SFC also recommends that appropriate measures be taken for recording and management of cash, bank accounts, assets and properties of the PRIs. One bank account in place of multiple bank accounts, maximum limit of keeping cash in PRIs, maintenance of asset and property register (preferably using respective e-suit applications) can bring manifold increase in revenues of the PRIs. A time bound execution of required directives and completion of related records is suggested.</p> <p style="text-align: right;">Para 5.7.23</p>

105	<p>The 5th SFC recommends that appropriate measures be taken by the State in consultation with the LAD and C&AG to enhance the audit capacity of these departments so that the appropriate coverage and timeliness of audit may be ensured.</p> <p style="text-align: right;">Para 5.7.31</p>
106	<p>The 5th SFC recommends that the audit reports of every PRI unit be placed on the respective website of the PRI Unit (a suggestion for an integrated website of PRI department with each PRI unit website in uniform format is made in fact to a large extent it exists also), and a system of sending mail and getting acknowledgement of the receipt of the audit report should be made part of the audit exercise.</p> <p style="text-align: right;">Para 5.7.34</p>
107	<p>The 5th SFC further recommends that an analysis of existing audit reports including the past years reports be done to identify the nature of frequent observations and the transactions where issues occur frequently and the modus operandi which is used to deploy unfair means or to cause leakages. A concerted view can then be taken to design the transactions or points susceptible to distortion and the issues can be addressed at policy level.</p> <p style="text-align: right;">Para 5.7.35</p>
108	<p>The 5th SFC also recommends that a onetime exercise may also be done to close the long pending audit observations within a given time frame, preferably within 1 year from the acceptance of the SFC's report.</p> <p style="text-align: right;">Para 5.7.36</p>
Initiatives by the Central Government and the State of Haryana	
109	<p>The 5th SFC recommends that an appropriate timeline and monitoring mechanism should be established for completing assets recording in NAD with specific mention of 'person responsible' for the job with respect to each GP. If need be, professional assistance may be hired at Block or District level to get the recording completed for existing assets within six months to one year time frame from the date of acceptance of SFC report; and to establish a system for regularly recording new assets.</p> <p style="text-align: right;">Para 5.8.13</p>
110	<p>The 5th SFC thus recommends that SJHIFM be assigned a task of continual research and identification of the works done by the Central Government in this regard and the extent the State of Haryana is making use of the resources so created or offered, and suggest the ways to make fullest use of such resources. A system of periodical MIS in this context should be created and followed.</p> <p style="text-align: right;">Para 5.8.15</p>
111	<p>The 5th SFC suggests that a programme may be designed for community service by the college or university students for at least 1 month or 2 months out of 3 year or 2 year tenure were they can get engaged with the ULBs or RLBs. This will fulfill twin needs of Sensitizing the children towards the needs of rural areas</p>

	and making available assistance to the RLBs from educated resources. The programme however needs to be designed keeping in view the factor that the RLBs get this assistance throughout the year and the students are to do the participation for a month in the year. The concept needs to be further evolved. Para 5.8.19
112	5 th SFC suggests that a District level functionary should be assigned an exclusive task to ensure proper functioning of Gram Sachivalays and all such district level functionaries should have a corresponding reporting authority in the State. An appropriate MIS is also required to be established. This modality of shared services must be closely monitored and effectively implemented and operated. Para 5.8.27
CHAPTER-6	
The Approach	
113	The 5 th SFC's research underscores the need to ensure that the actual devolution of funds adheres to the recommended allocation formula for the CFC and for the SFC. Moreover, these two streams of funds to the ULBs and the RLBs in Haryana must be made explicit, transparent, and distributed in a timely manner. These observations would apply to the devolution under the 5 th SFC's mandated period as well. Para 6.2.6
Methods for Devolving Among Urban Bodies and Among Rural Bodies.	
114	The 5 th SFC strongly recommends that the annual devolution of SFC fund to each of the Urban and Rural Bodies be made in a transparent manner. To facilitate expenditure and revenue planning by these bodies, the SFC funds, which are devolved without conditions, be allocated as early in the fiscal year as feasible. Para 6.5.8
Monitoring of the 5th SFC Report and Continuing the SFC's Work	
115	The 5 th SFC recommends that a division be created in Swarna Jayanti Haryana Institute for Fiscal Management(SJHIFM) as a repository of the data and information about the ULBs and RLBs – about finances, about schemes, about services, about capacity, about central and state government's initiatives etc. This will immensely facilitate the work of the future SFCs. Para 6.6.1
116	The SFC's recommendation for the organizational structure of SJHIFM is - provided in Figure 6.1. Its focus should be public financial management in Haryana and monitoring and continuing the SFC's work. Essentially it should be designed to function as a think tank to the Haryana government in the above areas. Para 6.6.3

117	It is suggested that in addition to the Governing Board which sets the broad policy guidelines. The operational aspects of SJHIFM should be overseen by a Director, with an Executive Council providing research and related guidance. Para 6.6.4
CHAPTER 7	
Haryana: Case Studies	
Chandawali Village, Faridabad: Installing CCTV Camera to Address Crime	
118	The 5 th SFC urges the other villages in Haryana to consider the adaptability of this initiative to their own context. Para 7.2.5
Village Night Camp Initiative in Haryana: An Innovative Approach Towards Communication and Taking Services to the Citizens	
119	The 5 th SFC strongly urges that the NCI become an integral part of Governance structure and practices. This would have far reaching implications for Haryana in data gathering, data analysis and incorporating them into policymaking. It also has implications for how statistics are gathered and analysed, and human resource appropriateness of those entrusted with this task. Para 7.4.16
Solid Waste Management (SWM) Imitative: The OYE! Ambala	
120	The 5 th SFC commends the leadership of the AMC for its frank assessment of the current waste management methods, and even more importantly, for the commitment to introduce a more scientific, and professional system of waste management, aided by technology, sound processes and systems. Para 7.5.17
Shiv Yog Krishi under ATMA scheme	
121	The 5 th SFC recommends that proactive steps should be taken by the ATMA nodal officers to start Shiv Yog training programmes. The officers may visit the farmers who have already adopted this method of farming and may also connect with Shiv Yog foundation where the volunteers also provide support in such training programmes. Para 7.9.7
122	The 5 th SFC also recommends that the agricultural universities of Haryana should undertake research on Shiv Yog farming to have an authentic and scientific view about this. Para 7.9.8
Community Managed Water Supply Programme: Gujarat	
123	This initiative illustrate that it is feasible to convince rural community to at least partially pay for water use. This has relevance for Haryana as convincing rural communities to least partially pay water is needed as water is becoming an important constraint in the State. Para 7.10.5

<i>The "Yuva Vikas Prerak" Initiative in Rajasthan</i>	
124	<p>The 5th SFC is of the view that the idea of connecting young members of the society with villagers has a good potential to bring awareness about the government schemes to the rural masses. Efforts should be made to effectively implement GRAVIT scheme in Haryana incorporating appropriate training and monitoring mechanism.</p> <p style="text-align: right;"><i>Para 7.11.7</i></p>
<i>Concluding Remarks</i>	
125	<p>The 5th SFC recommends that the relevant Departments and officials (such as District Commissioners, Block Development Panchayat Officers, Municipal Commissioners and others) consider how issues highlighted by the case studies (and by wider set of case study by NITI Aayog) in this Chapter, could be better approved in their jurisdiction for improving outcomes.</p> <p style="text-align: right;"><i>Para 7.12.2</i></p>
126	<p>The 5th SFC suggests that the relevant state agencies, particularly in the social and agriculture sectors, explore the potential role in knowledge transmission, technology, design, delivery, and monitoring of public services and amenities in Haryana. This could also assist the State in obtaining better outcome with same level of fiscal resources utilized.</p> <p style="text-align: right;"><i>Para 7.12.5</i></p>

Annexure

HARYANA GOVERNMENT
POLITICAL & PARLIMENTARY AFFAIRS DEPARTMENT

Notification

The 26th May, 2016

No. 18/1/2010-2POL. – In pursuance of the provisions of the article 243 I and 243 Y of the Constitution of India and section 213 of the Haryana Panchayati Raj Act, 1994 (Act 11 of 1994) and rule 3 of the Haryana Finance Commission Rules, 1994, the Governor of Haryana hereby constitutes the Fifth State Finance Commission, Haryana (5th SFC) consisting of Shri Mukul G. Asher, R/o LKY School of Public Policy, National University of Singapore, 469C, Bukit Tamah Road, Singapore-259772 as the Chairman.

The other members and Member-Secretary of the Commission will be as mentioned below:-

S. N.	Name & Address	Designation
1.	Shri Mukul G. Asher, R/o LKY School of Public Policy, National University of Singapore, 469C, Bukit Tamah Road, Singapore-259772	Chairman
2.	Shri Vishnu Bhagwan, R/o B-39, Madhuban Colony, Delhi – 110092.	Member
3.	Ms. Rohini Aggarawal, R/o 67C, Block-B/U&V, Shalimar Bagh, Delhi -88.	Member
4.	Dr. Aniruddha Rajput, R/o B 5/94, 2 nd F., Safdarjung Enclave, New Delhi 110029.	Member
5.	Shri Sham Lal Bansal, R/o 1076, Sector-2, Panchkula – 134112.	Member
6.	Shri Rajinder Mohan Walia, R/o Kurukshetra Press, # 2385/5, Chota Bazar, Kurukshetra – 136118.	Member
7.	Shri Anurag Bakshi, R/o 186, Sector -14, Gurugram – 122001.	Member
8.	Ms. Neeta Khera, R/o 19, Jain Nagar, Ambala Cantt. – 133001.	Member
9.	Ms. Amneet P. Kumar, IAS, Secretary to Government Haryana, Secretariat Establishment and Finance Department.	Member Secretary

2. The Commission shall make recommendation relating to the following matters:-
 1. (a) the principles which should govern:-
 - (i) the distribution between the State and Zila Parishads, Panchayat Samitis and Gram Panchayats, of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under Part IX of the Constitution of India and the allocation between the Zila Parishad, Panchayat Samiti and Gram Panchayats at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Gram Panchayats, Panchayat Samitis and Zila Parishads;
 - (iii) the grant-in-aid to the Zila Parishad, Panchayat Samiti and Gram Panchayat from the Consolidated Fund of the State.
 - (b) the measures needed to improve the financial position of the Gram Panchayats, Panchayat Samitis and Zila Parishads:
 2. (a) the principles which should govern:-
 - (i) the distribution between the State and Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under Part IX A of the Constitution of India and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Municipalities;
 - (iii) the Grants-in-aid to the Municipalities from the Consolidated Fund of the State; (b) the measures needed to improve the financial position Municipalities.
- In making its recommendation, the Commission shall have regard, among other considerations, to:-
- (i) the objective of balancing the receipts and expenditure of the State and for generating surplus for capital investment;
 - (ii) the resources of the State Government and demands thereon particularly in respect of expenditure of Civil Administration, maintenance and upkeep of capital assets, maintenance expenditure of plan schemes and other committed expenditures or liabilities of the State; and
 - (iii) the requirements of the Panchayati Raj Institutions and the Municipalities, their potential for raising resources and for reducing expenditure.
3. The Chairman and other members of the Commission shall hold office for a period of one year from the date of this notification and the Commission shall make its report available to the Governor of Haryana on expiry of this period. The report shall cover a period of five year from 2016-17 to 2020-21.
 4. Other terms and conditions of service of the Chairman and Member will be issued later on.
 5. The issue with the concurrence of Finance Department vide their U.O. No. 12/48/2005-IFGI/14280 dated 25th May, 2016.

D.S. DHESI,
Chief Secretary to Government Haryana

Annexure-1.2**Name of the participants in the workshop held at Haryana Institute of Public Administration (HIPA), Haryana**

Sr. No.	Name	Organisation/Institution
1.	Sudhir Krishnan	Chairman 5 th SFC, Delhi
2.	Deepak Sapolia	IAS (Retd.), Ex-Chief Secretary Government of Delhi NCT
3.	R.S. Mathur	IAS (Retd.), Chairman Noida Development Authority
4.	V.N. Alok	Indian Institute of Public Administration (IIPA), New Delhi
5.	Sandeep Thakur	National Institute of Urban Affairs, New Delhi
6.	Anupam Kulshrestha	Director National Institute of Audit and Accounts, New Delhi
7.	Sukrit Nagpal	Senior Programme Officer, Panchayati Raj Institution Accounting Software (PRIASoft)

Annexure-1.3

Name of the participants in the workshop held at Guru Jambheshwar University of Science and technology (GJUST), Hisar, Haryana

Sr. No.	Name	Organisation/Institution
1.	O.P. Mathur	National Institute of Urban Affairs (NIUA), New Delhi
2.	Pinaki Chakraborty	National Institute of Public Finance and Policy (NIPFP), New Delhi
3.	Tapas Sen	Price Waterhouse Coopers, (PWC) New Delhi
4.	Anand P. Gupta	Indian Institute of Management, Ahmedabad
5.	Tilak Chandna	Global Village Foundation, New Delhi
6.	P. K. Chaubey	Indian Institute of Public Administration (IIPA), New Delhi
7.	Ravish Maheshwari	Sardarkrushinagar Dantiwada Agricultural University (SADU), Gujarat
8.	Kulwant Nehra	Centre for Research in Rural and Industrial Development (CRRID), Chandigarh
9.	Ranjit Singh Ghuman	Centre for Research in Rural and Industrial Development (CRRID), Chandigarh
10.	Narendra Bishnoi	GJUST, Hisar

Annexure 3.1

Fiscal Responsibility Legislation (FRL)	
Issues	Comments
Impact on State FRLs on the fiscal outcomes of States	
How have the extant State FRLs been useful in securing the State's macro fiscal goals? What is the States view on the impact of FRLs on the State's ability to efficiently utilize their fiscal space?	As per Central Finance Commission (CFC) recommendations, the State Government enacted the FRBM Act 2005. The necessary amendments in the FRBM Act are being made by the State Government as per recommendation of CFC as well as Ministry of Finance Government of India guidelines. The fiscal deficit as percentage of the GSDP of Haryana Government was well within the prescribed limit of 3 per cent during the award period of the 13th FC (2010-2015). The State Government planed its expenditure as per the availability of State's own resources, proceeds from Central Government under Finance Commission grants, grants under plan schemes (CSS) and borrowing within the permissible limit. As per 13th FC there was no provision to carry forward the unutilized borrowing limit to the next year. However, as per recommendation of the 14th FC, unutilized borrowing could be utilized in the next year during the 14th FC award period.
State's view on the second generation fiscal rules such as expenditure ceiling.	As per Union Government decision, expenditure ceiling may be considered on unproductive activity/non-development activities like office expenses overhead expenditure.
Specifically, why did some states fell the need to incorporate Debt rules where as other did not? Moreover, how did State decide the level of their respective debt targets? What the optimum Perceived path of debt sustainability?	As the resources are limited vis-à-vis development needs, States are forced to borrow to finance its development works. Utilisation of debt is important if it is used for creation of productive assets then debt may be self sustainable. The sustainability of the finances of the State can be measured in terms of Interest payment to Revenue receipts and Debt to GSDP ratio. The fiscal indicators of Haryana are well within the prescribed limit of CFC except revenue deficit. State has never defaulted in repayment of loans and interest thereto. During the award period of 13th Finance Commission, debt to GSDP ratio of the State was within the prescribed limit. After taking over the 50 percent outstanding debt of the DISCOMs in 2015-16 and 25 per cent in 2016-17 under UDAY, the State's debt to GSDP ratio are well within the prescribed limit of 25 per cent (viz, 22.46 per cent in the RE 2015-16 and 23.96 per cent in 2016-17 BE). State was able to reduce its Revenue Deficit from 1.88 per cent in 2014-15 to 1.34 per cent in 2015-16 (RE) and further estimated to reduce to 1.10 per cent in 2016-17(BE). Fiscal deficit has been reduced to 2.58 per cent in 2015-16 (RE) from 2.80 per cent in 2014-15 and further estimated to reduce to 2.47 per cent of GSDP in 2016-17(BE).

Some states have provided for legal limit on Guarantee. What has been their experience in this regard	<p>In Haryana there is no legal limit on State Government guarantee. As per Haryana Government instruction dated 01.08.2001, 2% guarantee fee is being charged by the State Government from Boards, Corporations and Public Sector Enterprises for raising loans from Financial Institutions with State Government guarantee. In FY 2012-13 as per Gol scheme, for Financial Restructure Plan (FRP) of DISCOMs, State Government Guarantee to the tune of Rs. 19547 crore was given by the State. Further, State has taken over the debts of Rs. 7366 crore under FRP scheme. The State has never defaulted in any loan repayment as well as interest payment.</p> <p>As per RBI guidelines, Haryana State has created a Guarantee Redemption Fund (GRF) and the guarantee fee is being deposited in the GRF annually. As on 31.03.2016, balance in GRF is 843.42 crore. All repayment of loans and payment of interests are being made by the PSEs and never revoked the State Government guarantee. As the guarantee given by the State is a contingent liability of the State, in case it revoked, the State has to pay the loan amount to the financial institution concerned. Therefore, it is suggested that there may be a ceiling for providing the State Government Guarantee as percentage of revenue receipts or GSDP.</p>
Transparency	
Views on the overall liability of the State.	The off budget borrowings may be part of the overall liability of the States. As the borrowings made by the PSEs with State Government guarantee is ultimately liability of the State in case same is revoked.
Disclosers of off -budget borrowings and contingent liability	Haryana State is providing the statement of contingent liability (guarantee) in budget document every year while presenting budget before the State Legislature.
The borrowing made by PSUs/SPVs may not include the overall borrowing of the State as the PSUs raise loan from financial institution as per their capacity.	The PSUs take loan as per need and capacity to utilize the funds. The repayment of principal amount and interest is also made by the PSUs. However, State Government charges 2% Guarantee fee from PSUs on giving guarantee for raising loans from financial institutions.
Public Private Partnership (PPP)	A PPP Cell has been created by the State Government to deal with issues of PPP projects.
Repayment of off-budget borrowing from the State Budget	In Haryana no such practice is being exercised.
Classification of Revenue and Capital expenditure	As per decision of Government of India, State Government has decided to adopt the classification of Revenue and Capital from the budget 2017-18.
Option which could be considered to ensure that adequate are earmarked for maintaining Capital assets.	Presently, there is no such norm for earmarking the funds for maintaining the Capital assets. However, it is proposed that a ceiling could be fixed for earmarking the funds for maintaining the Capital assets. Proper/timely utilization of fund for maintaining of

<p>Transparency would be enhanced if in the reporting methodology the State Government can lay in each financial year before the State Legislature a statement on the adherence to the State FRL and also setting forth a 3 years rolling target which outlines for the ensuing year important policies pertaining to taxation, expenditure, market borrowings, other liabilities, lending and investment, pricing of administered goods as well as policies designed to improve productivity and efficiency of public expenditure.</p>	<p>Capital assets, certainly will enhance the life of the Capital assets.</p> <p>As per guidelines of Central Government, FRBM targets are being amended annually and placed before the State Legislature for the approval. The State Government has no objection to fix rolling targets for three years outlining important policies parameters, expenditure, market borrowing, other liabilities, lending and investment, pricing of administered goods as well as policies designed to improve productivity and efficiency of public expenditure for ensuing three years.</p>
<p>Impact on FRLs on Development Expenditure</p> <p>The working assumption underlining the FRL process has been that the purposes of public expenditure (other than for Consumption and for Investment) should not be a factor in deciding the fiscal rule framework. Doing so may result in micromanagement of development trajectories that are highly state-specific.</p> <p>However, it can also be argued that FRL targets, indicators, and rules should take cognizance of (1) the type and purpose of expenditure undertaken by States and (2) that public expenditure that explicitly impacts the development objectives of States should be treated differently from public expenditure that does not explicitly do so. We seek the States' views on this import issue.</p>	<p>State welcomes any initiative in this area by the Government of India.</p>
<p>Public Investment</p> <p>The FRBM architecture adequately provide for sustainable and quality public spending, maintaining the fiscal prudence that has been painstakingly secured over the past decade? Do states have any alternative proposals in this regard?</p>	<p>As per Government of India guidelines State has enacted the FRBM Act in 2005. As per 13th FC, the fiscal parameters of the Haryana State were well within the prescribed limit except revenue deficit.</p> <p>Fiscal Deficit.</p> <p>During 13th FC award period 2010-15, the fiscal deficit was 2.79% in 2010-11, 2.38% in 2011-12, 2.96% in 2012-13, 2.10% in 2013-14 and 2.85% in 2014-15 against the limit of 3% of GSDP. The 14th FC has recommended the fiscal deficit limit of 3% for the award period of 2015-20 to Haryana State. As per RE 2015-16 and BE 2016-17 this ratio is 2.58% and 2.47% respectively which does not match with the data of enclosed</p>

	<p>Appendix-i</p> <p>State Government has initiated following steps to increase the fiscal space for investment in Capital assets:-</p> <p>i) Personal Deposit Accounts (PDA): In order to ensure accountability and transparency in utilization of funds and to avoid parking of funds in Bank accounts outside the State Treasury, the Finance Department has issued instructions to all Departments to open the PDA with the approval of Finance Department. It is expected that there will be a saving of funds in hundreds of crore on this account.</p> <p>ii) Loans and advances of Government employees through banks: The State Government has decided to shift the portfolio of loan advances to Government employees like house building advance, computer loan, marriage advance, etc., through Banks. By implementing this scheme the Government would be able to divert this saving towards development works and employees will get loan from banks in time on the same terms and conditions of the government as per their requirement.</p>
Distinguish between borrowing for consumption (revenue expenditure) and borrowing for public investment (Capital expenditure).	Borrowing limit of the State is fixed as percentage of GSDP by the Ministry of Finance, Government of India. The primary objective of the State borrowing for creation of Capital assets and development activities. In practice, borrowing made by the State is utilized to bridge the gap of resources. However, it is difficult to distinguish between borrowing for consumption (revenue expenditure) and borrowing for public investment (Capital expenditure).
Impact of FRLs on Cash Surpluses of States	
What is the States' view on the rise in their surplus cash balances in the post FRL period?	State Government is in Revenue Deficit from 2008-09 and Fiscal Deficit from Financial Year 2007-08, accordingly State forced to borrow funds for development activities. Hence, there is no surplus cash.
Are there alternative investment options for surplus cash balances?	
Several States have comfortably achieved their FRL targets, why have they preferred to build up cash surplus rather than spending on productive purposes such as public investment?	
The impact of the recommendations of the 14th Finance Commission on State Finances	
The Fourteenth Finance Commission has recommended total devolution of Rs. 50036.80 crore to Haryana for its award period 2015-20 consisting Rs. 42798.00 crore as Share of Central Taxes, Rs. 5963.46 crore as Local Bodies Grant and Rs. 1529.00 crore (90% Centre Share) for State Disaster Response Fund (SDRF) grant.	The Fourteenth Finance Commission has increased the share of States in the divisible pool of central taxes from 32% to 42%, but on the other hand all State Specific grants like improvement in Justice Delivery, State Specific Grants for Mewat and Shivalik region and incentive grants etc. have been discontinued. Apart from this, the funding pattern of many Centrally Sponsored schemes have been changed by the Central Government which leads to a decrease in allocation of funds to State Government. There is overall increment of Rs. 1200 crore approximately in total devolution to the State under 14th FC award period (2015-20). However, the recommendation of 14th Finance Commission gives flexibility to the States in utilization of funds as per its requirement.

<p>The impact of the implementation of the Ujwal DISCOM Assurance Yojana (UDAY) on State Finance</p>	<p>A) The State Government of Haryana had signed a tripartite agreement on 11 March 2016 with the Ministry of Power, Government of India and DISCOMs (UHBVNL & DHBVNL).</p> <p>B) As per Scheme out of total debt of Rs. 34600 crore, the 75% debt i.e. Rs. 25950 crore was to be taken over by the State in two years (50 percent of Rs. 17300 crore during the FY 2015-16 and 25 per cent of Rs. 8650 crore in 2016-17).</p> <p>C) Accordingly 50 per cent of the outstanding debt of Rs. 17300 crore was taken over on 31st March 2016 at the interest rate of 8.21% p.a. payable semi-annually through RBI. The remaining 25 per cent debt amounting to Rs. 8650 crore was to be taken over till 30 September 2016 through RBI and private placement. However, the State Government took this entire amount by 04 July 2016.</p> <p>D) The weighted average yield of UDAY Bonds of Haryana for all the bonds amounting to Rs. 25950 crore taken over comes to 8.1960%.</p> <p>F) As per UDAY Scheme, the debt taken over by the State Government and borrowings under this scheme would not be counted against the fiscal deficit limit of the State in the financial year 2015-16 and 2016-17. However, there will be long-term impact of UDAY's Scheme on State finances. The Government of India is requested to exclude the UDAY's impact during the award period of 14th Finance Commission (i.e. up to 2019-20).</p>
<p>Measures that States Plan to undertake to ensure transparent fixation of tariff by the State level regulatory authorities.</p>	<p>In Haryana State, Haryana Electricity Regulatory Commission (HERC) was established on 17th August 1998 as an independent statutory body corporate as per the provision of the Haryana Electricity Reform Act, 1997. Haryana was the second State in India to initiate the process of Reform & Restructuring of the Power sector.</p>
<p>Whether States have an accurate quantification of on and off-budget subsidies to the power sector</p>	<p>In Haryana State, Rural Electrification (RE) subsidy is being provided to the power utilities through State Budget on the recommendation of HERC. As per Revised estimates there is a Budget provision of Rs. 6425.90 crore in 2015-16, and Rs. 6800.00 crore in Budget Estimates 2016-17 under RE subsidy.</p>
<p>If States plan to avail of the above mentioned exemption from FRL limits for two years, how have states planned for a transition back to FRL targets after the end of the exemption period?</p>	<p>As per UDAY Scheme, the debt taken over by the State Government and borrowings under this scheme would not be counted against the fiscal deficit limit of the State in the financial year 2015-16 and 2016-17. However, there will be long-term impact of UDAY Scheme on State finances. The Government of India is requested to exclude the impact of UDAY scheme during the award period of 14th Finance Commission (i.e. up to 2019-20).</p>

Form D- 7
(Rule 6)
Tax Revenue raised but not Realised

Major Head	Description	Amount under disputes			Amount not under disputes			Grand Total
		Upto 5 years	Over 5 years	Total	Upto 5 years	Over 5 years	Total	
1	Taxes on Income and Expenditure	0.00	2.55	2.55	0.70	0.87	1.57	4.12
	Taxes on Professions, Trades, callings and employment	0.00	2.55	2.55	0.70	0.87	1.57	4.12
2	Taxes on Property and Capital Services	58.68	68.55	127.23	358.04	307.85	665.89	793.12
	Land Revenue	57.65	68.50	126.15	280.69	299.28	579.97	706.12
	Stamps and Registration fees	1.03	0.05	1.08	77.35	8.57	85.92	87.00
3	Taxes on Commodities and Services	4621.87	9912.54	14534.41	6613.00	4886.68	11499.68	26034.09
	Value Added Tax (VAT)	1915.28	3954.44	5869.72	3728.82	2809.52	6538.34	12408.06
	Central Sales Tax	2674.42	5940.01	8614.43	2789.97	2011.83	4801.80	13416.23
	Sales Tax on Motor Spirit and Lubricants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	State Excise	32.17	18.09	50.26	94.21	65.33	159.54	209.80
4	Taxes on Vehicles	11.79	0.46	12.25	61.61	38.87	100.48	112.73
	(i) Road Tax	0.00	0.00	0.00	2.26	2.69	4.95	4.95
	(ii) Passenger and Goods Tax (PGT)	11.79	0.46	12.25	61.61	38.87	100.48	112.73
5	Other Taxes	2064.45	202.97	2267.42	3.33	4.90	8.23	2275.65
	(i) Entry Tax	2060.42	197.43	2257.85	1.33	4.83	6.16	2264.01
	(ii) Luxury Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Entertainment Tax	4.03	5.54	9.57	2.00	0.07	2.07	11.64
	TOTAL	6756.79	10187.07	16943.86	7036.68	5239.17	12275.85	29220.71

Source: FRBM budgetary document Haryana 2017-18

Form D-2
Rule-6
Components of Government liabilities

Category	Raised during the Fiscal Year		Repayment/Redemption during the Fiscal Year		Outstanding Amount	
	Previous Year 2015-16 (Actual)	Current Year 2016-17 (RE)	Previous Year 2015-16 (Actual)	Current Year 2016-17 (RE)	Previous Year 2015-16 (Actual)	Current Year 2016-17 (RE)
Market Borrowings	14099.99	15800.00	931.70	441.02	65821.12	81180.11
Loans from Centre	97.24	414.08	176.14	197.42	2048.92	2265.58
Special Securities issued to the National Small Savings fund	1721.40	0.00	709.29	942.62	13251.28	12308.66
Borrowings from Financial Institutions /Banks	4779.80	3642.62	5195.32	3699.39	3293.50	3236.73
Power Bonds	17300.00	8650.00	202.23	0.00	17300.00	25950.00
Ways and means Advances/Over draft from Reserve Bank of India	0.00	1000.00	0.00	1000.00	0.00	0.00
Floating Debt from RBI	100.04	0.00	0.00	0.00	0.00	0.00
Small Savings, Provident Funds etc	2967.99	3240.00	1919.34	2035.00	12206.32	13411.32
Reserve Funds/Deposits	20021.18	21570.61	19581.20	20683.01	6803.08	7690.68
Other Liabilities	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	61087.6	54317.3	28715.2	28998.5	120724.2	146043.1

Source: FRBM budgetary document Haryana 2017-18

Form D-2 (Contd.)

(See rule 6)

B. Weighted Average Interest Rates on State Government Liabilities

Category	Raised during the Fiscal Year (in percentage)		Outstanding Amount (End - March) (Rs. Crore)	
	Previous Year 2015-16 (Actual)	Current Year 2016-17 (RE)	Previous Year 2015-16 (Actual)	Current Year 2016-17 (RE)
Market Borrowings	8.27	7.35	65821.12	81180.11
Loans from Centre	9.00	9.00	2048.92	2265.58
Special Securities issued to the National Small Savings fund	9.50	9.50	13251.28	12308.66
Borrowings from Financial Institutions /Banks	5.50 7.50	5.25 7.00	3293.50	3236.73
Power Bonds	8.21	8.13	17300.00	25950.00
Ways and means Advances/Over draft from Reserve Bank of India	7.75 9.75	6.25 8.25	0.00	0.00
Floating Debt from RBI	0.00	0.00	0.00	0.00
Small Savings, Provident Funds etc	8.70	8.10	12206.32	13411.32
Reserve Funds/ Deposits	10.00 9.00	10.00 9.00	6803.08	7690.68
Other Liabilities	0.00	0.00	0.00	0.00
TOTAL			120724.22	146043.08

Source: FRBM budgetary document Haryana 2017-18

Annexure 3.4**DETAILS OF STATE PUBLIC ENTERPRISES: Haryana**

S.No.	PUBLIC ENTERPRISES	YEAR OF INCORPORATION	ACCOUNTS AUDITED UPTO THE YEAR
I	REGISTERED UNDER COMPANIES ACT 1956		
1	Haryana Agro Industries Corporation Limited	30.03.1967	2013-14
2	Haryana Seeds Development Corporation Limited	12.09.1974	2015-16
3	Haryana Land Reclamation & Development Corporation Limited	27.03.1974	2014-15
4	Haryana State Warehousing Corporation	01.11.1967	2015-16
5	Haryana Police Housing Corporation Limited	29.11.1989	2013-14
6	Haryana Scheduled Castes Finance & Development Corporation Limited	02.01.1971	2009-10
7	Haryana Backward Classes & Economically Weaker Sections Kalyan Nigam Limited	10.12.1980	2012-13
8	Haryana Women Development Corporation Limited	31.03.1982	2010-11
9	Haryana Forest Development Corporation Limited	07.12.1989	2014-15
10	Haryana State Roads & Bridges Development Corporation Limited	13.05.1999	2014-15
11	Haryana Financial Corporation Limited	01.04.1967	2015-16
12	Haryana State Industrial and Infrastructure Development Corporation Limited	1967	2014-15
13	Haryana Power Generation Corporation Limited	17.03.1997	2015-16
14	Haryana Vidyut Prasaran Nigam Limited	14.08.1998	2014-15
15	Uttar Haryana Bijli Vitran Nigam Limited	15.03.1999	2015-16
16	Dakshin Haryana Bijli Vitran Nigam Limited	15.03.1999	2014-15
17	Haryana Tourism Corporation Limited	01.05.1974	2012-13
18	Haryana State Electronics Development Corporation Limited	15.05.1982	2014-15
19	Haryana Roadways Engineering Corporation Limited	27.11.1987	2012-13
20	Haryana State Medical Services Corporation limited	30.04.2014	2015-16
21	Haryana Knowledge Corporation Limited	10.09.2013	2015-16
22	Haryana Mass Rapid Transport Corporation Limited	24.03.2012	2014-15
23	Gurgaon Technology Park Limited	07.02.1996	2014-15

II	REGISTERED UNDER COOPERATIVE SOCIETIES ACT 1984		
1	Haryana State Cooperative Supply & Marketing Federation Limited (HAFED)	15.09.1966	2015-16
2	The Panipat Cooperative Sugar Mills Ltd, Panipat	11.12.1955	2014-15
3	The Karnal Cooperative Sugar Mills Ltd, Karnal	03.01.1966	2015-16
4	The Kaithal Cooperative Sugar Mills Ltd, Kaithal	03.06.1970	2015-16
5	The Sonipat Cooperative Sugar Mills Ltd, Sonipat	10.12.1970	2015-16
6	The Shahabad Cooperative Sugar Mills Ltd, Shahabad	09.01.1976	2015-16
7	The Meham Cooperative Sugar Mills Ltd, Meham	09.10.1987	2015-16
8	The Jind Cooperative Sugar Mills Ltd, Jind	01.08.1980	2014-15
9	The Palwal Cooperative Sugar Mills Ltd, Palwal	08.11.1973	2015-16
10	The Haryana Cooperative Sugar Mills Ltd, Rohtak	24.05.1954	2015-16
11	Ch Devi Lal Cooperative Sugar Mills Ltd, Gohana	06.07.1979	2012-13
12	Haryana State Federation of Cooperative Sugar Mills Limited	26.10.1966	2015-16
13	Haryana State Federation of Consumers Cooperative Wholesale Stores Limited (CONFED)	01.10.1966	2013-14
14	Haryana State Cooperative Apex Bank Limited	01.11.1966	2015-16
15	Haryana State Cooperative Agriculture & Rural Development Bank Limited	01.11.1966	2015-16
16	Haryana State Cooperative Development Federation Limited (HARCOFED)	01.11.1966	2015-16
17	Haryana Dairy Development Cooperative Federation Limited	1970	2013-14
18	Haryana State Cooperative Labour & Construction Federation Limited	24.10.1966	2014-15
19	Haryana State Cooperative Housing Federation Limited	07.06.1973	2015-16

Source: Finance Department; Profile of State Public Enterprises for the Year 2014-15 & 2015-16

Annexure 3.5

Haryana: selected indicators of the performance of the SPEs

S.No.	Public Enterprises	Year Of Incorporation	Accounts Audited Upto The Year	Paid Up Share Capital	Turnover	Profit	Dividen d	Current Assets	Current Liabilities	Manpow er Cost	Sanctione d Posts (in No.)	Filled Up Posts (in No.)	Manpower Cost as % of Turnover	% age of Current Assets to Current Liabilities	Dividend as % of Paid up Share Capital
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(I/E*100)	(H/I*100)	(G/D*100)
POWER															
1	Haryana Power Generation Corporation Limited	17.03.1997	2015-16	2894.6	5378.2	27.1	0.0	2542.7	3000.5	382.5	5539	3334	7.1	84.7	0.0
2	Haryana Vidyut Prasaran Nigam Limited	14.08.1998	2014-15	2148.8	1869.7	154.0	0.0	455.9	1300.5	461.1	10480	6818	24.7	35.1	0.0
3	Uttar Haryana Biji Vitran Nigam Limited	15.03.1999	2015-16	1657.7	12366.1	-336.4	0.0	2461.0	8173.1	538.1	18394	12901	4.4	30.1	0.0
4	Dakshin Haryana Biji Vitran Nigam Limited	15.03.1999	2014-15	1472.4	15169.7	-471.6	0.0	3946.9	4345.6	1029.7	19030	15215	6.8	90.8	0.0
	TOTAL (A)			8173.4	34783.7	-626.9	0.0	9406.5	16819.8	2411.4	53443	38268	42.9	240.7	0.0
SUGAR															
5	The Panipat Cooperative Sugar Mills Ltd, Panipat	11.12.1955	2014-15	54.4	114.9	-39.9	0.0	132.1	220.3	24.6	598	704	21.4	60.0	0.0
6	The Karnal Cooperative Sugar Mills Ltd, Karnal	03.01.1966	2015-16	16.7	111.9	-33.8	0.0	99.9	44.2	20.6	453	485	18.4	226.0	0.0
7	The Kaithal Cooperative Sugar Mills Ltd, Kaithal	03.06.1970	2015-16	65.9	103.9	-40.9	0.0	109.2	136.7	24.7	456	655	23.8	79.9	0.0

8	The Sonipat Cooperative Sugar Mills Ltd, Sonipat	10.12.1970	2015-16	40.0	75.6	-47.7	0.0	5.0	73.1	19.8	471	630	26.2	6.8	0.0
9	The Shahabad Cooperative Sugar Mills Ltd, Shahabad	09.01.1976	2015-16	13.7	228.8	2.2	0.0	204.6	157.5	26.2	482	710	11.5	129.9	0.0
10	The Meham Cooperative Sugar Mills Ltd, Meham	09.10.1987	2015-16	62.9	85.5	-52.3	0.0	98.0	131.5	25.5	478	739	29.8	74.5	0.0
11	The Jind Cooperative Sugar Mills Ltd, Jind	01.08.1980	2014-15	32.1	58.0	-42.4	0.0	64.1	98.6	22.1	459	625	38.1	65.1	0.0
12	The Palwal Cooperative Sugar Mills Ltd, Palwal	08.11.1973	2015-16	20.0	42.9	-35.5	0.0	76.2	94.2	22.0	445	641	51.3	80.9	0.0
13	The Haryana Cooperative Sugar Mills Ltd, Rohtak	24.05.1954	2015-16	45.4	140.4	-55.2	0.0	149.5	185.6	22.7	575	575	16.2	80.6	0.0
14	Ch Devi Lal Cooperative Sugar Mills Ltd, Gohana	06.07.1979	2012-13	66.9	87.6	31.4	0.0	111.9	46.2	15.9	460	435	18.1	242.2	0.0
15	Haryana State Federation of Cooperative Sugar Mills Limited	26.10.1966	2015-16	1.1	0.0	0.0	0.0	5.2	5.5	3.2	0	46	0.0	94.2	0.0
	TOTAL (B)			419.2	1049.4	-314.1	0.0	1055.8	1193.4	227.2	4877	6245	254.7	1140.1	0.0
OTHERS															
16	Haryana Agro Industries Corporation Limited	30.03.1967	2013-14	4.1	2101.2	2.8	0.0	499.5	640.6	8.8	197	330	0.4	78.0	0.0

17	Haryana Seeds Development Corporation Limited	12.09.1974	2015-16	5.0	119.4	-2.4	0.0	45.9	33.0	23.0	362	352	19.2	139.2	0.0
18	Haryana Land Reclamation & Development Corporation Limited	27.03.1974	2014-15	1.6	90.6	0.5	0.0	31.1	22.4	8.9	197	152	9.8	138.9	0.0
19	Haryana State Warehousing Corporation	01.11.1967	2015-16	5.8	2688.2	22.0	116.8	598.3	543.8	23.8	921	651	0.9	110.0	2000.2
20	Haryana Police Housing Corporation Limited	29.11.1989	2013-14	25.0	0.1	0.1	0.0	500.0	295.4	10.6	281	195	11788.9	169.3	0.0
21	Haryana Scheduled Castes Finance & Development Corporation Limited	02.01.1971	2009-10	48.1	7.9	0.1	0.0	87.4	4.0	7.8	273	117	98.0	2196.5	0.0
22	Haryana Backward Classes & Economically Weaker Sections Kalyan Nilgam Limited	10.12.1980	2012-13	38.2	4.4	0.9	0.0	109.4	3.7	2.8	131	72	63.9	2934.0	0.0
23	Haryana Women Development Corporation Limited	31.03.1982	2010-11	16.6	4.9	0.2	0.0	19.2	4.1	5.1	81	54	103.3	468.3	0.0
24	Haryana Forest Development Corporation Limited	07.12.1989	2014-15	0.2	73.7	2.9	0.0	68.0	28.8	5.5	149	198	7.5	235.8	0.0
25	Haryana State Roads & Bridges Development Corporation Limited	13.05.1999	2014-15	122.0	77.6	12.9	0.0	510.3	415.7	3.0	96	66	3.9	122.8	0.0

26	Haryana Financial Corporation Limited	01.04.1967	2015-16	207.7	6.5	3.6	0.0	34.2	75.0	6.6	0	74	101.7	45.6	0.0
27	Haryana State Industrial and Infrastructure Development Corporation Limited	1967	2014-15	48.8	820.9	55.8	0.0	20685.4	18031.8	20.6	1097	586	2.5	114.7	0.0
28	Haryana Tourism Corporation Limited	01.05-1974	2012-13	28.1	313.4	2.0	0.0	101.7	49.1	64.0	2172	1683	20.4	206.9	0.0
29	Haryana State Electronics Development Corporation Limited	15.05.1982	2014-15	9.9	48.3	6.9	0.0	280.7	231.1	38.0	328	241	78.8	121.5	0.0
30	Haryana Roadways Engineering Corporation Limited	27.11.1987	2012-13	6.6	57.6	0.5	0.0	123.6	88.1	5.1	206	107	8.8	140.3	0.0
31	Haryana State Medical Services Corporation limited	30.04.2014	2015-16	5.0	2.4	0.0	0.0	5.3	49.5	0.1	188	13	6.0	10.6	0.0
32	Haryana Knowledge Corporation Limited	10.09.2013	2015-16	2.0	7.7	1.4	0.0	7.2	4.8	0.9	188	32	12.2	151.7	0.0
33	Haryana Mass Rapid Transport Corporation Limited	24.03.2012	2014-15	1.0	0.2	-0.3	0.0	37.0	36.4	0.5	0	6	255.6	101.7	0.0
34	Gurgaon Technology Park Limited	07.02.1996	2014-15	14.7	2.6	7.4	0.0	8.5	2.5	0.8	10	33	31.0	344.1	0.0
35	Haryana State Cooperative Supply & Marketing Federation Limited (HAFED)	15.09.1966	2015-16	21.8	8780.1	38.1	0.0	1747.3	1602.2	71.6	1330	1014	0.8	109.1	0.0

36	Haryana State Federation of Consumers Cooperative Wholesale Stores Limited (CONFED)	01.10.1966	2013-14	4.1	442.5	-2.6	0.0	159.6	287.9	11.5	317	168	2.6	55.4	0.0
37	Haryana State Cooperative Apex Bank Limited	01.11.1966	2015-16	138.0	453.1	23.8	0.0	6318.6	4025.3	25.8	599	424	5.7	157.0	0.0
38	Haryana State Cooperative Agriculture & Rural Development Bank Limited	01.11.1966	2015-16	48.0	192.8	-25.7	0.0	2582.1	2274.3	90.0	2031	1106	46.7	113.5	0.0
39	Haryana State Cooperative Development Federation Limited (HARCOFED)	01.11.1966	2015-16	2.3	1.5	0.3	0.0	8.9	7.3	4.5	144	59	295.4	123.0	0.0
40	Haryana Dairy Development Cooperative Federation Limited	1970	2013-14	34.8	5.0	1.2	0.0	51.3	7.7	2.3	968	2198	46.7	664.8	0.0
41	Haryana State Cooperative Labour & Construction Federation Limited	24.10.1966	2014-15	3.8	33.6	0.7	0.1	31.9	5.3	3.4	137	78	10.1	597.4	1.6
42	Haryana State Cooperative Housing Federation Limited	07.06.1973	2015-16	69.1	5.4	0.2	0.0	126.9	121.7	1.6	91	39	30.2	104.3	0.0
	(TOTAL C)			912.2	16341.6	153.1	116.9	34779.3	28891.4	446.6	12494	10048	13050.9	9754.4	2001.8
	GRAND TOTAL (A+B+C)			9504.8	52174.7	-787.9	116.9	45241.5	46904.5	3085.3	70814	54561	13348.5	11135.2	2001.8

Annexure 3.6(A)

STATUS OF INCOME AND EXPENDITURE UNDER CENTRALLY SPONSERED SCHEME DURING 2015-16																(in Crore)					
S.NO.	SCHEMES/PROGRAMME	REVISED BUDGET EXPENDITURE				ACTUAL RELEASE OF AMOUNT				ACTUAL EXPENDITURE				ACTUAL EXPENDITURE AS PERCENTAGE OF REVISED EXP.							
		STATE	(%)	CENTRE	(%)	TOTAL	STATE	(%)	CENTRE	(%)	TOTAL	STATE	(%)	CENTRE	(%)	TOTAL					
1	2	3				4				5				6							
A	CORE OF THE CORE (Total)	3266.2	82.6	687.0	17.4	3953.2	3079.4	90.4	325.3	9.6	3404.6	3086.5	89.9	347.0	10.1	3433.5	94.5	50.5	86.9		
B	CORE SCHEMES(60:40)																				
1	Krishi Unnati Yojana -Agri And Horticulture	93.5		107.2		200.8	63.8		78.3		142.1	51.8		66.3		118.1					
2	Rashtriya Krishi Vikas Yojana - Horticulture	127.0		248.0		375.0	92.8		243.0		335.8	0.0		241.8		241.8					
3	Pradhan Mantri Gram Krishi Sinchal Yojana	144.7		147.3		292.0	131.0		123.3		254.3	123.8		113.9		237.6					
4	RashtriyaPasudhanVikas Yojana	9.1		22.4		31.5	3.1		15.4		18.6	3.1		13.8							
5	Swachh Bharat Abhiyan (Rural and Urban)	170.4		179.6		350.0	69.2		70.2		139.4	68.2		70.2		138.4					
6	National Rural Drinking Water Program-Public Health	0.0		170.0		170.0			141.9		141.9			135.5		135.5					
7	National Health Mission	199.8		353.9		553.7	96.3		334.9		431.2	96.0		324.8		420.8					
8	National Education Mission	545.3		737.1		1282.4	458.3		579.3		1037.6	430.9		573.7		1004.6					
9	Integrated Child Development Services	109.8		193.7		303.5	108.9		192.1		301.0	104.3		154.8		259.1					

	Mid Day Meal Programme- Elementary Edu.	100.3		168.7		269.0	101.9		163.1		265.0	92.3		131.5		223.8			
10																			
11	Housing For All (Rural and Urban)	111.5		187.0		298.5	107.4		144.8		252.2	61.5		86.8		148.2			
12	National Urban Livelihood Mission -Rural and Urban	35.0		52.5		87.5	29.2		36.5		65.7	7.5		19.1		26.7			
13	Forestry and Wildlife	15.7		74.5		90.2	12.8		31.7		44.5	10.0		40.3		50.2			
14	Urban Rejuvenation (AMRUT)and Smart Cities Mission-ULBs	132.0		136.0		268.0	47.8		50.8		98.6	43.8		52.8		96.6			
15	Modernization Of Police Forces- Police Housing	7.1		10.6		17.7	0.0		14.2		14.2	0.0		10.5		10.5			
16	Infrastructure Facilities for Judiciary	8.0		22.0		30.0	12.0		18.0		30.0	9.4		14.0		23.4			
17	Pradhan Mantri Gram Sadak Yojana	140.0		277.0		417.0	140.0		277.0		417.0	140.0		277.0		417.0			
	TOTAL	1949.1	38.7	3087.4	61.3	5036.6	1474.4	37.0	2514.5	63.0	3988.9	1242.5	35.0	2326.6	65.5	3552.3	63.7	75.4	70.5
C	OPTIONAL SCHEME (50:50)																		
1	Backward Region Grant Fund (BRGF) - Rural Development	3.0		3.0		6.0	0.0		0.0		0.0	0.0		0.6		0.6			
2	Sashaktikaran Yojana (RGPSV) Panchayat Department	20.0		20.0		40.0	0.0		0.0		0.0	0.0		0.0		0.0			
3	National e-Governance Action Plan (NeGAP) -Information Technology	6.0		6.0		12.0	0.0		0.0		0.0	0.0		0.0		0.0			
4	Assistance to States for Infrastructure (ASIDE)-Industries	15.0		15.0		30.0	0.0		0.0		0.0	0.0		0.0		0.0			
5	National Land Record Management (NLRMP)-Land Records	11.3		11.3		22.5	11.3		11.3		22.5	0.7		0.7		1.5			
6	Catalytic Development Programme	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			
7	National Handloom Development Programme Industries	0.0		0.2		0.2	0.0		0.0		0.0	0.0		0.0		0.0			
8	Infrastructure Development for Destinations -Tourism	0.0		10.0		10.0	0.0		0.9		0.9	0.0		0.9		0.9			
9	National Mission on Food Processing -Industries	4.0		4.0		8.0	0.0		0.0		0.0	0.0		0.0		0.0			

Financing for Improving Outcomes

September 2017

10	(NSS)-Higher Education	0.0		1.0		1.0	0.0		0.2		0.2	0.0		0.1		0.1			
11	Sports	2.0		2.0		4.0	0.0		0.0		0.0	0.0		0.0		0.0			
	TOTAL	61.3	45.8	72.5	54.2	133.7	11.3	47.7	12.4	52.3	23.6	0.8	24.4	2.4	75.6	3.1	1.2	3.3	2.3
D	OTHER SCHEMES																		
1	Agriculture	3.7		8.1		11.9	1.6		7.9		9.5	1.4		1.9		3.3			
2	Horticulture	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			
3	Animal Husbandry and Dairying	1.7		1.8		3.5	1.7		1.8		3.5	0.9		1.0		1.9			
4	Fisheries	2.4		2.2		4.2	2.2		1.9		4.1	2.2		1.6		3.8			
5	Forests	0.8		1.2		2.0	0.8		0.8		1.6	0.5		0.7		1.2			
6	Wild Life Preservation	1.4		2.5		3.9	1.4		0.5		1.9	1.0		0.3		1.3			
7	Cooperation (Release as per Online)	1.2		92.7		93.9	1.2		72.2		73.4	1.2		72.2		73.4			
8	Rural Development	6.5		2.2		8.7	0.0		1.2		1.2	5.2		0.0		5.2			
9	Land Records	0.0		1.3		1.3	0.0		3.4		3.4	0.0		0.9		0.9			
10	Community Development	1.3		1.3		2.6	0.6		0.6		1.1	0.6		0.6		1.1			
11	Irrigation	0.0		0.2		0.2	0.0		0.0		0.0	0.0		0.0		0.0			
12	Village & Small Scale Industries	0.0		0.1		0.1	0.0		0.1		0.1	0.0		0.1		0.1			
13	PWD (Building & Roads)	25.4		103.6		129.0	24.3		74.8		99.1	19.1		63.6		82.7			
14	Education	61.1		73.3		134.3	60.8		70.5		125.6	56.8		41.3		98.1			
15	Sports	0.0		19.3		19.3	0.0		3.3		3.3	0.0		0.9		0.9			
16	Health	0.0		174.6		174.6	0.0		100.5		100.5	0.0		141.4		141.4			
17	Urban Local Bodies	5.6		13.7		19.3	5.2		13.7		0.2	18.9		0.0		18.9			
18	Welfare of Scheduled Castes and Backward Classes	0.0		21.2		21.2	0.0		0.0		0.0	0.0		0.0		0.0			
19	Labour	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			

Financing for Improving Outcomes

September 2017

20	Employment Exchange	0.0		0.3		0.3	0.0		0.0		0.0	0.0		0.0		0.0				
21	social Justice & Empowerment	0.0		1.8		1.8	0.0		0.1		0.1	0.0		0.1		0.1		0.1		
22	Women And Child Development	66.4		60.0		126.3	66.4		60.0		126.3	26.7		17.7		44.4				
23	Nutrition	82.0		112.0		194.0	82.0		112.0		194.0	49.2		72.8		122.0				
24	Industrial Training And Vocational Education	1.7		17.8		19.5	0.2		2.1		2.3	0.2		1.9		2.1				
25	Food and Supplies	7.1		0.0		7.1	7.1		0.0		7.1	4.0		0.0		4.0				
26	Judicial Administration	0.0		5.0		5.0	0.0		0.0		0.0	0.0		0.0		0.0				
27	Home	0.0		100.0		100.0	100.0		100.0		200.0	100.0		100.0		200.0				
	TOTAL	268.1	24.7	816.0	75.3	1083.7	355.4	37.1	627.3	65.5	958.3	287.9	35.7	518.9	64.3	806.8	107.4	63.6	74.5	

Financing for Improving Outcomes

September 2017

	13	Forestry and Wildlife	28.0		41.0		69.0	8.4		22.5		31.0	8.3		22.3		30.5			
	14	Urban Rejuvenation (AMRUT)and Smart Cities Mission-ULBs	262.0		312.0		574.0	142.9		142.9		285.8	142.9		142.9		285.9			
	15	Modernization Of Police Forces- Police Housing	15.6		20.9		36.5	14.9		19.2		34.1	11.9		15.3		27.2			
	16	Infrastructure Facilities for Judiciary	12.0		18.0		30.0	16.2		1.1		17.3	16.0		1.0		17.0			
	17	Pradhan Mantri Gram Sadak Yojana	126.0		1.0		126.0	126.0		51.5		177.4	126.0		51.5		177.4			
	TOTAL		2182.1	41.5	3081.3	58.6	5261.4	1701.9	47.4	1889.1	52.6	3589.9	1608.6	47.9	1746.0	52.0	3354.7	73.7	56.7	63.8
C		OPTIONAL SCHEME (50:50)																		
	1	Backward Region Grant Fund (BRGF)- Rural Development	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			
	2	Sashaktikaran Yojana (RGPSY) Panchayat Department	0.0		15.0		15.0	0.0		0.0		0.0	0.0		0.0		0.0			
	3	National e-Governance Action Plan (NeGAP)-Information Technology	19.3		19.3		38.6	8.0		0.0		8.0	8.0		0.0		8.0			
	4	Assistance to States for Infrastructure (ASIDE)-Industries	2.0		0.0		2.0	0.6		0.0		0.6	0.6		0.0		0.6			
	5	National Land Record Management (NLRMP)-Land Records	0.5		15.6		16.1	0.5		0.5		1.0	0.4		0.4		0.8			
	6	Catalytic Development Programme	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			
	7	National Handloom Development Programme Industries	0.2		0.2		0.3	0.0		0.0		0.0	0.0		0.0		0.0			
	8	Infrastructure Development for Destinations -Tourism	0.0		29.0		29.0	0.0		0.6		0.6	0.0		0.6		0.6			
	9	National Mission on Food Processing -Industries	6.0		0.0		6.0	4.8		0.0		4.8	4.1		0.0		4.1			
	10	(NSS)-Higher Education	0.0		0.5		0.5	0.0		0.5		0.5	0.0		0.2		0.2			
	11	Sports																		
	TOTAL		28.0	26.0	79.6	74.0	107.5	13.9	89.9	1.6	10.1	15.5	13.1	91.8	1.2	8.2	14.3	46.8	1.5	13.3

D	OTHER SCHEMES																			
	1	Agriculture	185.1		10.9		196.0	108.4		8.5		116.8	106.2		5.5		111.7			
	2	Horticulture	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0		0.0			
	3	Animal Husbandry and Dairying	0.8		0.8		1.6	0.3		0.8		1.1	0.4		0.7		1.1			
	4	Fisheries	2.9		11.2		14.1	3.3		10.8		14.1	2.0		6.1		8.1			
	5	Forests	5.0		7.4		12.4	2.5		1.1		3.5	0.9		0.6		1.5			
	6	Wild Life Preservation	0.5		5.0		5.5	0.5		4.5		5.0	0.0		1.9		1.9			
	7	Industries	0.1		1.1		1.2	0.0		0.1		0.1	0.0		0.1		0.1			
	8	PW buildings	24.0		136.0		160.0	24.7		96.6		121.3	23.8		91.2		115.0			
	9	Land Records	0.5		5.0		5.5	0.5		4.5		5.0	0.0		1.9		1.9			
	10	Rural Development	46.9		36.8		83.6	41.5		39.2		80.7	41.5		39.2		80.7			
	11	social Justice & Empowerment	31.1		14.9		46.0	27.0		11.6		38.7	27.0		11.6		38.7			
	12	Integrated cooperative Development Programme	1.1		30.5		31.7	1.1		27.8		28.9	1.1		27.3		28.5			
	13	Industrial Training	1.6		11.8		13.3	1.6		1.2		2.8	1.5		0.5		2.0			
	14	Police	0.5		28.4		28.9	0.5		26.6		27.1	0.1		5.7		5.8			
	15	Sports and Youth Welfare	0.0		19.6		19.6	0.0		0.7		0.7	0.0		0.7		0.7			
	16	Health	1.1		205.5		206.6	0.5		170.7		171.2	0.5		142.7		143.2			
	17	Urban Local Bodies	1.2		0.0		1.2	0.0		0.0		0.0	0.0		0.0		0.0			
	18	Welfare of Scheduled Castes and Backward Classes	2.5		24.95		27.45	0		10.39		10.39	0		10.39		10.39			
	19	Labour																		
	20	Community Development	1.3		1.3		2.6	1.3		1.3		2.6	1.3		1.3		2.6			
	21	Women And Child Development	84.07		124.1		208.17	82.15		93.02		175.02	73.24		79.82		153.06			
	22	Food and Supplies	8		0		8	8		0		8	1.62		0		1.62			
	23	Department of Economics and Statistical Analysis, Haryana	0		0.3		0.3	0		0.3		0.3	0		0.2		0.2			
	24	Secondary Education	6.5		9.5		16	2.9		4.1		7	2.5		3.7		6.2			
	TOTAL		404.7	37.1	684.9	62.9	1089.6	306.7	37.4	513.8	62.6	820.4	283.7	39.7	431.1	60.3	714.8	70.1	62.9	65.6

Source: Data received from Planning Department, Haryana

Annexure 4.1

Table Showing Area, population and Year of Incorporation of Urban Local Bodies

S.No.	Name of Urban Local Bodies	*Area (sq. Km)	*Population	**Year of Incorporation
MUNICIPAL CORPORATIONS				
1	Rohtak	104	374,292	NA
2	Panchkula	120	211,355	NA
3	Hisar	93	301,249	NA
4	Gurugram	207	876,969	NA
5	Ambala	98	195,153	NA
6	Faridabad	208	1,414,050	1867
7	Karnal	88	302,140	2010
8	Yamuna Nagar	185	383,318	2010
9	Panipat	62	623,571	2010
10	Sonipat	181	289,333	2015
	Total (A)	1,346	4,971,430	
MUNICIPAL COUNCILS				
1	Sirsa	26	182,534	NA
2	Palwal	10	131,926	NA
3	Hodal	12	55,306	NA
4	Gohana	12	65,708	1885
5	Rewari	25	143,021	1885
6	Kaithal	43	144,915	1894
7	Jind	42	167,592	1934
8	Thanesar	32	155,152	1939
9	Narwana	9	62,090	1945
10	Tohana	14	63,871	1950
11	Narnaul	14	74,581	1994
12	Bahadurgarh	30	170,767	1994
13	Hansi	10	86,770	1995
14	Fatehabad	12	70,777	2004
15	Bhiwani	30	196,057	2010
16	Charkhi Dadri	11	56,337	2010
17	Sohna	42	36,552	2014
18	Mandi Dabwali	23	52,873	2014
	Total (B)	395	1,916,829	
MUNICIPAL COMMITTEES				
1	Mohindergarh	7	29,128	NA
2	Uklana	3	13,219	NA
3	Uchana	14	16,815	NA
4	Beri	2	15,934	NA
5	Hathin	8	14,421	NA
6	Radaur	9	13,690	NA
7	Taraori	7	25,944	NA
8	Nilokheri	5	17,938	NA
9	Jhajjar	12	48,424	NA
10	Meham	3	20,484	1882
11	Ferozepur Jhirka	8	24,750	1885
12	Shahabad Markanda	16	42,607	1885
13	Nuh	6	16,260	1889

14	Pundri	4	18,872	1929
15	Safidon	8	34,728	1938
16	Bawal	4	16,776	1948
17	Pehowa	11	38,853	1959
18	Gharaunda	13	37,816	1960
19	Naraingarh	5	22,832	1966
20	Ganaur	17	35,603	1968
21	BawaniKhera	5	20,289	1973
22	Ladwa	7	28,887	1973
23	Ratia	8	37,152	1976
24	Assandh	4	27,125	1976
25	Kalayatt	6	18,660	1977
26	Taura	5	25,944	1977
27	Kalanwali	8	22,095	1979
28	Samalkha	4	38,675	1981
29	Cheeka	32	38,952	1982
30	Barwala	6	43,384	1984
31	Ellenabad	3	36,623	1988
32	Rania	17	25,123	1994
33	Siwani	5	19,143	2001
34	Indri	5	17,487	2001
35	Pataudi	6	20,418	2001
36	Haily Mandi	16	20,907	2001
37	Kharkhoda	5	25,051	2001
38	Loharu	5	13,937	2006
39	Farrukhnagar	20	13,513	2006
40	Kanina	2	12,989	2006
41	Sampla	5	20,563	2007
42	Dharuhera	11	30,344	2007
43	Nissing	6	17,438	2008
44	Punhana	8	24,734	2008
45	Nangal Chaudhary	7	15,281	2012
46	Rajound	48	17,434	2013
47	Bhuna	5	30,094	2013
48	Barara Distt.	6	21,545	2015
49	Ateli Mandi	3	7,619	1949, Dissolved in 2000 and reconstituted in 2006
50	Kalanaur	4	23,319	1971, Reconstituted in 2002
51	Narnaund	6	17,424	1988, Dissolved in 2000 and reconstituted in 2001
52	Julana	1	18,755	Reconstituted in 2006
	Total (C)	438	1,255,998	
	GRAND TOTAL (A+B+C)	2,179	8,144,257	

NA means Data not available

Source: Area and Population is as per <http://ulbharyana.gov.in/> and Questionnaires received from Municipalities and Year of Incorporation is as per <http://ulbharyana.gov.in/>

Annexure 4.2 "A"

LIST OF TAXES LEVIED BY URBAN LOCAL BODIES FOR 2015-16																												
OWN TAX REVENUE														SHARE OF STATE TAX				NON-TAX REVENUE										
S.No.	ULB NAMES	HOUSE TAX	TAX ON L&B	ADVERTISMENT TAX	VEHICLE & DL TAX	SERVICE TAX	TAX ON PROFESSION	ENTERTAINMENT TAX	DEVELOPMENT TAX	ELECTRICITY TAX	TOLL TAX	FIRE TAX	OTHERS	SHARE OF STATE TAX	EXCISE / AUCTION MONEY	STAMP & REGISTRATION DUTY	LADT	OTHERS	WATER & SEWERAGE CHARGE	BUILDING APPLICATION FEES	SALE OF ASSETS	TEHBAZAR	RENT RECEIPTS	INTEREST RECEIPTS	TRADE LECENSE FEES	FEES & FINES	OTHERS	TOTAL
MUNICIPAL CORPORATION																												
1	AMBALA	0	1	0	1	0	0	0	1	0	0	0	0	0	0	1	1	0	0	0	1	0	1	1	0	1	1	11
2	FARIDABAD	1	0	1	1	0	0	1	1	1	0	1	1	1	0	1	1	0	0	1	1	1	1	1	0	1	1	18
3	GURUGRAM	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	1	1	1	1	1	11
4	KARNAL	1	0	1	1	1	0	1	0	0	0	1	0	0	0	1	1	0	0	0	1	0	1	1	1	1	1	15
5	PANCHKULA	1	0	1	1	0	0	1	0	1	0	1	0	1	0	1	1	0	0	0	1	0	1	1	1	1	1	15
6	PANIPAT	1	0	1	1	1	0	1	1	1	0	1	0	1	0	0	1	0	0	1	1	0	0	1	1	1	1	16
7	ROHTAK	1	1	1	1	1	0	1	0	1	0	1	1	1	0	0	1	0	0	0	0	1	1	1	0	1	1	15
8	SONPAT	1	0	1	1	0	0	0	1	1	1	1	1	1	0	1	1	0	0	0	1	0	1	1	1	1	1	17
9	YAMUNA NAGAR	1	1	0	0	0	0	1	0	1	0	1	0	0	0	1	1	0	1	0	1	1	1	1	1	1	1	16
10	HISAR	1	0	0	1	1	0	0	1	0	0	1	1	1	0	1	1	0	0	0	1	0	1	1	1	1	1	15
TOTAL (A)		9	3	7	9	4	0	6	5	6	1	8	4	0	7	10	0	1	3	9	3	8	10	7	10	9	10	
MUNICIPAL COUNCIL																												
1	CHARKHI DADRI	1	0	1	1	0	0	0	1	0	0	1	0	1	0	1	1	0	0	0	0	1	1	1	1	1	0	12
2	FATEHABAD	1	0	1	1	0	0	0	1	1	0	1	0	0	0	1	1	0	0	0	1	0	0	1	1	1	1	14
3	TOHANA	1	0	0	1	0	0	0	1	0	0	1	1	1	0	1	1	0	0	0	1	0	1	1	1	1	0	13
4	SOHNA	1	0	0	1	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	1	0	1	1	0	1	0	8
5	HANSI	1	0	0	1	1	0	1	0	0	1	1	1	1	0	1	1	0	0	0	1	0	1	1	1	1	1	15
6	BAHADURGARH	1	0	1	1	0	0	1	1	0	0	1	0	1	1	1	1	0	0	0	1	0	1	1	1	1	0	16
7	JIND	1	0	0	1	1	0	0	0	0	0	1	0	0	0	1	1	0	0	0	1	0	0	1	1	1	0	11
8	NARWANA	1	0	0	1	1	0	0	0	1	0	1	0	1	0	1	1	0	0	0	1	0	1	1	0	1	0	11
9	KAITHAL	1	0	1	1	1	0	0	1	0	1	1	1	1	0	1	1	0	0	0	1	0	1	1	1	1	1	17
10	THANESAR	1	0	0	1	1	0	1	1	0	1	1	0	1	1	0	1	0	0	1	0	1	1	1	1	1	1	15
11	NARNAUL	1	0	0	1	0	0	0	1	1	0	1	0	1	0	1	1	0	0	0	1	1	1	1	0	1	0	13
12	PALWAL	1	0	0	1	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	1	1	1	1	1	1	1	12
13	HODAL	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	1	0	0	1	0	0	1	7
14	REWARI	1	1	0	1	0	0	1	1	0	0	1	0	1	0	1	1	0	0	0	1	0	1	1	1	1	0	13
15	SIRSA	1	0	0	1	0	0	0	0	0	0	0	1	1	0	1	1	0	0	1	1	1	1	1	1	0	1	14
16	MANDI DABWALI	1	0	0	1	0	0	0	0	0	0	0	1	1	0	1	1	0	0	0	1	0	1	1	1	0	1	13
17	GOHANA	1	1	1	1	1	0	0	1	1	0	1	1	1	0	1	1	0	0	0	1	1	1	1	1	1	1	17
TOTAL (B)		17	2	5	17	6	0	3	11	4	1	16	8	1	14	16	0	1	1	16	3	12	17	15	14	13	8	
MUNICIPAL COMMITTEE																												
1	NARAINGARH	1	0	0	1	0	0	0	0	1	0	1	1	0	0	1	1	0	0	0	1	0	1	1	1	1	1	14
2	BARARA DISTT.	0	0	0	1	0	0	1	0	1	0	1	0	0	0	1	1	0	0	1	0	0	0	0	1	0	0	7
3	BHUNA	0	0	1	0	0	0	0	0	1	0	0	0	0	1	0	1	0	0	0	0	1	1	1	0	1	1	9
4	HALLY MANDI	1	0	0	0	0	0	0	1	0	0	1	0	1	1	1	0	0	0	0	1	0	1	1	0	1	0	10

Annexure 4.2 "B"

LIST OF TAXES LEVIED BY URBAN LOCAL BODIES FOR 2014-15																												
S. No.	ULB NAMES	OWN TAX REVENUE												SHARE OF STATE TAX						NON-TAX REVENUE								
		HOUSE TAX	TAX ON L&B	ADVERTISMENT TAX	VEHICLE & DL TAX	SERVICE TAX	TAX ON PROFESSION	ENTERTAINMENT TAX	DEVELOPMENT TAX	ELECTRICITY TAX	TOLL TAX	FIRE TAX	OTHERS	SHARE OF STATE TAX	EXCISE / AUCTION MONEY	STAMP & REGISTRATION DUTY	LADT	OTHERS	WATER & SEWERAGE CHARGE	BUILDING APPLICATION FEES	SALE OF ASSETS	TEHBAZARI	RENT RECEIPTS	INTEREST RECEIPTS	TRADE LICENSE FEES	FEES & FINES	OTHERS	TOTAL
MUNICIPAL CORPORATION																												
1	AMBALA	0	1	0	1	0	0	0	1	0	0	0	1	0	0	1	1	0	0	0	1	1	1	0	1	1	1	12
2	FARIDABAD	1	0	1	1	0	0	1	1	0	0	1	1	0	0	1	1	0	0	1	1	1	1	1	1	1	1	19
3	GURUGRAM	1	0	1	1	0	0	0	0	0	0	0	0	0	0	1	1	0	1	1	1	0	1	1	1	1	1	13
4	KARNAL	1	0	0	1	1	0	0	1	0	0	1	0	0	0	1	1	0	0	0	1	1	1	1	1	1	1	16
5	PANCHKULA	1	0	0	1	0	0	0	1	0	0	1	0	1	0	1	1	0	0	1	0	1	1	1	0	1	1	13
6	PANIPAT	1	0	1	1	1	0	0	1	1	0	1	0	1	0	1	1	0	0	1	1	0	0	1	1	1	1	16
7	ROHTAK	1	1	1	1	1	0	1	1	0	1	1	0	1	1	1	1	0	0	0	1	1	1	0	1	1	0	16
8	SONIPAT	1	1	0	1	1	0	1	1	0	1	1	1	1	0	0	1	0	0	1	1	0	1	1	1	1	1	17
9	YAMUNA NAGAR	1	1	1	0	0	0	1	0	0	1	1	0	1	0	1	1	0	1	0	1	1	1	1	1	1	1	17
10	HISAR	1	0	0	1	0	0	0	1	0	0	1	0	0	1	1	1	0	0	1	0	1	1	1	1	1	1	14
TOTAL (A)		9	3	6	9	3	1	5	5	7	1	8	4	0	9	10	0	1	3	9	6	8	10	8	9	9	10	
MUNICIPAL COUNCIL																												
1	CHARKHI DADRI	1	0	0	1	0	0	0	1	0	0	1	0	0	0	1	1	0	0	0	0	1	1	1	1	0	0	11
2	FATEHABAD	1	0	1	1	0	0	0	1	1	0	1	0	0	0	1	1	0	0	0	1	0	1	1	1	1	0	15
3	TOHANA	1	0	1	1	0	0	0	1	0	0	1	0	0	0	1	1	0	0	0	1	0	1	1	1	1	0	14
4	SOHNA	1	0	0	1	0	0	0	1	0	0	1	0	0	0	0	1	0	0	0	1	0	0	1	0	1	0	8
5	HANSI	1	0	0	1	0	0	0	1	0	0	1	0	0	0	1	1	0	0	0	1	0	1	1	1	1	1	14
6	BAHADURGARH	1	0	0	1	0	0	0	1	0	0	1	0	1	0	1	1	0	0	0	1	0	1	1	1	1	0	14
7	JIND	1	0	0	1	1	0	0	1	1	0	1	0	0	0	1	1	0	0	0	1	0	1	1	1	1	0	12
8	NARWANA	1	0	0	1	1	0	0	1	1	0	1	0	0	0	1	1	0	0	0	1	1	1	0	0	0	10	
9	KATHAL	1	0	0	1	1	0	0	1	1	0	1	0	0	0	1	1	0	0	0	1	1	1	1	1	1	0	16
10	THANESAR	1	0	1	1	1	0	1	1	0	0	1	1	0	0	0	1	0	0	0	1	1	1	1	1	1	1	16
11	NARNAUL	1	0	0	1	0	0	0	1	0	0	1	0	1	0	1	1	0	0	0	1	0	1	1	0	1	0	12
12	PALWAL	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1	1	0	1	1	10	
13	HODAL	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	1	0	1	0	0	1	0	7
14	REWARI	1	1	0	1	0	1	0	1	0	0	1	1	0	0	1	1	0	0	0	1	0	1	1	0	0	0	11
15	SIRSA	1	0	0	1	0	0	0	0	0	0	0	0	0	0	1	1	0	0	1	1	1	1	1	1	0	14	
16	MANDI DABWALI	1	0	0	1	0	0	0	0	0	0	1	1	0	0	1	1	0	1	0	1	1	1	1	1	0	1	13
17	GOHANA	1	1	1	1	1	0	0	1	1	0	1	0	0	1	1	1	0	0	1	0	1	1	1	1	1	1	16
TOTAL (B)		17	2	4	17	5	0	2	11	5	0	16	7	1	13	16	0	1	1	16	3	13	17	14	12	12	8	
MUNICIPAL COMMITTEE																												
1	NARAINGARH	1	0	0	1	0	0	0	0	0	0	1	0	0	1	1	1	0	0	1	0	1	1	1	1	1	1	15
2	BARARA DISTT.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	BHUNA	0	0	1	0	0	0	0	1	0	0	0	0	0	1	0	1	0	0	0	1	0	1	1	0	1	1	9
4	HALY MANDI	1	0	0	0	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	0	0	1	1	1	1	0	10
5	PATAUDI	1	0	0	1	0	0	0	1	0	0	1	0	0	1	1	1	0	0	1	0	1	1	1	1	1	1	14
6	FARRUKH NAGAR	1	0	0	1	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	1	0	1	1	1	1	1	12
7	BARWALA	1	0	0	1	0	0	0	0	0	0	1	1	0	1	1	1	0	0	1	1	1	1	1	1	1	1	13
8	NARNAUND	0	1	0	1	0	1	0	1	0	0	1	1	0	0	1	1	0	0	0	1	1	1	1	1	0	1	15

Annexure: 5.1

Present status of Number of Districts, Blocks, Villages and respective area and population

S.No.	Districts*	Area (Sq.Km)	Population	Blocks	Villages
1	Ambala	1440.4	751902	6	470
2	Panchkula	827.5	281771	4	219
3	Yamunanagar	1676.6	872634	6	636
4	Kurukshetra	1455.6	699156	5	415
5	Kaithal	2212.7	852905	6	269
6	Karnal	2451.1	1074749	6	434
7	Panipat	1188.7	872470	6	186
8	Sonapat	2040	1045490	7	332
9	Rohtak	1639	622546	5	143
10	Jhajjar	1752.9	723280	7	260
11	Faridabad	522.6	395683	2	149
12	Palwal	1311.9	837845	4	280
13	Gurugram	976.7	546074	5	240
14	Nuh	1441.7	1000920	5	441
15	Rewari	1529.1	710191	6	403
16	Mahendragarh	1866	797771	5	370
17	Bhiwani	4719.9	1328682	10	444
18	Jind	2626.7	1034172	7	306
19	Hisar	3835.5	1295152	10	270
20	Fatehabad	2503.3	770211	7	244
21	Sirsa	4218	975941	7	330
	Total	42235.9	17489545	126	6841

Note: *In November 2016, 22nd District was formed in Haryana with the name CharkhiDadri. This District has been carved out of the two-three, then existing Districts. The above data reflects the status of the District as it existed before November 2016

Profile of the functions of Gram Panchayat (GP), Panchayat Samiti (PS) and Zila Parishad (ZP) as per The Haryana Panchayati Raj Act, 1994 read with the 11th Schedule of the Constitution of India

The GPs, PSs and ZPs of PRI structure in Haryana have been devolved with different set of functions. The functions of GP and PS have been devolved in line with subjects mentioned in the 11th schedule of The Constitution of India along with some additional functions. While the functions of ZP are more in nature of planning, advisory, coordinating and supervising. Thus, the following description is made in two parts: Part -1 containing a comparative chart of functions devolved to GPs, PSs in Haryana viz a viz 11th schedule of The Constitution of India and Part -2 containing the additional Functions of GPs and PSs and the functions assigned to ZP.

PART-1: A comparative chart of functions devolved to GPs, PSs in Haryana vis-à-vis 11th schedule of The Constitution of India

S.No.	AS PER THE CONSTITUTION OF INDIA	GRAM PANCHAYAT	PANCHAYAT SAMITI	STATE DEPARTMENT
1	Agriculture , including agricultural extension.	Agriculture, including Agriculture Extension	Agriculture, including Agriculture Extension	Agricultural Department
2	Land improvement , implementation of land reforms, land consolidation and soil conservation.	NIL	Land improvement and soil conservation.	Agricultural Department
3	Minor irrigation , water management and watershed development.	NIL	Minor irrigation, water management and watershed development.	Agricultural Department
4	Animal husbandry , dairying and poultry.	Animal husbandry, dairying and poultry.	Animal husbandry, dairying and poultry.	Animal Husbandry and Dairying Department
5	Fisheries .	Fisheries.	Fisheries.	Fisheries Department
6	Social forestry and farm forestry.	Social forestry and farm forestry.	Social forestry and farm forestry.	Agricultural Department
7	Minor forest produce .	Minor forest produce.	Minor forest produce.	Agricultural Department
8	Small scale industries , including food processing industries.	NIL	NIL	Industries and Commerce Department
9	Khadi, village and cottage industries .	Khadi, village and cottage industries.	Khadi, village and cottage industries.	Industries and Commerce Department
10	Rural housing .	Rural housing.	Rural housing.	Housing Department, Development and Panchayats Department
11	Drinking water .	Drinking water.	Drinking water.	

12	Fuel and fodder.	Fuel and fodder.	Fuel and fodder.	Agricultural Department
13	Roads , culverts, bridges, ferries, waterways and other means of communication.	Maintenance of Boats, ferries, waterways and building under its control	NIL	Public Works (Building and Roads Department.)
14	Rural electrification , including distribution of electricity.	Rural electrification, including distribution of electricity.	Promotion of Rural electrification	Renewable Energy Department.
15	Non-conventional energy sources.	Non-conventional energy sources.	Non-conventional energy sources.	Renewable Energy Department.
16	Poverty alleviation programme.	Poverty alleviation programme.	Poverty alleviation programme.	
17	Education , including primary and secondary schools.	Education, including primary and secondary schools.	Education, including primary and secondary schools.	Education Department
18	Technical training and vocational education.	NIL	Technical training and vocational education.	Education Department
19	Adult and non-formal education.	Adult and non-formal education.	Adult and non-formal education.	Education Department
20	Libraries.	Libraries.	Libraries.	Information, Public Relations and Language Department
21	Cultural activities.	Cultural activities	Cultural activities including social education	Information, Public Relations and Language Department
22	Markets and fairs.	Markets and fairs.	Markets and fairs.	Art and Cultural Affair Department
23	Health and sanitation , including hospitals, primary health centres and dispensaries.	Rural sanitation	Health and sanitation including hospitals, primary health centres and dispensaries.	Health Department
24	Family welfare.	Family welfare and public Health	Family welfare.	
25	Women and child development.	Women and child development.	Women and child development.	Social Justice And Empowerment Department
26	Social welfare, including welfare of the handicapped and mentally retarded.	Social welfare, including welfare of the handicapped and mentally retarded.	Social welfare, including welfare of the handicapped and mentally retarded.	Social Justice And Empowerment Department

27	Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.	Welfare of the weaker sections, and in particular, of the Scheduled Castes	Welfare of the weaker sections, and in particular, of the Scheduled Castes	Welfare of Scheduled Caste and Backward Class Department
28	Public distribution system.	Public distribution system.	Public distribution system.	
29	Maintenance of community assets	Maintenance of community assets	Maintenance of community assets	

PART- 2: Additional Functions of GPs and PSs and the functions assigned to ZP

S.No.	Functions Performed by Gram Panchayats
1	General Functions: <ol style="list-style-type: none"> 1. Resolutions adopted in a meeting of the Gram Sabha shall be considered and the decision and action taken by the Gram Panchayat shall form part of the report 2. Preparation of annual plans for the development of the Panchayat area. 3. Preparation of annual budget and submission thereof to Gram Sabha 4. Power for mobilizing reliefs in natural calamities. 5. Removal of encroachments on public place 6. Organizing voluntary labor and contribution for community works 7. Maintenance of essential statistics of village (s)
2	Construction and Maintenance of Dharmshalas and similar Institutions.
3	Construction and Maintenance of Cattle Sheds, Ponds and Cart Stands.
4	Construction and Maintenance of Slaughter-house.
5	Maintenance of Public Parks, Play Grounds etc.
6	Regulation of Manure Pits in Public Places.

S.No.	Functions Performed by Panchayat Samitis
1	General Functions: <ol style="list-style-type: none"> 1. Preparation of the annual plans in respect of the schemes entrusted to it 2. Consideration and consolidation of the annual plans of all Gram Panchayat in the block and submission thereof to ZP 3. Preparation of annual budget of the block and its submission to ZP 4. Performing and executing such functions and works as may be entrusted to it by the Government 5. Providing relief in natural calamities
2	Maintenance of buildings and property
3	Co-operation
4	Miscellaneous— <ol style="list-style-type: none"> a) Securing of removing dangerous building or places b) Construction, repair and maintenance of relief works, relief houses and other measures of relief on account of famines, floods, earthquakes and natural calamities c) Management of such public ferries as may be entrusted
5	Any other functions entrusted to them

S.No.	Functions Performed by Zila Parishad
1	Advice, supervise and co-ordinate the functions of PSs
2	Co-ordinate and consolidate development plans prepared in respect of Panchayat Samitis
3	Secure the execution of plans, project, schemes or other works common
4	Exercise and perform such other powers and functions in relation to any development programme as the Government may entrust
5	Advise Government on all matters relating to development activities and maintenance of services in the district

6	Advice Government on the allocation work among GPs and PSs and co-ordinate their work
7	Advice Government on matters concerning the implementation of any statutory or executive order specially referred to by the Government to the ZP
8	Examine and approve the budget of Panchayat Samitis
9	Levy contribution from the funds of the Panchayat Samitis

List of Schemes to be implemented in the year 2017-18 by the Department of Development & Panchayats through the RLBs

S.No.	Scheme	Activity	Fund allocation ₹ Crore
STATE SCHEMES			
1	Matching Grant-in-aid for Development works (People share) introduced in the year 1979-80.	Specific projects i.e. school buildings, veterinary dispensaries, hospitals, recreation centers, Mahila Mandal Bhawans, Harijan and Backward Chaupals and other development works through Panchayats/Panchayat Samitis, PWD (B&R) and Local Committees. The rural people themselves identify the projects and raise their public contribution and are associated throughout the implementation of the project.	2.00
2	Matching Grant-in-aid for Development Works- (Govt. Share) introduced during the year 1979- 80	Projects namely school buildings, Veterinary dispensaries, Recreation Centers, Pavement of streets, Harijan and Backward classes chaupals and other development works. The people make contribution for development works and the Government gives grants to beneficiaries equal to the people's share.	2.75
3	Financial Assistance to Panchayati Raj Institutions on the recommendation of SFC scheme continuing since 1957-58	Interest free loan recoverable in 30 yearly installments is provided to the Gram Panchayats/Panchayat Samitis in the State with a view to augment their financial position. The loan is granted for installation of Tube-wells, Pumping sets on shamlat land, Construction of shops at bus stand, Construction of staff quarters etc.	300.00
4	Scheme for Special Development Works in Rural villages on the recommendation of State Finance Commission.	To eradicate the relative backwardness of that particular area. The works of construction of CC paved streets and drains are being taken-up mainly under this Scheme. The individual projects for execution of the works in villages are prepared in consultation with elected representative of PRIs.	81.00
5	Surcharge on VAT for PRIs renamed as Financial Assistance to Panchayati Raj Institutions (PRIs) out of Surcharge on VAT	In order to mobilize additional resources for Local Bodies the Government decided to impose 0.5% surcharge on VAT collected by Excise and Taxation Department. The amount of surcharge is further distributed in the ratio of 80:20 to the Urban Local Bodies and PRIs respectively.	220.00
6	Construction of New Block Office Buildings including Panchayats/Zila Parishad building, State Panchayat Bhawan & Panchayat Sachivalya	The State has 126 Development blocks. For the proper and efficient functioning, it is essential that the block offices/Zila Parishad offices housed in rented buildings are provided their own buildings. Besides, the buildings for new blocks, with the passage of time, the old buildings get dilapidated, become un-safe and have to be replaced with new buildings. The Block office Buildings are being constructed under the supervision of Chief Engineer, Panchayati Raj (Engineering Wings) Haryana.	40.00
7	Rural Health & Sanitation Programme renamed as Scheme for Swarn Jayanti Maha	To cover the 116 villages having population more than 10,000 souls. The existing infrastructure shall be upgraded, such as, all streets to be paved with interlocking paver blocks/bitumen roads, provision of	100.00

	Gram Vikas Yojana (SMAGY) Normal Plan	street lights, water supply of 135 LPCD, sewerage system (preferably on PPP Mode), solid waste management system i.e. garbage collection system, public parks/playgrounds, management of ponds through liquid waste management system, cremation ground with all facilities for sitting and toilets etc. Besides it, better educational facilities up-to 10+2 level school, facilities of 50 bedded hospitals-cum- CHC, veterinary hospital & community centre with banquet hall/library etc. bank, post office. In addition to it, to improve the standard of living and to provide livelihood opportunities, the provision of housing for all under Indira Awaas Yojana (IAY) Priyadarshani Awaas Yojana (PAY), laying out of developed sectors through Haryana Rural Development Authority, toilet for all under Swachh Bharat Mission-Gramin, employment generating activities under MGNREGA and NRLM and skill training under various government initiatives.	
8	Subsidy for construction of backward class chaupals renamed as scheme for Haryana Gramin Vikas Yojana (HGVY)	The aim of this scheme is to provide a common platform to the communities for celebrating their community functions like marriage, festivals and to discuss the issues of common importance. Under this scheme, the department provides an amount of `10000.00 for repair of old Chaupal and `20000.00 for the completion of up-coming Chaupal being constructed with community contribution.	100.00
9	Scheme assistance of Haryana Rural Development Authority.	The intention of the scheme is to provide financial assistance to HRDA enabling it to provide facilities like urban including housing facilities, particularly for the weaker sections of the society, in the rural areas. The authority has been set-up on the pattern of HUDA to provide basic amenities and residential facilities in villages and their peripheries.	20.00
10	Awareness amongst village Youth Volunteers for Rural Development	To initiate a new scheme called "Youth for Rural Development". It seeks to tap into the energy and potential of the youth, to trigger faster development of rural areas. Under this scheme, youth will be selected and trained as volunteers in the villages. To inspire the young to become volunteer and build their capacity to become change facilitators in the village community in order to ensure faster inclusive and sustainable social, human and economic development in rural areas.	10.00
11	Haryana State Gramin Swachhata Puraskar scheme	To bring about an improvement in general quality in the rural areas by achieving the open defecation free status through accelerated sanitation coverage to access to toilets to all by 2019 and scientific management of solid and liquid waste in rural areas. The Hon'ble Chief Minister of Haryana has announced an incentive scheme of `1.00 lakh to each GP, `5.00 lakh to each Panchayat Samiti and 20.00 lakh to each Zila Parishad on achieving the Open Defecation Free (ODF) status.	7.50
12	Scheme for the Rural Health & Sanitation Programme for Scheduled Castes	The existing infrastructure shall be upgraded, such as, all streets to be paved with interlocking paver blocks/bitumen roads, provision of street lights, water supply of 135 LPCD, sewerage system (preferably on PPP	35.00

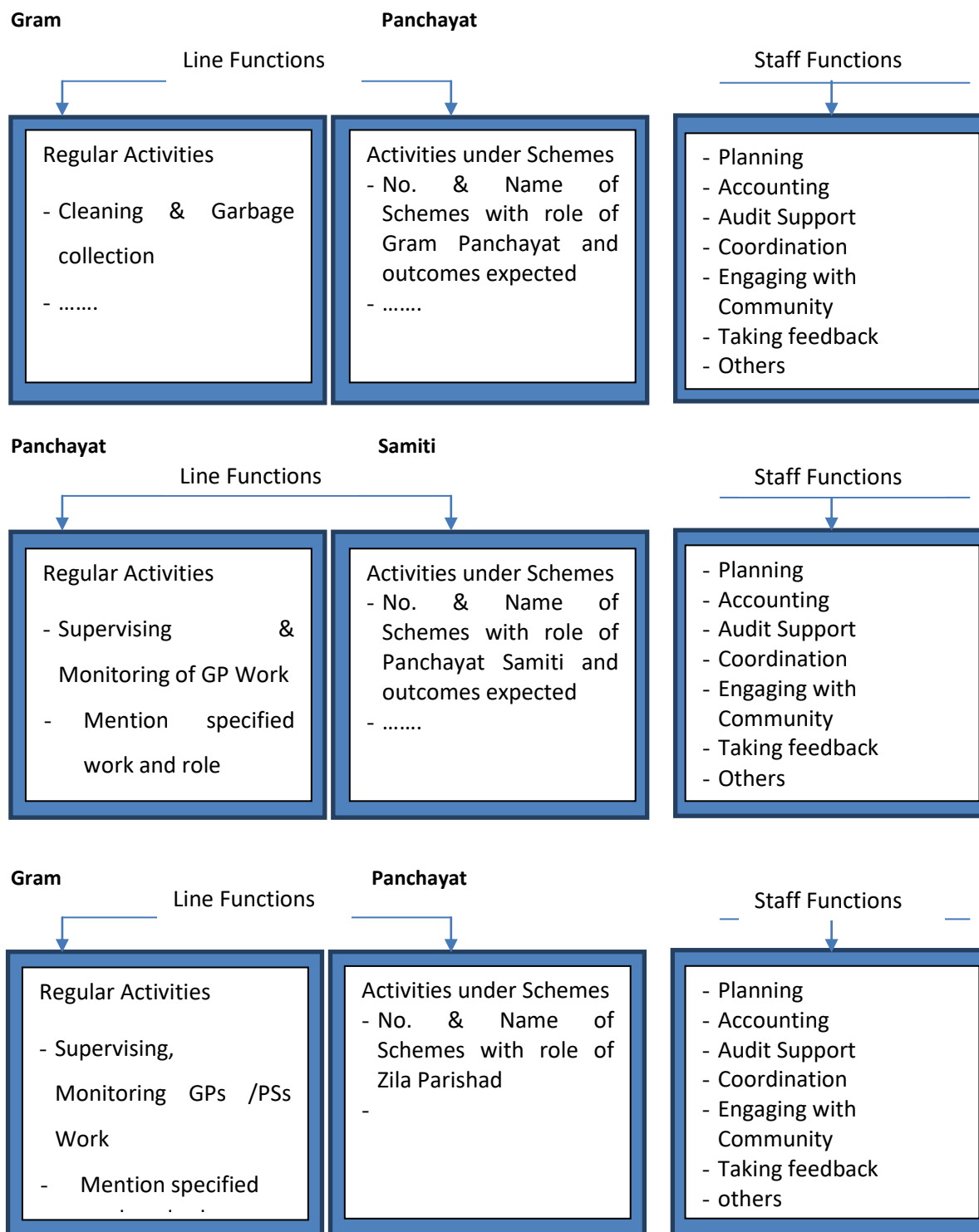
	renamed as Scheme for Swaran Jayanti Maha Gram Vikas Yojana (SMAGY) for Scheduled Castes.	Mode), solid waste management system i.e. garbage collection system, public parks/playgrounds, management of ponds through liquid waste management system, cremation ground with all facilities for sitting and toilets etc. Besides it, better educational facilities up-to 10+2 level school, facilities of 50 bedded hospitals-cum- CHC, veterinary hospital & community centre with banquet hall/library etc. bank, post office. In addition to it, to improve the standard of living and to provide livelihood opportunities, the provision of housing for all under Indira Awaas Yojana (IAY) Priyadarshani Awaas Yojana (PAY), laying out of developed sectors through Haryana Rural Development Authority, toilet for all under Swachh Bharat Mission- Gramin, employment generating activities under MGNREGA and NRLM and skill training under various government initiatives..	
13	Scheme for the construction of Harijan Chaupal for Scheduled Castes renamed as Scheme for Haryana Gramin Vikas Yojana (HGVY) for Scheduled Castes	The aim of this scheme is to provide a common platform to the communities for celebrating their community functions like marriage, festivals and to discuss the issues of common importance. Under this scheme, the department provides an amount of 10000.00 for repair of old Chaupal and `20000.00 for the completion of up-coming Chaupal being constructed with community contribution.	220.00
14	Scheme for the Employment Generation Programme for Scheduled Castes	It is proposed to employ sweepers for general cleanliness in the villages. The numbers of sweepers would range from 1-6 depending on population of villages. In this manner total No. of 10776 sweepers would be deployed through out the State. The funds are to be utilized @ 10000/- per sweeper per month as remuneration.	120.00
15	Scheme for assistance to Haryana Rural Development Authority (SCSP)	To promote regulated growth in-and- around the villages. The intention of the scheme is to provide financial assistance to HRDA enabling it to provide urban like facilities including housing facilities, particularly for the weaker sections of the society, in the rural areas. The authority has been set-up on the pattern of HUDA to provide basic amenities and residential facilities in villages and their peripheries.	60.00
16	Mahatma Gandhi Gramin Basti Yojana (SCSP)	This scheme is aimed at benefiting the poorer sections of the society. The scheme aimed to allot free residential 100 Square yards plots to the eligible SC families, Backward Class (Category-A) families and BPL families in the villages out of available suitable shamlat land. In the first phase, the plots are being provided out of the shamlat lands wherever suitable land is available with the Panchayats and in the villages where no suitable Panchayat land is available, it is being made available either by way of exchange with that of the private land owners or by acquisition. Basic infrastructural facilities such as streets, drinking water, drainage, power supply etc. are provided along with these residential plots, in phased manner. Further, a sum of `10,000/- per acre per year is being paid as annuity to those Gram Panchayats whose land has already been utilized for the purpose of allotment of plots.	82.50

17	Financial Assistance to Scheduled Castes under State Finance Commission.	The loan is granted for installation of Tube-wells, Pumping sets on shamlat land, Construction of shops at bus stand, Construction of staff quarters etc. The financial assistance is released on the basis of resolution by the respective Gram Panchayat/Panchayat Samiti an estimates prepared by the competent authority and on the recommendations of the respective DDPO/BDPO. 14th Finance Commission in its recommendations also emphasized the need for improvement of revenues of the Gram Panchayats	35.00
18	Special development works in Rural Area for schedule castes on the recommendation of the State Finance Commission.	The funds will be utilized on the basis of felt need of the villages. The works of construction of CC streets and drains will be taken-up mainly under Special Development Works in Villages Scheme. The Schemes for execution of the works in villages will be prepared in consultation with elected representative of PRIs..	9.00
19	Financial Assistance to Panchayati Raj Institutions (PRIs) out of Surcharge on VAT for Scheduled Castes	In order to mobilize additional resources for Local Bodies the Government decided to impose 0.5% surcharge on VAT collected by Excise and Taxation Department. The amount of surcharge is further distributed in the ratio of 80:20 to the Urban Local Bodies and PRIs respectively. The audit and inspection of the accounts of the Gram Panchayats, office of BDPO/DDPOs and Executive Engineers who are executing agencies is carried out by the Local Audit Department and Principle Accountant General, Haryana from time to time.	25.00
20	Haryana Gram Uday Yojana for up-gradation of infrastructure.	Aimed at developing big villages having 5,000 or more population by provisioning of physical, economic and social infrastructure facilities within next 3-4 years in a phased manner. In the second phase, 1156 village having population between 3000 to 5000 population will be taken up simultaneously. These villages would be strengthened with the required amenities by getting financial assistance from NABARD under the Scheme, for focused development of these villages.20% of this amount shall be contributed by the State Government and 80% will be availed from NABARD as loan.	1200.00
21	Loans to village Panchayat for Revenue Earnings schemes.	Under this scheme the loan is granted for installation of Tube-wells, Pumping sets onshamilat land, Construction of shops at bus stand, Construction of staff quarters etc. The financialassistance is released on the basis of resolution by the respective Gram Panchayat/Panchayat Samiti an estimates prepared by the competent authority and on the recommendations of the respective DDPO/BDPO. 14th Finance Commission in its recommendations also emphasized the need forimprovement of revenues of the Gram Panchayats	1.65
STATE-CENTRE SCHEME(Sharing Basis)			
1	Community Development-Setting up of Haryana Institute of Rural Development Nilokheri	This scheme is sponsored by the Government of India with all the State on 50:50 sharingbasis. In pursuance of the scheme of Govt. of India for setting up State Institutes of RuralDevelopment through-out the country with the aid from European Economy Community, the	2.60

	renamed as Scheme for Training & Capacity Building Haryana Institute of Rural Development Nilokheri	HIRD was set up in 1991-92 for imparting training to Class-I and Class-II Officers of this departments, as well as to officers of other departments, who are engaged in implementation of Rural Development Programs.	
2	Rajiv Gandhi Panchayat Sashakti Karan Abhiyan (RGPSA).	To enhance capacities and effectiveness of Panchayats and the Gram Sabha and to enable democratic decision making and accountability in Panchayats and promote people's participation. The Scheme also provides devolution of powers and responsibilities to Panchayats according to the spirit of the Constitution. The funding of Rajiv Gandhi Panchayat Sashaktikaran 3AbhiyanScheme(RGPSA) under the components/activities are shared between Centre and State in the ratio of 75:25.	36.60
3	Rural Sanitation Programme under total Sanitation campaign/Nirmal Bharat Abhiyan (NBA) renamed as Scheme for Sanitation under Swachh Bharat Mission (Gramin)- Normal Plan	To sensitize the village community regarding the ill effect of open defecation, providing individual toilet to BPL, Scheduled Castes, Small Farmers & Marginal Farmers, Landless Labours with homestead, physically Handicapped and Women headed families and to manage the solid and liquid waste of the villages. All the districts of Haryana State are covered under this programme. The Individual Household Toilets, Community Sanitary Complexes, School Toilets, Anganwari toilets, IEC activities, as well as, Solid & Liquid Waste management activities were taken-up under this programme.	168.00
4	Scheme for the Rural Sanitation Programme under Total Sanitation Programme / Nirmal Bharat Abhiyan (NBA) for Scheduled Castes renamed Scheme for sanitation under Swachh Bharat Mission (Gramin) for Scheduled Castes	In the restructured programme, the total cost of ₹12000.00 incentive money, (₹9000.00 as Central share and ₹3000.00 as State Share) are given to the beneficiary on construction and usage of individual household latrines. Such assistance is provided to the beneficiary i.e. Below Poverty Line (BPL) and identified Above Poverty Line (APL) i.e. all Scheduled Castes, Small & Marginal Farmers, landless labourers with homestead, Physically Handicapped and Women headed households). The Gram Panchayats have to contribute 10% of the total cost of ₹2.00 lacs for construction of school toilets and Anganwadi toilets have been transferred to the Elementary Education Department and Women & Child Development Department respectively w.e.f. 2.12.2014.	107.50

A Broad concept of activity Structure

Activities entrusted - Functions to be developed. Below mentioned are illustrated Activity Charts. These charts are mentioning only heads of activities; the requirement is to convey exact work profile under that activity with expected outcome.



Analysis of Activity Mapping in Haryana¹

According to information dated 4-5-2007 the State Government reports that it has undertaken Activity Mapping of detailed legislative assignment of functions in different phases. In February 2006, an Activity Mapping was released by the Chief Minister in the presence of the Union Minister for Panchayati Raj through which activities of 10 departments cover ten matters listed in the Eleventh Schedule namely, Irrigation, Food and Supplies, Education, Public Health Department, Women and Child Development, Social Justice and Empowerment, Health Department, Animal husbandry, Agriculture, and Forest department were assigned. It is reported that for the ten devolved matters, funds have been devolved in respect of nine (except PDS) and functionaries for eight matters (except Primary and Secondary Education and PDS). The letter also mentions an instance of reversal of functions vide notification dated 10-8-2005, functional control of all Government primary Schools in rural areas, which was handed over to the ZPs has reverted to the Education Department of Haryana.

An analysis of the Activity Mapping indicates the following range of activities devolved to Panchayats:

Sl. No.	Subject	Planning & Implementation	Funds & Functionaries transferred	Promotion / Development	Assistance	Supervision/ Maintenance
1	Agriculture including Agricultural extension	?	?			?
3	Minor irrigation, water management and watershed development		?			?
4	Animal husbandry, dairying and poultry		?		?	?
6	Social forestry		?			?

¹ Source: Annexure 2.6 of the report on 'Fiscal Decentralization to Rural Local Governments in India: Selected Issues and Reform Options' by M. Govinda Rao, T. R. Raghunandan, Manish Gupta, Polly Datta, Pratap Ranjan Jena, Amarnath H. K. (NIPFP, May 2011)

	and farm forestry					
11	Drinking water	?	?			?
23	Health and sanitation, including hospitals, primary health centres and dispensaries	?	?			?
24	Family welfare					
25	Women and Child Development	?	?			?
26	Social Welfare, including welfare of handicapped and mentally retarded	?	?			?
17	Primary education		?			?
28	Public distribution system					?

The above table would show that the scope of the functional devolution contained in the Activity Mapping of 12-02-2006 is quite detailed and include planning and implementation responsibilities. Therefore, on the face of it, the Activity Mapping contained in the circular issued in 2006 is relatively much better as compared to other States. This would mean that the focus in Haryana ought to be much more on ensuring whether financial assignments have followed the functional assignments contained in the Activity Mapping.

Meantime a well known NGO, PRIA has conducted a study to track the progress made in disseminating the information at the grassroots on devolution of power. The study involved a survey in 46 villages across 5 districts of Ambala, Mahendragarh, Sonapat, Fatehabad and Sirsa and a FGD with Panchayat Samiti members. Some of the findings are as follows:

S.No	Matters in the 11 th Schedule	Response
1	Agriculture, including agricultural extension.	52per cent of the respondents were not aware that the activities of agricultural development officers will be monitored by the Panchayats.
2	Minor irrigation, water management and watershed development	82per cent of the respondents were not aware that scheme of minor irrigation is available to Panchayats.
3	Animal husbandry, dairying, poultry and veterinary services	In respect of Veterinary services 39per cent of the respondents did not know that the Gram Panchayats are empowered to supervise veterinary services centers upto hospitals levels.
4	Education, including primary and secondary schools	It was told that no action has been taken yet.
5	Women and Child Development	11per cent of the respondents were not aware that anganwadi workers supervision, recruitment and identification of beneficiaries are assigned to PRIs.
6	Social Welfare, including welfare of the handicapped, mentally retarded and old age pension.	100per cent of the respondents were aware that old age pension is disbursed through the GP. Power has been devolved to all the three tiers of PRIs, but there has been no action taken yet on the delegation of functionaries.
7	Social forestry	52per cent of the respondents said that they do not know that village and social forestry schemes are to be supervised by the GPs.

The PRIA report indicates that there is widespread lack of knowledge about —Activity Mapping— among the PRI members. It appears from the PRIA's study that Haryana has not taken any concrete steps following the release of Activity Mapping in February, 2006. Therefore it is likely that the Activity Mapping of February 2006 remains a dead letter and is limited to paper.

Status of the E-suit applications for PRIs adopted / Not-adopted by the State of Haryana

Sr. No.	PES Application and its URL	Description	Status of adoption	Activities Performed
1	Local Government Directory (LGD) http://lgdirectory.gov.in	Captures all details of local governments and assigns unique code. Also maps Panchayats with Assembly and Parliamentary Constituencies.	Adopted	100% mapping of all the panchayats has been done in this application.
2	PRIASoft http://accountingonline.gov.in	Captures receipt & expenditure details through voucher entries and automatically generates cash book, registers, etc.	Adopted	State closed 100% yearbooks of all Zila Parishads (ZPs), 111 Panchayat Samitis (PSs) and 4604 Gram Panchayats (GPs) for FY 2015-16.
3	National Panchayat Portal (NPP) http://panchayatportals.gov.in	Dynamic Web site for each Panchayat to share information in public domain.	Adopted	Activated at all levels (ZP, PS and GP). Regular content is being uploaded in the panchayat portals of State, ZPs, PSs and GPs.
4	Area Profiler http://areaprofiler.gov.in	Captures geographic, demographic, infrastructural, socio-economic and natural resources profile of a village/panchayat. Universal database for planning of all sectoral programmes and also provides details of Elected Representatives, etc.	Adopted	Activated at all the 3 levels (i.e. ZP, PS and GP). Data entry in General profiles completed for all ZPs, PSs and GPs.
5	National Asset Directory (NAD) http://assetdirectory.gov.in	Captures details of assets created/maintained, helps avoid duplication of works.	Adopted	Till date, 22406 assets have been entered in this application.
6	Training Management http://trainingonline.gov.in	Portal to address training needs of stakeholders including citizens, their feedback, training materials etc.	Adopted	The login credentials for all the 3 training institutes in the State have been created. The State PR Department has conducted a training session for all the training institutes at Rajiv Gandhi Institute at

Sr. No.	PES Application and its URL	Description	Status of adoption	Activities Performed
				<p>Nilokheri.</p> <p>HIRD, Nilokheri has started to publish the trainings in this application.</p>
7	Plan Plus http://planningonline.gov.in	Helps Panchayats, Urban Local Bodies and line departments in preparing Perspective, Annual and Action Plans.	Adopted	<p>State has recently adopted this application. 5983 Gram Panchayats has already prepared the GPDP plans.</p> <p>The State PR department aims to get the plans of GPs entered in plan plus application soon.</p>
8	Action Soft http://reportingonline.gov.in	Facilitates monitoring of physical & financial outcomes/ outputs under various programmes.	To be adopted	State plans to adopt this application once the GPDP plans are entered in plan plus by all GPs.
9	Social Audit http://socialaudit.gov.in	Captures details of statutory meetings held at ZP/BP/GP levels and prepares reports for social audit.	To be adopted	State is in progress to prepare a format for Social Audit, which will be shared with the Gram Panchayats for data collection.
10	Geographic Information System (GIS)	A spatial layer to view all data generated by all Applications on a GIS map.	To be adopted	<p>Department attended a workshop regarding the GIS application developed by HARSAC.</p> <p>Department anticipate to have a meeting with HARSAC regarding GIS application under PES.</p>
11	Service Plus http://serviceonline.gov.in	A dynamic metadata-based service delivery portal to help in providing electronic delivery of all services in all States. The functionality of the erstwhile Grievance Redressal Application has also been subsumed into this Application.	To be adopted	<p>Currently State has not adopted this application.</p> <p>State is in process for identification of existing services emanating from GPs by co-ordinating with other Line Departments.</p>

Annexure 6.1

5th SFC: Projected Amount Devolved to ULBs for the period 2016-17 to 2020-21 based on "Set 3"

S.No.	Name of ULBs	Population	%age to Total Population	Factor in respect of Population	Area	%age to Total Area	Factor in respect of Area	Proportion of Amount Distributed	Amount Devolved (In Crores)				
									2016-17	2017-18	2018-19	2019-20	2020-21
	Factors to be Changed			0.80			0.20		832	952	1089	1244	1421
MUNICIPAL CORPORATION													
1	Rohtak	374,292	4.60%	3.68%	104	5%	0.96%	4.63%	38.54	44.10	50.44	57.62	65.82
2	Panchkula	211,355	2.60%	2.08%	120	5%	1.10%	3.17%	26.40	30.21	34.55	39.47	45.09
3	Hisar	301,249	3.70%	2.96%	93	4%	0.85%	3.81%	31.71	36.28	41.50	47.41	54.15
4	Gurgaon	876,969	10.77%	8.61%	207	10%	1.90%	10.51%	87.48	100.10	114.50	130.80	149.41
5	Ambala	195,153	2.40%	1.92%	98	5%	0.90%	2.82%	23.45	26.83	30.69	35.06	40.05
6	Faridabad	1,414,050	17.36%	13.89%	208	10%	1.91%	15.80%	131.44	150.39	172.03	196.52	224.48
7	Karnal	302,140	3.71%	2.97%	88	4%	0.81%	3.78%	31.41	35.94	41.12	46.97	53.65
8	Yamuna Nagar	383,318	4.71%	3.77%	185	9%	1.70%	5.47%	45.49	52.05	59.54	68.02	77.69
9	Panipat	623,571	7.66%	6.13%	62	3%	0.57%	6.69%	55.70	63.73	72.90	83.28	95.13
10	Sonapat	289,333	3.55%	2.84%	181	8%	1.66%	4.51%	37.49	42.90	49.07	56.06	64.03
MUNICIPAL COUNCIL													
1	Sirsa	182,534	2.24%	1.79%	26	1%	0.24%	2.03%	16.90	19.34	22.12	25.27	28.87
2	Palwal	131,926	1.62%	1.30%	10	0%	0.09%	1.39%	11.55	13.21	15.11	17.26	19.72
3	Hodal	55,306	0.68%	0.54%	12	1%	0.11%	0.65%	5.44	6.22	7.12	8.13	9.29
4	Gohana	65,708	0.81%	0.65%	12	1%	0.11%	0.75%	6.25	7.15	8.18	9.34	10.67

5	Rewari	143,021	1.76%	1.40%	25	1%	0.23%	1.63%	13.59	15.55	17.79	20.32	23.22
6	Kaithal	144,915	1.78%	1.42%	43	2%	0.39%	1.82%	15.13	17.31	19.80	22.62	25.84
7	Jind	167,592	2.06%	1.65%	42	2%	0.39%	2.04%	16.94	19.38	22.17	25.32	28.92
8	Thanesar	155,152	1.91%	1.52%	32	1%	0.30%	1.82%	15.14	17.33	19.82	22.64	25.86
9	Narwana	62,090	0.76%	0.61%	9	0%	0.08%	0.69%	5.76	6.59	7.54	8.61	9.84
10	Tohana	63,871	0.78%	0.63%	14	1%	0.12%	0.75%	6.25	7.15	8.18	9.35	10.68
11	Narnaul	74,581	0.92%	0.73%	14	1%	0.13%	0.86%	7.17	8.20	9.38	10.72	12.24
12	Bahadurgarh	170,767	2.10%	1.68%	30	1%	0.27%	1.95%	16.23	18.58	21.25	24.27	27.73
13	Hansi	86,770	1.07%	0.85%	10	0%	0.09%	0.94%	7.86	8.99	10.29	11.75	13.42
14	Fatehabad	70,777	0.87%	0.70%	12	1%	0.11%	0.80%	6.67	7.63	8.72	9.97	11.38
15	Bhiwani	196,057	2.41%	1.93%	30	1%	0.27%	2.20%	18.28	20.91	23.92	27.33	31.21
16	Charkhi Dadri	56,337	0.69%	0.55%	11	0%	0.10%	0.65%	5.41	6.19	7.08	8.08	9.23
17	Sohna	36,552	0.45%	0.36%	42	2%	0.39%	0.74%	6.19	7.09	8.11	9.26	10.58
18	Mandi Dabwali	52,873	0.65%	0.52%	23	1%	0.21%	0.73%	6.06	6.94	7.94	9.06	10.35

MUNICIPAL COMMITTEE													
1	Mohindergarh	29,128	0.36%	0.29%	7	0%	0.07%	0.35%	2.93	3.35	3.84	4.38	5.00
2	Ukiana	13,219	0.16%	0.13%	3	0%	0.03%	0.16%	1.31	1.50	1.71	1.96	2.24
3	Uchana	16,815	0.21%	0.17%	14	1%	0.13%	0.29%	2.43	2.78	3.18	3.63	4.15
4	Beri	15,934	0.20%	0.16%	2	0%	0.02%	0.17%	1.45	1.66	1.90	2.18	2.48
5	Hathin	14,421	0.18%	0.14%	8	0%	0.07%	0.22%	1.79	2.05	2.34	2.68	3.06
6	Radaur	13,690	0.17%	0.13%	9	0%	0.08%	0.21%	1.77	2.02	2.31	2.64	3.02
7	Taraori	25,944	0.32%	0.25%	7	0%	0.06%	0.32%	2.62	3.00	3.43	3.92	4.48
8	Nilokheri	17,938	0.22%	0.18%	5	0%	0.04%	0.22%	1.82	2.08	2.38	2.72	3.10
9	Jhajjar	48,424	0.59%	0.48%	12	1%	0.11%	0.59%	4.87	5.58	6.38	7.29	8.32
10	Meham	20,484	0.25%	0.20%	3	0%	0.03%	0.23%	1.93	2.21	2.53	2.89	3.30
11	Ferozepur Jhirka	24,750	0.30%	0.24%	8	0%	0.07%	0.32%	2.64	3.02	3.45	3.94	4.50
12	Shahabad Markanda	42,607	0.52%	0.42%	16	1%	0.15%	0.57%	4.70	5.38	6.16	7.03	8.03

13	Nuh	16,260	0.20%	0.16%	6	0%	0.05%	0.21%	1.77	2.02	2.31	2.64	3.02
14	Pundri	18,872	0.23%	0.19%	4	0%	0.04%	0.22%	1.84	2.10	2.41	2.75	3.14
15	Saffdon	34,728	0.43%	0.34%	8	0%	0.07%	0.41%	3.44	3.94	4.50	5.15	5.88
16	Bawal	16,776	0.21%	0.16%	4	0%	0.03%	0.20%	1.66	1.90	2.17	2.48	2.83
17	Pehowa	38,853	0.48%	0.38%	11	1%	0.10%	0.48%	4.02	4.60	5.26	6.01	6.86
18	Garaunda	37,816	0.46%	0.37%	13	1%	0.12%	0.49%	4.08	4.67	5.34	6.11	6.97
19	Naraingarh	22,832	0.28%	0.22%	5	0%	0.05%	0.27%	2.25	2.57	2.94	3.36	3.84
20	Ganaur	35,603	0.44%	0.35%	17	1%	0.16%	0.51%	4.21	4.81	5.51	6.29	7.19
21	Bawanikhera	20,289	0.25%	0.20%	5	0%	0.05%	0.25%	2.04	2.33	2.67	3.05	3.48
22	Ladwa	28,887	0.35%	0.28%	7	0%	0.06%	0.34%	2.86	3.28	3.75	4.28	4.89
23	Ratia	37,152	0.46%	0.36%	8	0%	0.07%	0.44%	3.65	4.17	4.77	5.45	6.23
24	Assandh	27,125	0.33%	0.27%	4	0%	0.04%	0.30%	2.52	2.88	3.30	3.77	4.30
25	Kalayt	18,660	0.23%	0.18%	6	0%	0.06%	0.24%	1.98	2.27	2.60	2.97	3.39
26	Taura	25,944	0.32%	0.25%	5	0%	0.04%	0.30%	2.47	2.82	3.23	3.69	4.21
27	Kalanwali	22,095	0.27%	0.22%	8	0%	0.07%	0.29%	2.38	2.72	3.11	3.56	4.06
28	Samalkha	38,675	0.47%	0.38%	4	0%	0.04%	0.42%	3.50	4.01	4.58	5.24	5.98
29	Cheeka	38,952	0.48%	0.38%	32	1%	0.29%	0.68%	5.63	6.44	7.37	8.41	9.61
30	Barwala	43,384	0.53%	0.43%	6	0%	0.06%	0.48%	4.00	4.58	5.24	5.99	6.84
31	Elenabad	36,623	0.45%	0.36%	3	0%	0.02%	0.38%	3.20	3.66	4.19	4.79	5.47
32	Rania	25,123	0.31%	0.25%	17	1%	0.15%	0.40%	3.32	3.80	4.35	4.97	5.68
33	Siwani	19,143	0.24%	0.19%	5	0%	0.04%	0.23%	1.94	2.21	2.53	2.89	3.31
34	Indri	17,487	0.21%	0.17%	5	0%	0.05%	0.22%	1.82	2.08	2.38	2.72	3.11
35	Pataudi	20,418	0.25%	0.20%	6	0%	0.06%	0.26%	2.16	2.47	2.82	3.23	3.68
36	Haily Mandi	20,907	0.26%	0.21%	16	1%	0.15%	0.35%	2.95	3.38	3.86	4.41	5.04
37	Kharkhoda	25,051	0.31%	0.25%	5	0%	0.05%	0.29%	2.45	2.80	3.20	3.66	4.18
38	Loharu	13,937	0.17%	0.14%	5	0%	0.05%	0.18%	1.52	1.74	1.99	2.27	2.60
39	Farrukhnagar	13,513	0.17%	0.13%	20	1%	0.19%	0.32%	2.65	3.03	3.47	3.96	4.53
40	Kanina	12,989	0.16%	0.13%	2	0%	0.01%	0.14%	1.18	1.35	1.54	1.76	2.01
41	Sampla	20,563	0.25%	0.20%	5	0%	0.04%	0.24%	2.02	2.32	2.65	3.03	3.46

42	Dharuhera	30,344	0.37%	0.30%	11	1%	0.11%	0.40%	3.36	3.84	4.39	5.02	5.73
43	Nissing	17,438	0.21%	0.17%	6	0%	0.06%	0.23%	1.88	2.16	2.47	2.82	3.22
44	Punhana	24,734	0.30%	0.24%	8	0%	0.07%	0.32%	2.63	3.01	3.45	3.94	4.50
45	Nangal Chaudhary	15,281	0.19%	0.15%	7	0%	0.06%	0.21%	1.75	2.00	2.28	2.61	2.98
46	Rajound	17,434	0.21%	0.17%	48	2%	0.44%	0.61%	5.09	5.82	6.66	7.61	8.69
47	Bhuana	30,094	0.37%	0.30%	5	0%	0.05%	0.34%	2.84	3.25	3.72	4.25	4.85
48	Barara Distt.	21,545	0.26%	0.21%	6	0%	0.06%	0.27%	2.22	2.54	2.90	3.32	3.79
49	Ateli Mandi	7,619	0.09%	0.07%	3	0%	0.03%	0.10%	0.83	0.96	1.09	1.25	1.43
50	Kalanaur	23,319	0.29%	0.23%	4	0%	0.03%	0.26%	2.17	2.49	2.84	3.25	3.71
51	Narnaund	17,424	0.21%	0.17%	6	0%	0.06%	0.23%	1.91	2.19	2.50	2.86	3.26
52	Julana	18,755	0.23%	0.18%	1	0%	0.01%	0.20%	1.62	1.86	2.13	2.43	2.77
80	Total	8,144,257	100.00%	80.00%	2,179	100%	20.00%	100.00%	832.00	952.00	1089.00	1244.00	1421.00

Source: Response to Questionnaires received from 69 ULBs and ULB website for the balance 11 ULBs

Annexure 6.2 "A"

5 TH SFC: PROJECTION OF AMOUNT DEVOLVED TO RLBS AT DIFFERENT LEVELS				
	LEVELS	DISTRICT	BLOCK	VILLAGE
	TOTAL	ZILA PARISHAD	PANCHAYAT SAMITI	GRAM PANCHAYAT
YEAR	Proportion of amount Devolved 100.00%	10.0%	15.0%	75.0%
2016-17	Amount Devolved 1078.0	107.8	161.7	808.5
2017-18	Amount Devolved 1225.0	122.5	183.8	918.8
2018-19	Amount Devolved 1392.0	139.2	208.8	1044.0
2019-20	Amount Devolved 1582.0	158.2	237.3	1186.5
2020-21	Amount Devolved 1798.0	179.8	269.7	1348.5

Source: Constructed by 5th SFC

Annexure 6.2 "B"

5th SFC: Projected Amount Devolved to Zila Parishads for the period 2016-17 to 2020-21 based on "Set 3"

S.No.	Name of Districts	Population	%age to Total Population	Factor (A)	Area (sq. Km.)	%age to Total Area	Factor (B)	Combined Factor (A+B)	Amount Devolved (In Crores)				
									2016-17	2017-18	2018-19	2019-20	2020-21
Factors Subject to Change				0.8			0.2		107.8	122.5	139.2	158.2	179.8
At District Level Zila Parishad													
1	Ambala	200000	6.1%	4.9%	235	2.7%	0.5%	5.4%	5.8	6.6	7.5	8.6	9.7
2	Bhiwani	30000	0.9%	0.7%	235	2.7%	0.5%	1.3%	1.4	1.6	1.8	2.0	2.3
3	Faridabad	52125	1.6%	1.3%	458	5.3%	1.1%	2.3%	2.5	2.8	3.2	3.7	4.2
4	Fatehabad	53232	1.6%	1.3%	568	6.5%	1.3%	2.6%	2.8	3.2	3.6	4.1	4.7
5	Gurgaon	235151	7.2%	5.7%	967	11.1%	2.2%	8.0%	8.6	9.7	11.1	12.6	14.3
6	Hisar	56265	1.7%	1.4%	145	1.7%	0.3%	1.7%	1.8	2.1	2.4	2.7	3.1
7	Jind	235856	7.2%	5.8%	236	2.7%	0.5%	6.3%	6.8	7.7	8.8	10.0	11.3
8	Jhajjar	15989	0.5%	0.4%	122	1.4%	0.3%	0.7%	0.7	0.8	0.9	1.1	1.2
9	Kaithal	65532	2.0%	1.6%	441	5.1%	1.0%	2.6%	2.8	3.2	3.6	4.1	4.7
10	Karnal	54525	1.7%	1.3%	112	1.3%	0.3%	1.6%	1.7	1.9	2.2	2.5	2.9
11	Kurukshetra	26562	0.8%	0.6%	584	6.7%	1.3%	2.0%	2.1	2.4	2.8	3.1	3.6
12	Mahendergarh	15523	0.5%	0.4%	35	0.4%	0.1%	0.5%	0.5	0.6	0.6	0.7	0.8
13	Mewat (Nuh)	58565	1.8%	1.4%	890	10.2%	2.0%	3.5%	3.7	4.3	4.8	5.5	6.2
14	Palwal	52345	1.6%	1.3%	568	6.5%	1.3%	2.6%	2.8	3.2	3.6	4.1	4.6
15	Panchkula	319398	9.7%	7.8%	565	6.5%	1.3%	9.1%	9.8	11.1	12.7	14.4	16.3
16	Panipat	156435	4.8%	3.8%	489	5.6%	1.1%	4.9%	5.3	6.1	6.9	7.8	8.9
17	Rewari	1515132	46.2%	37.0%	457	5.2%	1.0%	38.0%	41.0	46.6	52.9	60.1	68.4
18	Rohtak	15165	0.5%	0.4%	235	2.7%	0.5%	0.9%	1.0	1.1	1.3	1.4	1.6
19	Sonipat	56165	1.7%	1.4%	265	3.0%	0.6%	2.0%	2.1	2.4	2.8	3.1	3.6
20	Sirsa	8465	0.3%	0.2%	522	6.0%	1.2%	1.4%	1.5	1.7	2.0	2.2	2.5
21	Yamuna Nagar	56515	1.7%	1.4%	584	6.7%	1.3%	2.7%	2.9	3.3	3.8	4.3	4.9
21	Total	3278945	100.0%	80.0%	8713	100.0%	20.0%	100.0%	107.8	122.5	139.2	158.2	179.8

Source: From <http://www.harpanchayats.gov.in/>; <http://164.100.148.106/panchnominations/dashboarddeleted.aspx>

Annexure 6.2 "C"

5th SFC: Projected Amount Developed to Panchayat Samiti for the period 2016-17 to 2020-21 based on "Set 3"

Name of Districts	S.No. of Blocks	Name of Blocks	Population	Percentage to Total Population	Factor (A)	Area (sq. Km.)	Percentage to Total Area	Factor (B)	Factor (A+B)	Amount Devolved (In Crores)					
										2016-17	2017-18	2018-19	2019-20	2020-21	
Factors Subject to Change															
					0.8			0.2		161.7	183.8	208.8	237.3	269.7	
At Block Level_ Panchayat Samiti															
1. Ambala															
	1	Shahzadpur	90,176	0.6%	0.44%	216.89	0.5%	0.1%	0.5%	0.9	1.0	1.1	1.3	1.5	
	2	Naraingarh	107,609	0.7%	0.53%	243.84	0.6%	0.1%	0.6%	1.0	1.2	1.3	1.5	1.7	
	3	Ambala-I	147,420	0.9%	0.72%	363.44	0.9%	0.2%	0.9%	1.4	1.6	1.9	2.1	2.4	
	4	Ambala-II	63,938	0.4%	0.31%	86.5	0.2%	0.0%	0.4%	0.6	0.7	0.7	0.8	1.0	
	5	Saha	97,771	0.6%	0.48%	225.25	0.5%	0.1%	0.6%	0.9	1.1	1.2	1.4	1.6	
	6	Barara	120,662	0.7%	0.59%	239.85	0.6%	0.1%	0.7%	1.1	1.3	1.5	1.7	1.9	
2. Bhiwani															
	1	Bawanikhera	115,628	0.7%	0.57%	379.1	0.9%	0.2%	0.7%	1.2	1.4	1.6	1.8	2.0	
	2	Bhiwani	310,641	1.9%	1.52%	800.27	1.9%	0.4%	1.9%	3.1	3.5	4.0	4.5	5.1	

	3	Kairu	79,082	0.5%	0.39%	312.49	0.7%	0.1%	0.5%	0.9	1.0	1.1	1.3	1.4
	4	Tosharn	126,743	0.8%	0.62%	527.66	1.3%	0.3%	0.9%	1.4	1.6	1.8	2.1	2.4
	5	Siwani	89,240	0.5%	0.44%	538.53	1.3%	0.3%	0.7%	1.1	1.3	1.4	1.6	1.9
	6	Loharu	80,510	0.5%	0.39%	368.73	0.9%	0.2%	0.6%	0.9	1.0	1.2	1.4	1.5
	7	Badhra	142,184	0.9%	0.70%	488	1.2%	0.2%	0.9%	1.5	1.7	1.9	2.2	2.5
	8	Behal	65,340	0.4%	0.32%	303.8	0.7%	0.1%	0.5%	0.8	0.9	1.0	1.1	1.3
	9	Bond Kalan	160,330	1.0%	0.78%	429.51	1.0%	0.2%	1.0%	1.6	1.8	2.1	2.3	2.7
	10	Dadri	143,425	0.9%	0.70%	447.66	1.1%	0.2%	0.9%	1.5	1.7	1.9	2.2	2.5
3. Faridabad														
	1	Faridabad	168,268	1.0%	0.82%	228.45	0.5%	0.1%	0.9%	1.5	1.7	1.9	2.2	2.5
	2	Ballabhgarh	202,610	1.2%	0.99%	301.3	0.7%	0.1%	1.1%	1.8	2.1	2.4	2.7	3.1
4. Fatehabad														
	1	Ratia	148,438	0.9%	0.73%	523.34	1.2%	0.2%	1.0%	1.6	1.8	2.0	2.3	2.6
	2	Jakhai	51,392	0.3%	0.25%	151.93	0.4%	0.1%	0.3%	0.5	0.6	0.7	0.8	0.9
	3	Tohana	111,092	0.7%	0.54%	331.93	0.8%	0.2%	0.7%	1.1	1.3	1.5	1.7	1.9
	4	Bhuna	128,552	0.8%	0.63%	394.93	0.9%	0.2%	0.8%	1.3	1.5	1.7	1.9	2.2
	5	Fatehabad	202,163	1.2%	0.99%	676.74	1.6%	0.3%	1.3%	2.1	2.4	2.7	3.1	3.5
	6	Bhattu Kalan	103,457	0.6%	0.51%	363.53	0.9%	0.2%	0.7%	1.1	1.2	1.4	1.6	1.8
	7	Ukiana	17,329	0.1%	0.08%	57.07	0.1%	0.0%	0.1%	0.2	0.2	0.2	0.3	0.3
5. Gurugram														

	1	Pataudi	135,800	0.8%	0.66%	245.85	0.6%	0.1%	0.8%	1.3	1.4	1.6	1.9	2.1
	2	Farukhnagar	113,493	0.7%	0.56%	270.03	0.6%	0.1%	0.7%	1.1	1.3	1.4	1.6	1.8
	3	Gurugram	93,197	0.6%	0.46%	172.19	0.4%	0.1%	0.5%	0.9	1.0	1.1	1.3	1.5
	4	Sohna	124,685	0.8%	0.61%	283.85	0.7%	0.1%	0.7%	1.2	1.4	1.6	1.8	2.0
	5	Taoru	5,004	0.0%	0.02%	6.66	0.0%	0.0%	0.0%	0.0	0.1	0.1	0.1	0.1
6. Hisar														
	1	Adampur	86,011	0.5%	0.42%	301.99	0.7%	0.1%	0.6%	0.9	1.0	1.2	1.3	1.5
	2	Agroha	101,193	0.6%	0.50%	329.78	0.8%	0.2%	0.7%	1.1	1.2	1.4	1.5	1.8
	3	Hisar-I	144,128	0.9%	0.71%	489.44	1.2%	0.2%	0.9%	1.5	1.7	2.0	2.2	2.5
	4	Hisar-II	174,733	1.1%	0.86%	727.03	1.7%	0.3%	1.2%	1.9	2.2	2.5	2.9	3.2
	5	Barwala	157,981	1.0%	0.77%	502.51	1.2%	0.2%	1.0%	1.6	1.9	2.1	2.4	2.7
	6	Narnaund	123,638	0.8%	0.61%	409.7	1.0%	0.2%	0.8%	1.3	1.5	1.7	1.9	2.2
	7	Hansi-I	207,569	1.3%	1.02%	610.21	1.5%	0.3%	1.3%	2.1	2.4	2.7	3.1	3.5
	8	Hansi-II	92,451	0.6%	0.45%	299.38	0.7%	0.1%	0.6%	1.0	1.1	1.2	1.4	1.6
	9	Bhattu Kalan	10,266	0.1%	0.05%	45.47	0.1%	0.0%	0.1%	0.1	0.1	0.2	0.2	0.2
	10	Ukiana	92,473	0.6%	0.45%	227.85	0.5%	0.1%	0.6%	0.9	1.0	1.2	1.3	1.5
7. Jind														
	1	Narwana	225,213	1.4%	1.10%	643.4	1.5%	0.3%	1.4%	2.3	2.6	2.9	3.3	3.8
	2	Uchana	180,203	1.1%	0.88%	501.36	1.2%	0.2%	1.1%	1.8	2.1	2.3	2.7	3.0
	3	Alewa	89,541	0.5%	0.44%	234.58	0.6%	0.1%	0.6%	0.9	1.0	1.1	1.3	1.5

	4	Jind	191,145	1.2%	0.94%	459.66	1.1%	0.2%	1.2%	1.9	2.1	2.4	2.7	3.1
	5	Julana	129,169	0.8%	0.63%	342.61	0.8%	0.2%	0.8%	1.3	1.5	1.7	1.9	2.1
	6	Pillukhera	85,740	0.5%	0.42%	211	0.5%	0.1%	0.5%	0.8	1.0	1.1	1.2	1.4
	7	Safidon	127,558	0.8%	0.62%	305.03	0.7%	0.1%	0.8%	1.2	1.4	1.6	1.8	2.1
8. Jhajjar														
	1	Beri	62,565	0.4%	0.31%	324.64	0.8%	0.2%	0.5%	0.7	0.8	1.0	1.1	1.2
	2	Bahadurgah	226,074	1.4%	1.11%	468.82	1.1%	0.2%	1.3%	2.2	2.4	2.8	3.2	3.6
	3	Jhajjar	173,185	1.1%	0.85%	497.08	1.2%	0.2%	1.1%	1.8	2.0	2.3	2.6	2.9
	4	Sahlawas	80,061	0.5%	0.39%	203.86	0.5%	0.1%	0.5%	0.8	0.9	1.0	1.2	1.3
	5	Matenhail	117,011	0.7%	0.57%	344.68	0.8%	0.2%	0.7%	1.2	1.4	1.5	1.7	2.0
	6	Nahar	1,826	0.0%	0.01%	3.85	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0
9. Kaithal														
	1	Guhla	116,016	0.7%	0.57%	360.32	0.9%	0.2%	0.7%	1.2	1.4	1.5	1.8	2.0
	2	Siwan	99,367	0.6%	0.49%	268.9	0.6%	0.1%	0.6%	1.0	1.1	1.3	1.5	1.7
	3	Kaithal	211,114	1.3%	1.03%	510.85	1.2%	0.2%	1.3%	2.1	2.3	2.7	3.0	3.4
	4	Kalayat	112,458	0.7%	0.55%	319.99	0.8%	0.2%	0.7%	1.1	1.3	1.5	1.7	1.9
	5	Rajound	120,711	0.7%	0.59%	285.25	0.7%	0.1%	0.7%	1.2	1.3	1.5	1.7	2.0
	6	Pundri	178,627	1.1%	0.87%	420.78	1.0%	0.2%	1.1%	1.7	2.0	2.2	2.6	2.9
10. Karnal														
	1	Nilokheri	166,841	1.0%	0.82%	393.29	0.9%	0.2%	1.0%	1.6	1.8	2.1	2.4	2.7

		Indri	145,707	0.9%	0.71%	344.1	0.8%	0.2%	0.9%	1.4	1.6	1.8	2.1	2.4
		Karnal	208,184	1.3%	1.02%	386.4	0.9%	0.2%	1.2%	1.9	2.2	2.5	2.9	3.2
		Nissing	154,666	0.9%	0.76%	409.19	1.0%	0.2%	1.0%	1.5	1.7	2.0	2.3	2.6
		Assandh	179,229	1.1%	0.88%	494.3	1.2%	0.2%	1.1%	1.8	2.0	2.3	2.6	3.0
		Gharanda	195,887	1.2%	0.96%	365.67	0.9%	0.2%	1.1%	1.8	2.1	2.4	2.7	3.1
11. Kurukshetra														
	1	Shahbad	167,766	1.0%	0.82%	359.4	0.9%	0.2%	1.0%	1.6	1.8	2.1	2.4	2.7
	2	Pehowa	159,668	1.0%	0.78%	482.85	1.2%	0.2%	1.0%	1.6	1.9	2.1	2.4	2.7
	3	Babain	62,177	0.4%	0.30%	133.86	0.3%	0.1%	0.4%	0.6	0.7	0.8	0.9	1.0
	4	Thanesar	221,448	1.4%	1.08%	464.14	1.1%	0.2%	1.3%	2.1	2.4	2.7	3.1	3.5
	5	Ladwa	88,097	0.5%	0.43%	182.47	0.4%	0.1%	0.5%	0.8	1.0	1.1	1.2	1.4
12. Mahendergarh														
	1	Kanina	156,383	1.0%	0.77%	377.02	0.9%	0.2%	0.9%	1.5	1.7	2.0	2.2	2.5
	2	Mahendergarh	204,370	1.3%	1.00%	592.45	1.4%	0.3%	1.3%	2.1	2.4	2.7	3.0	3.5
	3	Atell Mandi	153,623	0.9%	0.75%	300.52	0.7%	0.1%	0.9%	1.4	1.6	1.9	2.1	2.4
	4	Narnaul	124,621	0.8%	0.61%	303.44	0.7%	0.1%	0.8%	1.2	1.4	1.6	1.8	2.0
	5	Nangal Chauthary	150,236	0.9%	0.74%	332.37	0.8%	0.2%	0.9%	1.4	1.6	1.9	2.1	2.4
13. Mewat (Nuh)														
	1	Taoru	138,172	0.8%	0.68%	210.48	0.5%	0.1%	0.8%	1.3	1.4	1.6	1.8	2.1
	2	Nuh	265,114	1.6%	1.30%	453.36	1.1%	0.2%	1.5%	2.4	2.8	3.2	3.6	4.1

	3	Ferozpurjhika	175,665	1.1%	0.86%	300.66	0.7%	0.1%	1.0%	1.6	1.8	2.1	2.4	2.7
	4	Nagina	136,009	0.8%	0.67%	206.26	0.5%	0.1%	0.8%	1.2	1.4	1.6	1.8	2.1
	5	Puhana	250,197	1.5%	1.22%	264.46	0.6%	0.1%	1.4%	2.2	2.5	2.8	3.2	3.6
14. Palwal														
	1	Palwal	259,464	1.6%	1.27%	461.96	1.1%	0.2%	1.5%	2.4	2.7	3.1	3.5	4.0
	2	Hathin	254,594	1.6%	1.25%	357.35	0.9%	0.2%	1.4%	2.3	2.6	3.0	3.4	3.8
	3	Hassanpur	120,145	0.7%	0.59%	198.47	0.5%	0.1%	0.7%	1.1	1.3	1.4	1.6	1.8
	4	Hodal	171,961	1.1%	0.84%	299.23	0.7%	0.1%	1.0%	1.6	1.8	2.1	2.3	2.7
15. Panchkula														
	1	Pinjore	104,275	0.6%	0.51%	170.24	0.4%	0.1%	0.6%	1.0	1.1	1.2	1.4	1.6
	2	Barwala	72,373	0.4%	0.35%	173.68	0.4%	0.1%	0.4%	0.7	0.8	0.9	1.0	1.2
	3	Morni	21,330	0.1%	0.10%	37.41	0.1%	0.0%	0.1%	0.2	0.2	0.3	0.3	0.3
	4	Raipur Rani	50,085	0.3%	0.25%	128.13	0.3%	0.1%	0.3%	0.5	0.6	0.6	0.7	0.8
16. Panipat														
	1	Gharaunda	11,609	0.1%	0.06%	10.36	0.0%	0.0%	0.1%	0.1	0.1	0.1	0.1	0.2
	2	Madlauda	134,077	0.8%	0.66%	336.68	0.8%	0.2%	0.8%	1.3	1.5	1.7	1.9	2.2
	3	Panipat	114,441	0.7%	0.56%	151.12	0.4%	0.1%	0.6%	1.0	1.2	1.3	1.5	1.7
	4	Israna	126,075	0.8%	0.62%	279.98	0.7%	0.1%	0.8%	1.2	1.4	1.6	1.8	2.0
	5	Bapoli	128,600	0.8%	0.63%	224.35	0.5%	0.1%	0.7%	1.2	1.4	1.5	1.7	2.0
	6	Samalkha	13,550	0.1%	0.07%	220.05	0.5%	0.1%	0.2%	0.3	0.3	0.4	0.4	0.5

Annexure 7.1

Haryana: Swachhta Survekshan 2017 Ranking

S.No	Districts	Ranking among 434 Cities of India
1.	Karnal	65
2.	Faridabad	88
3.	Gurugram	112
4.	Panchkula	211
5.	Sonipat	243
6.	Thanesar	253
7.	Jind	265
8.	Sirsa	274
9.	Kaithal	282
10.	Hisar	291
11.	Rohtak	295
12.	Rewari	303
13.	Ambala Sadar	308
14.	Panipat	335
15.	bihawani	345
16.	Yamuna Nagar	346
17.	Bahadurgarh	353
18.	Palwal	397

Source:- <http://pib.nic.in/newsite/PrintRelease.aspx?relid=161535>

PART-III OF THE NITI AAYOG REPORT**Lessons Learned from a Thematic Perspective**

Re-visiting each case study from a thematic lens illuminates substantive lessons for planning and implementing future interventions within that sector. Notable points emerging within each theme from the initiatives documented therein have been provided in this section, with the aim of facilitating easy identification of relevant points for deliberation and incorporation into other theme-specific interventions.

3.1 Child Protection

While this section has covered only one initiative (1) , it was observed that a proper child protection system can increase sensitization regarding child rights, discuss issues of concern in the public domain, and improve discipline in the education system. While it was important to bring issues of child protection and rights into the public domain in order to take appropriate supportive action, the need to maintain confidentiality with regard to the identity of the complainant was also understood to be extremely high, and this was enabled by providing access to the system through a telephonic or web interface. This aspect of confidentiality encouraged many people to seek assistance through the helpline. Another noteworthy point is that complainants often expect higher authorities, rather than the first line officials, to attend to their complaints. While this attitude must be navigated through appropriate assurances by the implementers and a quick response to the complaint, the experience of this initiative does show that experienced/higher level officials are a great asset especially in dealing with complaints of sexual abuse. This initiative also demonstrates the need to take measures to curtail and/or investigate the misuse of provisions to lodge false complaints.

3.2 Education

While Information and Communications Technology (ICT) has been effectively utilised as an enabler to streamline the school education system, as seen in the Migration Card and Migration Monitoring Software initiative(2) , measures must be taken to address infrastructural limitations, such as inadequate internet connectivity, insufficiently trained staff, lack of technical support etc., which hamper the optimum utilisation of instrumental online facilities. Another lesson learned is that steps must be taken to facilitate people's adaptation to particularly out-of the-box ideas. This is exemplified by the Pota Cabins (3) initiative of Chhattisgarh, where students previously accustomed to open spaces were found to be fleeing from their residential schools due to their discomfort in closed confines. To counter this, elements from the students' regular lives and surroundings were imbibed in order to make them more comfortable. The high relevance of participatory approaches to assessing the school education system and addressing identified challenges has been highlighted by the Pratibha Parv(4) initiative in Madhya Pradesh. Participation of stakeholders such as students, teachers and management has strengthened the quality and speed of decisionmaking related to academic and administrative matters and resulted in making positive changes, notably, in terms of student attendance.

3.3 Environment Initiatives

Promoting the conservation of common resources such as lakes and forests have been observed to begin with delimitation, or marking boundaries, as an essential first step. This has emerged a simple, yet effective method to avert further damage or misuse of the resource. While segregation is critical to waste management, innovative and constructive re-use of waste material is a useful strategy to resolve the problem of waste management, with significant multiple benefits. In the case of the Sustainable Plastic Waste Management Plan(5) in Himachal Pradesh, for instance, plastic waste generated was utilised in road construction by the Public Works Department. In some cases, the community was engaged in reusing waste, such as in the Avadi Sewage Treatment Plant (6) in Tamil Nadu, where treated waste water was used for cultivation and production of economically viable items. This was also seen in the Environment Management Initiative(7) undertaken on an institute campus in the Andaman and Nicobar Islands, where waste was segregated, treated and recycled to

use as manure or in the manufacture of paper items such as files and folders. Analysing the sources of waste generation and accordingly taking measures to reduce the same is a practical strategy that was employed in Himachal Pradesh(8). For Instance purified water dispensers were installed at tourist points to curtail the purchase and subsequent disposal of plastic water bottles. Across the initiatives documented, it was found that Information, Education and Communication (IEC) material and Behaviour Change Communication (BCC) are distinctly effective when they go beyond merely sensitising citizens to the environmental ill effects of certain common practices, to also educate them on alternative, environment friendly solutions. Providing viable alternatives to people and, if possible, incentivising the adoption of these alternatives provides an impetus to change.

3.4 Financial Inclusion

A remarkable initiative to make banking services more accessible to the rural poor, the Panchayat Banks(9) initiative in Jharkhand demonstrates the potential to engage local entrepreneurs in making multiple essential services more accessible to the rural poor at Panchayat offices. This initiative serves to exemplify the theory that greater access to banking facilities encourages and enables a culture of financial saving, as citizens are able to make frequent visits to the bank to withdraw money as required, as opposed to the earlier practice of minimizing the frequency of cumbersome and expensive travel to banks by withdrawing large amounts of money in one visit.

3.5 Food Security and Public Distribution

A lesson learned from the practices studied under this theme, particularly highlighted by the Dilli Annashree Yojna(10), is that the most vulnerable people often do not have the documents required to benefit from existing food and social security programmes. Identifying the most vulnerable population segment through field surveys is a time and resource intensive task, but can be combined with strategies to raise public awareness, and eventually sets a foundation for such persons to access the benefits of other schemes as well by enabling the creation of documentation necessary for eligibility along with information dissemination on entitlements. The Dilli Annashree Yojana also demonstrated that making women the recipient of benefits on behalf of their households is an effective strategy to gain access to these women and impart valuable information on health, nutrition, hygiene, as well as on other schemes and entitlements. The provision of such information to women is seen to have positive consequences for their entire household. The use of technology in monitoring the procurement, storage, transportation and sale of food grain is common across the Arun Epds(11) and the eUparjan(12) initiatives. Computerised systems have demonstrated remarkably high effectiveness in tracking the movement of grains from godowns to fair price shops, reducing pilferage, and eliminating false ration cards in the former initiative, while in the latter case it has systemised procurement in large quantities and enabled the arrangement of timely and adequate transportation and storage facilities.

3.6 Health

Decentralisation and empowerment of local officials/ field workers along with strict monitoring benefits the implementation of an initiative in several ways. In the case of decentralisation of the ICDS13 in Odisha, for instance, procurement of food material at the village level has reduced problems of pilferage, inadequate quantity and poor quality, insufficient/improper storage and the consequent spoiling of food. Supported by other mechanisms such as fixed menus, raising public awareness on entitlements, forming committees to engage the community in monitoring and ensuring all fund transactions are undertaken online and accountability is maintained. The immense value of preventive healthcare in reducing health risks, the severity of ailments and treatment costs has been demonstrated by initiatives like KIDROP14, CATCH15 and Indira Bal Swasthya Yojna16. These initiatives have provided rich and replicable models for screening large sections of the population, to identify and treat health problems at a nascent stage and to prevent future problems. Although administratively challenging, these initiatives leverage the already existing health and education human resources and material infrastructure of the state, as well as on the use of information technology to expand their reach. An effective strategy for providing preventive healthcare is thus a vital area for future action, so as to promote healthy lives, avoid grave illnesses that hamper functioning, and to reduce future costs borne by individuals and the State in treating illnesses in their advanced stage. The removal of impediments in

health seeking behaviour is a crucial issue to address, especially in the case of the poor, for whom a medical visit might involve the loss of daily wages, and in the case of the less informed, who may not be aware of their entitlements. Initiatives such as the Indira Bal Swasthya Yojana¹⁷ and KIDROP¹⁸ undertook campaigns to educate people on the significant health and monetary benefits of checking illnesses in their early stages and going for follow-up checks. This is especially relevant to combat the problems associated with patients dropping out or stopping treatment mid-course, which could be more harmful to the patient by potentially increase drug resistant pathogens, while being a drain on the tax payers' money. A critical learning from the field has been the need to increase capacities at the local level-Primary Health Centres, Community Health Centres, and First Referral Units - before undertaking health initiatives. It has been observed that running such healthcare initiatives without undertaking this basic step leads to an immense amount of referrals being directed to the district hospitals, where the high number of cases hampers timely delivery of necessary medical services. This, combined with the fact that district hospitals are not easily accessible to all, negatively impacts the healthseeking behaviour of people. Increasing the ability of local health centres and practitioners to provide a wider range of medical services could play a key role in encouraging people to seek and use health services due to convenience of access and reduced logistical expenditures.

3.7 Infrastructure and Development

The way in which ICTs can be utilised to streamline and improve timeliness of public transport, effectively reducing traffic congestion and pollution as well as improving user convenience and safety, is a major takeaway from the Intelligent Transport System¹⁹ in Mysore. It demonstrates that improving public transport service delivery and reducing people's dependence on private transport can have varied environmental, safety and cost benefits.

3.8 Local Governance

Under the 24x7 Metered Water Supply²⁰ initiative in Punjab, it was observed that households attempted to minimise their water bills by making more judicious use of water. Therefore, while demonstrating that even poor households are willing to pay fair charges for a useful and efficiently provided service, this initiative also underscores the fact that charging payment based on the metered usage of utilities is a logical and tactical measure to encourage conservation of valuable resources such as water. Innovative methods of seeking feedback to address grievances are vital in boosting consumer trust and satisfaction. The 24x7 Metered Water initiative in Punjab introduced the practice of tele-calling beneficiaries for feedback on a regular basis, thereby effectively mainstreaming the concerns of end-users for greater effectiveness. The lack of information on sources of fund inflows to the district and lower levels hampers the ability of officials at these levels to optimally engage in planning, prioritisation of issues and agenda setting. The initiative on EntitlementBased District Planning²¹ in Bihar showed that training and information dissemination on schemes, entitlements and the resource envelope enables state and district planning officials to identify existing gaps/focus areas and decide on feasible measures to address them.

3.9 Social Security

The exemplary implementation of the Aam Aadmi Bima Yojana²² in Andhra Pradesh illuminates the fact that integration of local community-based organisations such as self-help groups (SHGs) in processes of rolling out large scale programmes plays a critical role in raising awareness and generating acceptance, thereby increasing service penetration and outreach. In addition, the introduction of mechanisms to scan and share documents online for verification and has significantly speeded up the process. The same initiative also demonstrated the great potential of social audits to identify malpractices and revisit implementation modalities to prevent them. An important learning from the Daliya Jalao²³ initiative in Uttar Pradesh is that while behaviour change communication and sensitisation towards social and health issues on the demand side and supply side is important for comprehensively ending historically unjust and harmful practices such as manual scavenging, rehabilitation of those providing such services through providing them alternative sustainable livelihoods is essential to successfully draw such service providers away from the practice. The Daliya Jalao initiative also ensured greater effectiveness by converging with other social security schemes such as pension, special scholarships for children, rural housing, loans and skill upgradation trainings were effectively used to

rehabilitate scavengers A lesson for violence-affected parts of the country is the utility of skills training and public private partnership (PPP) to provide the dual benefit of viable livelihood options while at the same time countering the vulnerability of youth to being co-opted into antisocial activities. This is seen in the implementation of Himayat²⁴ in Jammu and Kashmir, where poverty and unemployment are extremely high and insurgency and violence are a deep-rooted problem. In addition, in an extremely forward-thinking strategy for sustainability of the initiative, monetary and non-monetary support is provided to trainees who are recruited in workplaces outside their home state in order to help them adjust financially, culturally and emotionally to their new environment. Social interventions aimed at de-stigmatisation of particular physical/mental health issues through sensitisation of communities have been found to be an effective sub-component in health service provision, as the reluctance of community members to acknowledge and seek treatment for ailments is a common challenge. Samarpan²⁵ has effectively utilised methods such as street theatre, wall paintings, pamphlets and advertisements to spread awareness, remove feelings of embarrassment, and build sensitivity and acceptance about disability, to help people shed their inhibitions and seek professional treatment.

3.10 Water and Sanitation

The Community Managed Water Supply Programme²⁶ in Gujarat and the Open Defecation Free Villages²⁷ initiative in Jharkhand have shown that a key strategy to ensuring the long term engagement of citizens/end users in service delivery is to draw partial investment from them, apart from following a demand driven approach to planning and implementation. With the community being part owners of assets, there is sustained interest from members in maintenance and operations. The Jharkhand initiative, in addition, places great stress on a saturation approach, i.e. only when 100% community consensus is achieved is the initiative implemented in a village. By treating the entire village, rather than each individual household, as a unit for implementation, health and sanitation are addressed as community issues, a cohesive approach to changing practices is taken, and cases of slip-back are not discussed in isolation.

3.11 Women's Empowerment

The experience of the Ghar Doghaanche Abhiyan²⁸ in Maharashtra highlights some useful strategies to help navigate the inevitable sensitivities that arise in response to initiatives that challenge the historically held privileges of a particular population segment. These include to begin implementation in the most favourable location, to carry positive experiences or the 'most significant stories' of change to other more challenging sites, and to reinforce positive change with socially valued incentives such as public recognition and respect. This initiative was first implemented in the district of Parbhani under the umbrella of the already implemented women empowerment programme 'Tejaswini', because of the successful experience of mobilising SHG women in that district. Also, when the implementation team found large landowners more resistant to registering property jointly with their wives than small landowners, they concentrated initial efforts on small land owners. Successful stories were disseminated widely and reinforced through public felicitation ceremonies. Enabling women to achieve greater control over economic assets or make better economic gains through their productive activities aside from household work increases their bargaining power and consequently improves their position in other domains of life such as within their households, and gradually in their social circle and political environment. The Ghar Doghaanche Abhiyan shows how women gained a sense of security through obtaining joint ownership rights over property, which in some cases translated into an improved ability to battle harassment and violence within the household. The Organic Rice Production²⁹ initiative in Maharashtra has not only reduced the drudgery of women engaged in agricultural work, it has also elevated their status as stakeholders in agricultural activities and decision making at the household level by enabling them to lend greater economic stability to their families. Both the initiatives discussed under this category point to the fact that SHGs are an effective entry point to identify needs in the direction of empowering women. They play a vital role as primary units for mobilising women, promoting awareness, conducting advocacy campaigns and providing support to members.

Conclusion

This resource book presents some exemplary cases of implementation of social service delivery initiatives from an action-oriented perspective. The aim of this compilation is not to be exhaustive but to present key good practices along with an analysis of critical success factors, to serve as a reference point for other ongoing or forthcoming initiatives. Not only are these practices relevant to guide other initiatives within the particular thematic area that they have been undertaken in, the overarching principles guiding their conceptualisation and implementation can be applied across themes. In the current context of demand led development and the strong emphasis on good governance through transparency, accountability, efficiency, and inclusion, the role of the State in social service delivery is undergoing a profound transformation. With several noteworthy improvisations and innovations being made in aid of this positive transformation, accurate and sustained information exchange on the same can be of immense support to action for social service delivery across the country. This resource book seeks to promote the circulation of such information, so that the positives from these documented initiatives can be replicated to further good governance and the overall goals of human well-being.

References

1. Refer to 'Sampark: Reaching out through school student helpline in Odisha'.
2. Refer to 'Migration Card and Migration Monitoring Software: Tracking and educating migrant children in Gujarat'.
3. Refer to 'Pota Cabins: Residential schools for children in LWE-affected areas of Chhattisgarh'.
4. Refer to 'Pratibha Parv: Strengthening quality of education in Government schools of Madhya Pradesh'.
5. Refer to 'Sustainable Plastic Waste Management Plan: Defending the fragile ecosystem of Himachal Pradesh'.
6. Refer to 'Avadi Sewage Treatment Plant: Sustainable off-grid sewage treatment in Chennai'.
7. Refer to 'Environment Management Initiative: A unique low-cost model in Andaman and Nicobar Islands'.
8. Refer to 'Sustainable Plastic Waste Management Plan: Defending the fragile ecosystem of Himachal Pradesh' 276 Lessons Learned from a Thematic Perspective Social Sector Service Delivery: Good Practices Resource Book 2015 purified water dispensers were installed at tourist points to curtail the purchase and subsequent disposal of plastic water bottles.
9. Refer to 'Panchayat Banks: Providing banking facilities at the village level in Jharkhand'.
10. Refer to 'Dilli Annashree Yojna: Food security for the vulnerable in New Delhi'.
11. Refer to 'Arun ePDS: ICTs and process re-engineering for an efficient public distribution system (PDS) in Arunachal Pradesh'.
12. Refer to 'e-Uparjan: Re-inventing the procurement system through digitisation in Madhya Pradesh'.
13. Refer to 'Decentralisation of ICDS Supplementary Nutrition Programme: Ensuring timely and quality nutrition to all beneficiaries in Odisha'.
14. Refer to 'KIDROP: Preventing vision loss in premature infants of underserved areas in Karnataka'.
15. Refer to 'CATCH: Ensuring quality health care for all in Sikkim'.
16. Refer to 'Indira Bal Swasthya Yojana: Applying preventive health care measures to promote children's health in Haryana'.
17. Refer to 'Indira Bal Swasthya Yojana: Applying preventive health care measures to promote children's health in Haryana'.
18. Refer to 'KIDROP: Preventing vision loss in premature infants of underserved areas in Karnataka'.
19. Refer to 'Intelligent Transport System: Improving urban public transport in Mysore'.
20. Refer to '24x7 Metered Water: Improving water supply in rural areas of Punjab'.
21. Refer to 'Entitlement-Based District Planning: Innovating planning process for accuracy and efficiency in Bihar'.
22. Refer to 'Aam Aadmi Bima Yojana: Life insurance for rural landless labourers in Andhra Pradesh'.
23. Refer to 'Daliya Jalao: Liberating and rehabilitating manual scavengers in Badaun district of Uttar Pradesh'.

Source: http://niti.gov.in/writereaddata/files/humandevlopment/Resource_Book_on_Good_Practices.pdf P,275-279; part-iii

Figure 1.1(A)

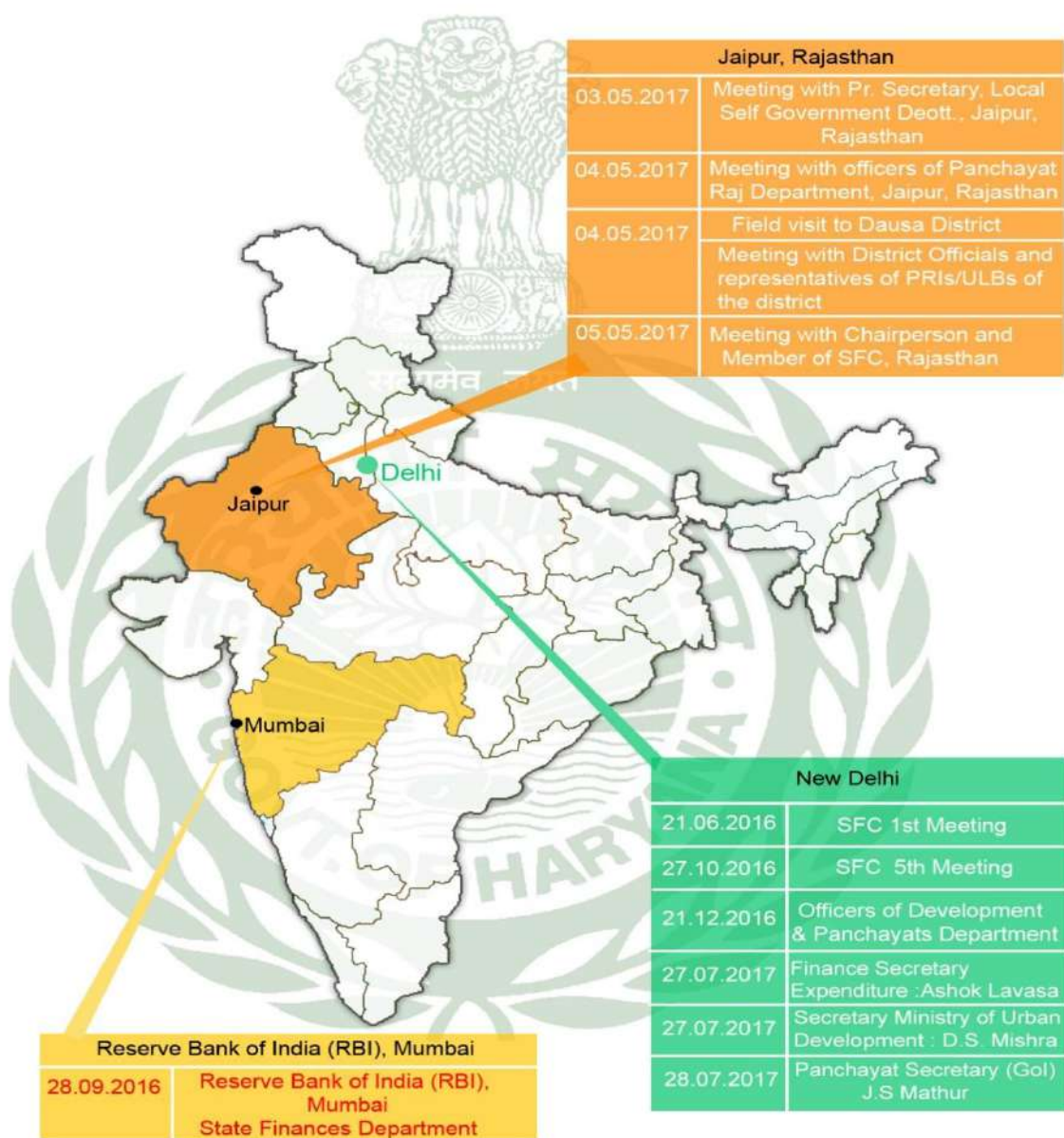
5th SFC VISIT (PART-3), DATE & PLACE OF MEETING AND WORKSHOPS

Figure 1.1(B)

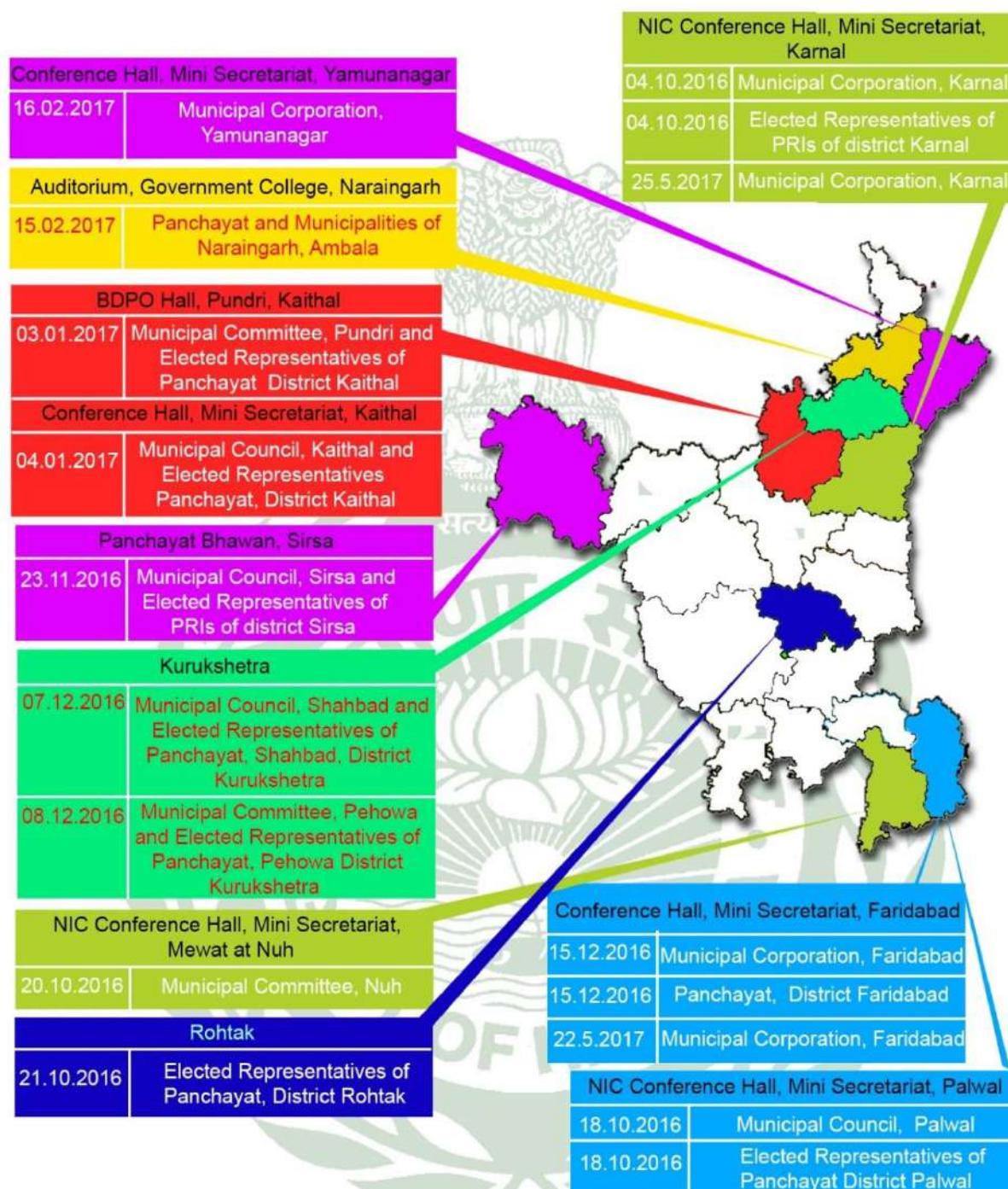
5th SFC, HARYANA, DATE & PLACE OF MEETING AND WORKSHOPS

Figure 1.1(C)

5th SFC WITHIN HARYANA(PART-1), DATE & PLACE OF MEETING AND WORKSHOPS

Yojana Bhawan, Sector-4, Panchkula		Haryana Niwas, Sector-3, Chandigarh	
15.07.2016	SFC 2nd Meeting	14.07.2016	Finance Department
24.08.2016	SFC's 3rd Meeting	14.07.2016	Local Audit Department
05.10.2016	SFC's 4th Meeting	15.07.2016	Urban Local Bodies
NIC Conference Hall, Mini Secretariat, Panchkula		01.09.2016	Development & Panchayats Department
05.10.2016	Municipal Corporation, Panchkula	24.03.2017	Development & Panchayats Department
Conference Hall, 'Yojana Bhawan', Panchkula			
20.01.2017	SFC 6th Meeting		
08.02.2017	SFC 7th Meeting		
21.03.2017	Dr. Jagver Rawat		
22.03.2017	SFC 8th Meeting		
07.04.2017	Urban Local Bodies Department		
Conference Hall, Mountain Quail, Morni			
14.02.2017	Panchayat, Morni Block, Panchkula		
GJUST, Hisar			
21.11.2016	Workshop on Urban & Rural Finances		
Conference Hall, Mini Secretariat, Hisar			
22.11.2016	Municipal Corporation, Hisar		
22.11.2016	Elected Representatives of Panchayat, District Hisar		
HIPA, Gurgaon			
26.08.2016	Workshop on Challenges and Progress of ULBs		
Conference Hall, Municipal Corporation Bldg., Gurugram			
16.12.2016	Municipal Corporation, Gurugram		
NIC Conference Hall, Mini Secretariat, Gurugram			
16.12.2016	Panchayat, District Gurugram Dr. Sultam Singh		
23.5.2017	Municipal Corporation, Gurugram		

Gallery



The Chairman and Members of the 5th SFC, Haryana with the Chairperson of the Rajasthan SFC, Dr. Jyoti Kiran during their visit to Rajasthan SFC, Jaipur.



Prof. Mukul.G. Asher, Chairman 5th SFC, Haryana, welcoming the Chairman of Chhattisgarh SFC , Shri Chandra Shekhar Sahu in Panchkula Office



Member of the 5th SFC, Rohini Aggarawal, interacting with the villagers and gram panchayat representatives in the village Bahu Akbarpur of Rohtak



Members of the 5th SFC, Sh. Anurag Bakshi, Sh. Rajender Mohan Walia and Sh. Shyam Lal Bansal interacting with the representatives of RLBs and ULBs in Palwal



Members of the 5th SFC, Sh. Anurag Bakshi, Sh. Rajender Mohan Walia and Sh. Shyam Lal Bansal interacting with the representatives of RLBs and ULBs in Kaithal



5th SFC Members interacting with the chairman Zila Parishad Rohtak , Mr. Balraj Kundu along with DDPO and other Panchayat officials

State Finance Commission, Haryana

Yojana Bhawan, Sector - 4, Panchkula