

## **ACKNOWLEDGEMENT**

The 3<sup>rd</sup> State Finance Commission acknowledges with profound gratitude the contribution made by large number of people in preparation of this report. The Commission expresses its gratitude to Hon'ble Chief Minister, Shri Pawan Chamling for constituting this Commission. He is a champion of de-centralization and devolution of power and his contribution have been acknowledged at national level also. Under his dynamic leadership, the State of Sikkim is achieving greater and greater heights in de-centralization and devolution.

The guidance and support given by Shri T. T. Dorji, IAS, Chief Secretary, Government of Sikkim has been accepted with gratitude by the Commission. His valuable suggestions have given a new directions to the approach adopted by the Commission. The Commission acknowledges with gratitude the contributions made by Shri Karma Gyatso, IAS, Additional Chief Secretary-cum-Development Commissioner, Smt. R. Ongmu, IAS, Principal Secretary, Finance, Revenue & Expenditure Department, Shri Tobjor Dorji, IAS, Commissioner-cum-Secretary, UD & HD Department and Shri A. K. Ganeriwala, IFS, Secretary, Rural Management and Development Department, Government of Sikkim in preparation of this report.

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Two members of the Commission visited the states of Tamil Nadu and Kerala for learning from their experience on de-centralization and devolution. During the visit their interaction with Dr. M. A. Ommen, Chairman, Fourth State Finance Commission, Smt. Ishitha Roy, Secretary, Expenditure, Finance Department, Government of Kerala and Member, Fourth State Finance Commission, Shri S. M. Vijayanand, Principal Secretary, LSG, Government of Kerala, Kerala, Kerala, Shri E. K. Prakash, Director of Treasuries, Government of Kerala and his entire team. Mayors, Presidents, Secretary, Officials of Corporations, District Panchayats, Gram Panchayats of Kerala, Shri V. P. Thandapani, Regional Director of Municipal Administrative, Chengalpet, Tamil Nadu and his entire team have been valuable. The Commission acknowledges with gratitude their contribution.

The Commission desires to put on record unstinted support and cooperation received from all the heads of the Departments of Government of Sikkim, all Gram Panchayat and Zilla Panchayat Members of the State. This gigantic task would not have been completed without the support of unsung heroes in administration who have worked with the Commission for finalization of this report.

# CONSTITUTION OF THE 3<sup>RD</sup> STATE FINANCE COMMISSION

## CHAPTER – I

### INTRODUCTION

The 3<sup>rd</sup> State Finance Commission for the State of Sikkim was constituted by the Government of Sikkim as per the provisions of Article 243(i) read with Article 243 (y) of the Constitution of India vide Notification No. 24/RM&DD/P dated 4<sup>th</sup> March 2009. The Commission was constituted with the following persons in various capacities.

- (1). Shri. R.Telang, IAS Secretary Food Security and Agriculture Department, (presently Secretary, Human Resource Development Department) as Chairman.
- (2). Shri. D.P.Sharma, Special Secretary, Home Department as Member.
- (3). Shri. B.Datta, Additional Director, Finance Revenue and Expenditure Department as Member
- (4). Shri. K.K. Shrestha, Deputy Director, Rural Management and Development Department as Member Secretary.

#### **The Terms of Reference of the Commission is as follows:**

- (1) To review the financial position of the Panchayats and the Municipalities and to make recommendations to the Governor as to the principles which should govern-
  - (i) The distribution between the State and the Panchayats as well as the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them and the allocation between the Panchayats as well as Municipalities at all levels of their respective shares of such proceeds.
  - (ii) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Panchayats as well as the Municipalities.
  - (iii) The grants-in-aid to the Panchayats as well as the Municipalities from the consolidated fund of the State.
- (2) To make recommendations to the Governor as to measures needed to improve the financial position of the Panchayats as well as the Municipalities.
- (3) To make recommendation to the Governor as to any other matter referred to the Finance Commission by the Governor in the interest of the sound finance of the Panchayats as well as the Municipalities.
- (4) To examine the resources of the Local Bodies for 5 years on the basis of the existing and proposed level of taxation and non-tax revenues at the end of 2008-09.
- (5) To give suggestions to improve the quality of public expenditures to obtain better output and outcome.

- (6) To examine the component of maintenance & upkeep of capital assets created by the Local Bodies or transferred by the Government to the Local Bodies.
- (7) In making its recommendation on various matters the Commission shall take the base of population figure as of 2001 in all such cases where population is a factor for determination for devolution of taxes, duties & grants-in-aid.
- (8) The Commission shall indicate the basis on which it has arrived its finding and make available the estimates and expenditure of each tier of Local Bodies within the State.
- (9) The Commission shall submit its recommendations to the Governor within 30<sup>th</sup> November 2009 covering the period of 5 years commencing on 1<sup>st</sup> April 2010 (as per Office Memorandum no. 36/RM&DD/P dated 25.5.2009.) (Annexure-I) (The Government of Sikkim has extended the period for submission of the report by 28<sup>th</sup> February, 2010.)

## **1.2 Organisation of the Report**

The present report consists of 10 Chapters and 19 Annexures. Various statistical information presented in the report has been obtained from direct interactions with the local bodies, from various departments of the State Government and Central Government. The data of the report has also been collated by obtaining information from other State Governments.

## **1.3 Methodology opted by the Commission**

The underline philosophy of this report was to have first hand introduction with various local bodies in the State. In all 19 number of meetings were held by the Commission and direct interaction with Zilla Panchayat and Gram Panchayat Members of all 4 Districts was conducted (Annexure – II). The Commission also inspected some of the ongoing schemes being implemented by the local bodies. It was also felt necessary to learn from the other developed States in the field of de-centralisation. As such, two Members of the Commission visited Kerala and Tamil Nadu and held elaborate discussions with local bodies in these States. Special care has been taken to make the report broad based as such, public notice was issued through local newspapers for obtaining views and suggestions by the stake holders. The response to the notice was little. However, efforts have been made to incorporate such responses in the report (Annexure – III)

To obtain the financial picture of various local bodies, information was obtain from various sources like Zilla Panchayats, and Gram Panchayats in forms and query circulated by the Commission. (Annexure VI)

## **1.4 The structure of Panchayati Raj System in the State.**

The Government of Sikkim has fulfilled all the Constitutional obligations with respect to Panchayati Raj Institutions like holding of regular elections, bringing out enabling legislation, transfer of 3 Fs namely functions, functionaries and funds, and constitution of the State Finance Commission. The State of Sikkim has two tier system of Panchayats. The Zilla Panchayat at the District and Gram Panchayat at the village level. As per the latest information there are 163 Gram Panchayat Units and 4 Zilla Panchayats

in the State. Each Gram Panchayat unit comprises of wards ranging from 5 to 8 totalling 891 in numbers. Similarly, the Zilla Panchayat constitutes of 20 to 27 territorial constituencies. The Urban level bodies have not been constituted so far in the State. It is reported that the elections to these Urban Level Bodies will be conducted within 2010.

1.5 **The First State Finance Commission was constituted on 22<sup>nd</sup> July, 1998 as follows:-**

1. Shri. S.Lama (Retired Secretary)- Chairman
2. Shri. Rudra Pradhan, Addl. Director, Budget, Finance Department- Member
3. Shri. Tobjor Dorjee, Special Secretary, RDD- Member

The Commission submitted its report on 16<sup>th</sup> August, 1999. The Commission reviewed the finances of the Panchayats for the period 1995-96 to 1999-2000 and made recommendations for the period 2000-01 to 2004-05.

**The Summary of Recommendations of First State Finance Commission are as follows:-**

1. The Institutions of Local Self Government will not be able to discharge their responsibilities without required fund and staff. Presently, these institutions are totally dependent on Grants-in-Aid provided by the State Government and the grants from the Union Government through poverty alleviation and other Schemes. As such commission recommends to provide and enhance funds provided to the local bodies.
2. Over the past decade, the proportion of plan expenditure for district has increased and with the further decentralization, this share will go up. A substantial part of this should be entitlements to the local bodies in the form of share of tax-revenue to the local bodies.
3. A large number of Centrally Sponsored Programmes/Schemes such as JRY, IRDP, ARWSP etc are in operation in which central releases have to be matched by proportionate State release. Such State and Central releases would continue to be grants to the local bodies.
4. Non-plan expenditure will also be in the form of grants to the local bodies.
5. **Tax Sharing:**  
In view of financial position of the State Government the Commission recommends that one percent of the net proceed of all tax collected by the State in the year should be transferred to the local bodies (Panchayati Raj Institutions). Such funds may be released to the district on quarterly basis.
6. **Devolution of Tax:-**  
So far Government has not been collecting property tax within the urban areas. The Commission recommends that property tax should be imposed at the earliest and this tax should be collected by the Urban Local Bodies.

**7. Urban Land Tax:**

Urban land tax in the form of ground rent @ Rs.0.25 per sqft. is being collected by the State Government. This tax should be enhanced to Rs.1.00 per sqft. Per annum within Gangtok town area and Rs.0.50 per sqft in the other urban area of Sikkim and should be handed over to the Urban local bodies.

**8. Entertainment Tax:**

Entertainment tax should be enhanced by 10%. In order to avoid leakage of tax revenue, the collection system should be modified by way of affixing revenue stamps of the tax value on every ticket sold. This may be made applicable for Cinema ticket. Video Hall ticket, Cultural programme and Musical show.

**9. Toll Tax:**

State Finance Commission recommends adopting the system of having Toll Check Post in every entry point of the Municipal Corporation. Every vehicles other

Thana local taxis of the Corporation should pay Rs.5/-in the Entry point and truck and buses should pay Rs.100/-.

**10. Trade License:**

The Commission recommends to make the rate double of the existing trade license/hawkers license.

**11. Professional Tax:**

The Municipal Corporation should levy the professional tax depending upon the nature and profitability of the profession.

**12. Sanitation Tax:**

The municipal Corporation and the State Govt. Department i.e. Urban Development & Housing Department should introduce the system of charging Rupee 1 for the usage of the public latrine constructed by the Corporation/ Department.

**1. Advertisement Tax:**

The advertisement tax should be increased by 100% within the area municipal Corporation/ Bazar.

**2. Rent of Hatshed and Supper Market:**

The Department of Urban Development & Housing and the Municipal Corporation should revise the rent of hat shed and rent of Supper Market premises as per the revised rate of Govt. i.e. Rs.3/- per square feet.

**3. Panchayat:**

The Commission recommends that the Panchayat Units should realize the Dhuri Khajana at the following rate instead of Rupee 1 per house as collected by the land Revenue:

- i. RCC building Rs. 50 per annum
- ii. Other house (Ekra/wall) Rs.20 per annum

iii. Huts (temporary) Rs.5 per annum.

**4. Water Tax:**

The Panchayat Units should realize Rs.1/- per tap from the user of the water.

**5. Irrigation facility provided by the State Govt.**

The Panchayat unit should realize the following water cesses from the user of irrigation at the following rate:

- a. The user having the holding up to 5 acre - Rs.25 per year
- b. Above 5 acre and up to 8 acre - Rs.50 per year
- c. Above 8 acre - Rs.100 per year

**13. Fee for construction of new house:**

- a. Pacca house/RCC - Rs. 50/-
- b. Temporary house/huts - Rs. 100/-

**14.** The Commission recommends to realize the fee from occupation of hat area under Rural Marketing Centre – Rs.2/- per occupation during the hat from the public/grocery seller.

**15.** The infrastructure/Establishment expenditure in Panchayat presently borne by the State Government should continue.

**1.6 The 2nd State Finance Commission was constituted on 5<sup>th</sup> July, 2003 and submitted its report on 30<sup>th</sup> September, 2004. The Commission was constituted as under:**

1. Shri. Tobjor Dorjee, Secretary, Co-operation Department- Chairman
2. Shri. K.N.Sharma, Special Secretary, Home- Member
3. Shri. T.P.Koirala, Director, Treasury and Pay & Accounts Administration- Member

The Commission reviewed the finances of the Panchayati Raj Institutions for the period 2000-01 to 2004-05 and made recommendation for the period 2005-06 to 2009-10.

**The summary of the recommendation made by the 2<sup>nd</sup> State Finance Commission are as follows:-**

Introduction and assignment of the following taxes, fees, charges etc. to the Local Bodies.

- 1) Introduction of taxes on property in municipal area.
- 2) Introduction of user charge for drinking water in Panchayat areas @ Rs.10/- per house per year.
- 3) Introduction of user charge for use of irrigation water
- 4) Introduction of fees for construction of house in Panchayat area.
- 5) Introduction of fees for occupation of hat shed.
- 6) Assignment of taxes on fairs Melas, Markets and Entertainment in Panchayat area to PRIs.

- 7) Introduction of service charge for registration of birth and deaths.
- 1.2. Allocation of grants to meet establishment cost amounting to Rs.5.25 lakhs Per annum.
- 1.3. Allocation of grants for development programmes
- 1.4. Setting up of local area development fund
- 1.5. Utilization of grants recommended by the 11<sup>th</sup> Finance Commission
- 1.6. Enhancement of rates of honorarium of the elected members of the Panchayats.
- 1.7. Preparation of panchayat budgets
- 1.8 Framing of Sikkim Gram Panchayat Financial Rules
- 1.9 Amendment of the Sikkim Zilla Panchayat Financial Rules, 2001
- 3.3 Posting of District Planning Officer as Member Secretary of District Planning Committee
- 3.4 Constitution of Committee for monitoring and evaluation
- 3.5 Winding of advisory body to the District Planning Committee
- 3.6 Preparation of planning Calendar
- 4.1 Reconciliation of accounts of PRIs with the Rural Management & Development Department.
- 4.2 Allowing the PRIs some scope for self determination in selection of developmental programmes.
- 4.3 Construction of East Zilla Panchayat Bhawan and 64 Panchayat Ghars. Repair of existing buildings.
- 4.4 Devolution of powers to the District Sub-Divisional level officials.
- 4.5 Pension plans and medical assistance to elected members of PRIs.
- 4.6 Circulation of notification of TA/DA of elected members of Panchayat to all Departments and payment as per this notification.
- 4.7 Creation of Panchayati Raj Cadre.
- 4.8 Exposer tour for the elected members of PRIs.
- 4.9 Creation of four DRDAs.

**1.7 The Third State Finance Commission have reviewed the finances of the Panchayati Raj Institutions for the period 2005-06 to 2009-10 in keeping with the Terms of Reference and made recommendations for the period 2010-11 to 2014-15.**

The Commission issued Public Notice through different channels of local media (Electronic and Press) inviting suggestions and views from different quarters. The Commission held meetings with Gram Panchayats, Zilla Panchayats, RM&DD, UD&HD, FRED, NGOs, State Government Departments, Accountant General, Experts in public administration etc. at different time for deciding strategy, issuing questionnaire, discussing issues and interaction for the purpose of analysis and the preparation of the report. Two States viz: Kerala and Tamil Nadu were visited by two members of the Commission and held discussion/meetings with Government Departments/Municipal Corporations/ Local Self Government/Zilla Panchayats/Block Panchayats/Gram Panchayats. The Commission conducted tours to different GPUs and all the four Zilla Panchayats in Sikkim.

The Commission acknowledges with profound gratitude and thanks to the following for their valuable advice, suggestions, contribution and help in carrying out the work of the Commission and the preparing the report.

1. Shri. T.T.Dorji IAS, Chief Secretary, Government of Sikkim.
2. Smt. R.Ongmu, IAS, Principal Secretary, F-R-E-D, Government of Sikkim.
3. Shri. Tobjor Dorjee, IAS, Commission-cum-Secretary, UD&HD, Government of Sikkim.
4. Shri. A.K. Ganeriwala, IFS, Secretary, RM&DD, Government of Sikkim.
5. Shri. S.K Sharma, Principal Director/ F-R-E-D, Government of Sikkim.
6. Shri. S.D Pradhan, Director (Budget), F-R-E-D, Government of Sikkim.
7. Shri. S.M Vijayanand, Principal Secretary, LSG, Government of Kerala.
8. Smt. Ishitha Roy, Secretary, Expenditure, Finance Department, Government of Kerala and Member, Fourth State Finance Commission, Kerala.
9. Dr. M.A Ommen, Chairman, Fourth State Finance Commission, Kerala.
10. Shri. E.K Prakash, Director of Treasuries, Government of Kerala and his entire team.
11. Mayors, Presidents, Secretary, Officials of Corporations, District Panchayats, Gram Panchayats of Kerala.
12. Shri. V.P Thandapani, Regional Director of Municipal Administrative, Chengalpet, Tamil Nadu and his entire team.
13. All Zilla Panchayats and Gram Panchayats of Sikkim.
14. All Departments, Government of Sikkim.



## CHAPTER – II

### ISSUES, APPROACHES AND METHODOLOGY

The State of Sikkim which is strategically located on the chicken neck corridor has been a late entrant in the scientific planning process of the nation as it became part of the Indian Union only in 1975. Mountainous terrain, rapid change in altitude and its distinct location in the lap of Mount Kanchendzonga makes Sikkim a geographically distinct unit.

Sikkim is surrounded by three international borders and the democratic process started only in 1975 with adult franchise. After an initial period of political turmoil the State has started the process of emotional integration with the main stream after a couple of decades.

The State of Sikkim has history of Local Self Government even during the reign of the Chogyals. Prior to merger with Indian Union there was a culture of self help in villages in rural areas. This is reflected in establishment of schools in far flung areas with local resources. After the process of Constitutional democracy this culture of self help was greatly eroded. With the 73<sup>rd</sup> Constitutional Amendments, the State Government of Sikkim enacted the Sikkim Panchayat Act which has been subsequently amended to incorporate progressive ideas.

The State of Sikkim has two tier of Panchayati Raj Institutions one at the Gram Panchayat level and other at Zilla Panchayat. The Sikkim Panchayat Act provides on party based elections in the Gram Panchayat and Zilla Panchayat.

The increase level of political consciousness has ensured that the democratic rights percolate right upto the lowest level. This however, has also resulted in a situation whereby there is always a demand for providing free services to the citizen. Consequently culture of self help has eroded at the village level. The user charges have not been collected in villages inspite of recommendations of successive State Finance Commission.

The Gram Panchayats and Zilla Panchayat are depending on the annual grants provided by the state Government under State Plan and various Centrally Sponsored Schemes for their activities. It is further noticed that the focus of the Panchayat is mainly on creation of assets and various infrastructural projects. Their involvement in social sector like health and education has been negligible so far.

The State Government has taken adequate steps to provide funds, functionaries and functions to the Panchayats however, this decentralization has not reduced movement of common people from villages to the District Headquarters or State Headquarter. The creation of Block Administrative Centres has helped in checking this movement to an extent. The BACs which were created for affective devolution are still faced with some fundamental issues like clear cut work distribution between Block, Sub-Division and District Level. It I further observed that the B.A.Cs have also affected the autonomy of the Gram Panchayats. Lack of regular inspection and monitoring of the Block Level functionaries has also caused distortion of the planning process.

The de-centralization of planning process as envisaged in the Constitution has not fully realized in the State. The District Planning Committees which have been constituted as per the local provisions have not been able to deliver the desired results. The functioning of the District Planning Committee (DPC) needs to be strengthened and streamlined.

It is also observed that certain provisions of Sikkim Panchayat Act have been responsible for delay in collection of user charges for various service offered by the Panchayats. The Commission has stated and proposed suitable modifications in the Act to facilitate the collection of user charges.

With this background and keeping in mind the terms of references of the Commission, the Commission has adopted following principles in formulating the recommendations.

1. In view of ground realities and difficulties in collecting user charges, the user charges collection should be started with an minimum scale in simple and systematic manner.
2. To make full use of revised activity mapping giving due regards to the capacity of the Panchayati Raj Institutions.
3. Allocation of funds be proposed in such a manner that the funding is not spread too thin to be of real use.
4. Mechanism to be developed to ensure timely flow of funds and timely utilization on priority set by the Gram Sabha in a planned manner.
5. The financial arrangements should be such that the Panchayats are able to estimate in advance, the likely fund receipts and accordingly plan their annual expenditure.
6. As far as possible and within given parameters of State Government devolution of the funds to the Panchayats should be open ended..
7. Accounting and auditing system should be revised and strengthened to bring more transparency.
8. Incentives for better performance and disincentives for non performing Panchayats.

## **CHAPTER III**

### **FINANCES OF THE STATE**

Sikkim is a tiny Himalayan State and has an area of 7096 Sq.km besieged with several problems due to its strategic location in the North-East corner of the country with three international boundaries around. The economy of the State is agrarian in nature with very limited industrial activities and a poor base of infrastructure. The State of Sikkim has a low tax base and is categorized as a special category State whose finances are heavily dependent on Central transfers.

As in many other States, the fiscal health of Sikkim has deteriorated during the last decade. This was primarily due to (i) the adoption of Central pay scales for the State Government employees, (ii) the declining Central transfers: and (iii) the growing debt servicing burden.

The State Government has made sincere efforts to mobilize the State's own revenues by revision of rates taxes, duties and non-tax items. It also attempted to reduce non-plan revenue expenditures by adopting the debt swap facility to reduce the interest burden. However, all these measures did not have any substantial impact in improving the finances of the State.

#### **Non-Plan Revenue Receipts.**

The non-plan revenue receipts have increased over the years at the rate of 8.72 percent (Table 3.1). The composition of its different components indicates that less than half of the revenue receipts came from the State's own revenue receipts (except in the year 2006-07) and more than half was realized from Central transfers.

#### **State's Own Tax Revenue**

The non-plan revenue receipts of Sikkim, like in other special category States, are little higher than the Central devolutions. However, the State has made efforts to improve its own tax base. Consequently, the State's tax base has increased in recent years. The State's own tax revenues have increased from 80.39 crore in 2001-01 to Rs. 164.16 crore in 2006-07, exhibiting an impressive growth rate of 14.42 percent per annum. As a result, its percentage share in GSDP has also gone up to 8.05 percent in 2006-07. Since 2003-04, the ratio of own taxes to the GSDP has been hovering around 8 percent as compared to an all-states ratio of around 6 percent. The State's own resources (SORs) have started increasing since 2006-07.

Although there is considerable scope for widening the tax base by covering commercial crops, urban utilities and services (including professional activities), further increase in revenue receipts will depend a great deal upon the availability of infrastructure in the State. As the road conditions improve, there will be scope for levying road tolls. A far more important source revenue earnings will accrue from the new mini and mega hydel projects being set up in the power sector. A majority of the planned hydel projects will be completed in the next few years. Also, there are many schemes that the Government wants to implement in the tourism sector but has not done so due to lack of funds. It is hoped that the three major new sources of revenue, viz. (i) the reopening of the Nathu La trade route, (ii) the commissioning of a number of small and mega hydel projects, and (iii)

the State's major foray into floriculture, horticulture and tourism activities will change the entire composition of revenue collection in the State.

The sales tax/VAT and the State excise duty have been the major contributors to the State taxes. Up to 1999-2000, these two taxes contributed about 55 percent to SOTR. The combined share of these two taxes ranges between 60-70 percent during 1999-2000 to 2005-06. The sales tax/VAT grew at the rate of 22.8 percent p.a., while revenue from the State excise duty exhibited a growth rate of 14.7 percent p.a. during the period 1999-2000 to 2006-07. These growth rates are linked to the growth rate of GSDP.

The other sources of the State's own revenue are stamp duties and registration fees, and taxes on vehicles. These contribute a very meager share to the total revenue and this share is lower than that in many other States. However, both recorded a high growth rate of about 23.4 percent and 15.4 percent per annum, respectively. Land revenue, on the other hand, grew at the rate of about 8 percent only and has not been as buoyant as the rise in the State's income.

### **State's Own Non-Tax Revenues**

Non-tax revenue in Sikkim, as in the other States, is characterized by a varied mix of receipts, viz. interest receipts on loans given by the State Government; dividends on equity investments; user fees and tariffs on services provided by the State government in the social and economic sectors; royalty on mines and minerals; receipts from forestry and wildlife; lottery income and other miscellaneous receipts.

Sikkim has maintained a growth rate of 11.67 percent per annum in non-tax revenue during the period 2001-2002 to 2006-07. In 2006-07, non-tax revenue was Rs. 171.00 crore as compared to only Rs. 71.12 crore in 2001-02. The non-tax to GSDP ratio of the State has remained around 6 to 7 percent as compared to the All-States average of less than 2 percent. However, its share in the State's own revenue has been fluctuating in the range of 44% to 57.6 % during the period.

In Sikkim, a major portion of the non-tax revenue comes from general services and economic services. On an average, both contribute 45 and 46 percent, respectively. Of the general services, income from lottery is the most important source of revenue; however, this has not proved to be a stable source of revenue. Similar is the case with revenue from the police department. The receipts under the head 'police' accrue due to lending of the services of the Sikkim Police to other States. This is not a regular and assured source of income. However, when the hydel projects are completed, the revenue from the sale of electricity to other States will certainly give the Sikkim State a steady source of income.

Dividends earned from most of the PSUs in the State are highly insignificant. The average return from the State Government's investment during the last seven years is a mere 0.71 percent.

Public provision of services in social and economic sectors, viz. education, health, water supply and sanitation, agricultural services, roads and bridges assume significance in a State like Sikkim. However, the low user charges for such services have affected the

cost recovery resulting in the imposition of significant implicit subsidies which again put a financial constraint for increasing these services.

### **Central Devolution to the State**

In a State with a limited tax base, the devolution of Central taxes and grants form a significant portion of the revenue. The transfers received by the Government of Sikkim have been more than 50 percent of the total non-plan revenue receipts of the State in all the years except 2006-07. The Share declined to 46.13 percent in 2006-07 due to the recommendations of the Twelfth Finance Commission. It is important to not that the Twelfth Finance Commission recommended 30.5 percent of the net proceeds of the common shareable Central taxes and duties to be devolved to the States as against 29.5 percent recommended by the Eleventh Finance Commission. Of the 30.5 percent, the share of the State of Sikkim in the Union taxes was 0.227 percent. However, this was higher than its share of 0.184 percent recommended by the Eleventh Finance Commission and 0.126 percent by the Tenth Finance Commission. However, the grant component, as awarded by the Twelfth Finance Commission, was much lesser.

### **Central Non-Plan Grants**

The magnitude of non-plan grants has also come down considerably over the years. The quantum of non-plan grants in 2002-03 was Rs. 21386 lakhs. This was 73.48 percent of the non-plan grants (i.e. total grants minus plan grants) from the Centre. Over the years, the non-plan grants have been reduced to a mere Rs. 6426 Lakh, which is only 22.4 percent of the total non-plan Central grants. This is primarily due to the adverse impact of the award of the Twelfth Finance Commission.

### **Non-Plan Revenue Expenditure**

The trend in non-plan revenue expenditure of the State indicated that it has grown over the years at the rate of 9.42 percent per annum (table 3.2). However, the growth in the recent years has been much higher.

With regard to the composition of expenditure-salary, pension liabilities and interest payments together accounted for 76 percent of the non-plan revenue expenditure in the year 2001-02. This gradually increased to 78.76 percent in 2006-07. Salary payments are at a very high level and constitute about 50 percent of the non-plan revenue expenditure. Pension, on the other hand, constitutes only 5 to 7 percent of the total non-plan revenue expenditure. It is the fastest growing component of non-plan revenue expenditure, exhibiting an average growth rate of 18.6 percent (Table 3.3). The exponential growth rate of pension liabilities is a cause for major concern. Interest payments have been growing at a rate of 6.0 percent and constitute about 17.12 percent of the non-plan revenue expenditure.

### **Revenue Deficit**

Revenue expenditure of Sikkim grew at an annual rate of 9.5 percent whereas the annual growth rate of revenue receipts has been 8.93 percent. The growth rate of revenue expenditure is higher than the growth rate of revenue receipts (Table 3.4).

There has been huge non-plan revenue (NPR) deficit in the years 2001-02 and in 2004-05. The NPR deficit finally turned into surplus of R. 73.78 crore in 2002-03. However, this surplus could not be sustained for long; the following two consecutive years witnessed a NPR deficit. However, fluctuations continued in the successive years. (Table 32.)

### **Over-all Revenue, Expenditure and Deficit**

The trends in overall receipts, revenue expenditures and deficit (surplus) are given in Table 3.4. These indicate that there was a revenue surplus during the period 2001-02 to 2006-07. This was primarily due to the plan grants that formed a major chunk (75 to 80 percent) of the normal Central assistance and the additional Central Assistance. This surplus constituted only 19.06 percent of revenue receipts in 2001-02. However, it gradually declined in the later years. In fact, the revenue surplus fluctuates through out period.

**Fiscal deficit:** indicates the trend in the State finances and reflects the health of the State (Table 3.5). While the fiscal deficit in Sikkim was Rs. 66.9 crore in 2001-02, with the efforts of the State Government, this deficit was reduced to a low of Rs.13.9 crore in 2002-03. However, this declining trend could not be sustained and the fiscal deficit increased to a whopping Rs. 186.46 crore in 2004-05. Such a high fiscal deficit was not sustainable and needed urgent corrective measures. Several measures initiated by the State Government resulted in increase in revenue income and a reduction in revenue expenditure. As a result, the fiscal deficit in 2005-06 fell down to Rs. 149.9 crore and further declined to Rs. 106.6 crore in the year 2006-07.

### **Fiscal Reforms and Additional Resource Mobilization**

Despite the deteriorating fiscal situation, the State of Sikkim is one of the few States that has managed to follow progressive reformist policies. Sikkim has been making consistent efforts towards attaining self sufficiency. The State initiatives include efforts in additional resource mobilization, capacity building in administration and also proficiency in e-governance, as is given below:

#### **Efforts at Introducing VAT**

The State Government constituted a Project Management Team (PMT) to prepare an agenda for the gradual introduction of Value Added Tax (VAT) in the State on 27<sup>th</sup> March, 2001. The PMT was reconstituted in November 2004 to give a fresh impetus to the implementation of VAT.

- Various awareness programme to familiarize and disseminate information about VAT system of taxation among the politicians, bureaucrats, businessmen, industrialists and other stakeholders;
- VAT training programmes for the officers of the concerned Department were conducted by the NIPFP;
- Seminar on VAT was organized for the benefit of the members of the Trading Associations, Confederation of Industries in Sikkim, Public Sector undertakings and private enterprises.
- A study tour to Thailand (January 2007) by five officers of the Commercial Tax wing was conducted with the technical assistance of ADB to facilitate fiscal reforms in the State.

The above initiatives ultimately culminated in the timely implementation of the Value Added Tax in the State with effect from April 1, 2005.

### **Land Revenue**

In 2005-06, the State increased the existing rates of land revenue levied on different categories of rural land. The local rate for land revenue was initially Rs. 5 per annum for dwelling houses. This has been raised to Rs. 5, Rs. 10, and Rs. 20 per annum for thatch house, Egra House and RCC building, respectively. Similarly, the land rent has also increased considerably for different circles of revenue blocks and further categories of land.

### **Stamp Duty and Registration Fee**

In 2005-06, Sikkim increased the registration fee for gifting land to 5 percent of the valuation of the land as per the rates approved by the Government for land acquisitions. The registration fee of land has also been revised to 5 percent from 4 percent in 2007. Along with this, the Government also revised the registration fee on property mortgages and deeds.

### **State Excise Duty**

The Government of Sikkim revised the rate of import pass fee and export pass fee on all brands of Indian Made Foreign Liquor (IMFL) in 2004-05. Also, in the same year, the duty on beer imported from other States, as well as beer manufactured in Sikkim but exported to other States, was increased. Further, in 2005-06, Sikkim increased the excise duty on all brands of IMFL manufactured/bottled by the local companies; all brands of IMFL owned by the companies located outside the State of Sikkim and bottled by local companies; IMFL imported from other States, and beer manufactured in Sikkim and imported to other States. Further, in 2007-08, the Sikkim Government imposed import pass fee on portable foreign liquor, viz. whisky, brandy, rum, vodka, gin, cordials, bitters, wine, beer etc.

In addition, the Government has rationalized the State excise policy by framing rules with regard to Sikkim Excise (IMFL manufactured in Sikkim) Licensing of Warehouse Rules, 2005; Sikkim Excise (IMFL imported from other States) Licensing of Warehouses Rules, 2005; Sikkim Excise (Licensing for retail sale of Liquor and Country Liquor) Rules, 2005; Sikkim Excise (Licensing for foreign liquor bar shop) Rules, 2005; and Sikkim Excise (Licensing for sale for Pachawai) Rules, 2005.

### **Profession Tax**

In 2006-07, Sikkim imposed a tax on profession, trades and employment to raise additional resource for the benefit of the State.

### **Cesses/Surcharges**

The Excise department in Sikkim has started levying 'The Sikkim Educational Cess on Alcoholic Beverages Act, 2007' on IMFL and Beer. The educational cess is levied at the rate of Rs. 2.70 per bulk litre on foreign liquor and Rs. 1.60 on bulk litre of beer

manufactured in Sikkim and imported from other States for consumption in civil and army units within Sikkim. The cess collected is utilized specifically for the maintenance of school buildings in addition to the existing level of expenditure on such maintenance.

The Sikkim Ecology Fund and Environment Cess Act, 2005, have been enforced since April, 2007. The Act focuses on improving the quality of the environment by controlling and abating pollution and restoration of ecological balance in the State.

### **Bus Fare**

Due to the increase in the cost of HSD and other operational costs, the State Government has revised (April 2008) and re-fixed the passenger fares on Sikkim's Nationalized Transport buses. Minimum chargeable fare has been kept at Rs. 5 per passenger.

### **Measures to Reduce Expenditure**

The State has initiated several measures to reduce expenditure as indicated below:

- (a) The State Government introduced VRS in 2002-03. This scheme was open to all State Government employees who had completed 20 years of regular service. The scheme was introduced with the objective of trimming down the Government workforce as a part of the fiscal reforms programme. An amount of Rs. 7 crore was spent specifically for this scheme by the State Government out of the State Plan. The posts of the Government servants who were given VRS (138 during 2002-03) were also abolished.
- (b) Various departments were amalgamated to ensure administrative re-organization and curtailment of expenditure so as to improve the service delivery and efficiency of government officials.
- (c) Conveyance allowance in lieu of government vehicle as an option for entitled officers was introduced.
- (d) Contributory Pension Scheme for fresh appointment w.e.f. 1.4.2006 has been introduced.
- (e) To reduce the high and unsustainable subsidy in many social sectors, the State Government attempted to reduce the same by focusing this on deserving target groups.
- (f) The State Government has already succeeded in entering into public-private partnership for financing of two major hydroelectric projects. This obviates the need for raising loans for these projects.

### **Administrative Reforms Measures**

Following are the measures undertaken by the Government of Sikkim to improve its administrative efficiency:

#### **Computerization of VAT administration**

Administration of VAT was fully computerized under the turnkey Project undertaken by the National Informatics Centre (NIC). The Central Government has provided the VAT Division with computers, printers, VSAT facilities etc.



## Capacity Building for E-governance

Efforts have been made to bring improvement in administration through efficient e-governance. This would transform governance in the State into a smart, efficient, and transparent system. Earlier, the Government has initiated State Wide Area Network (SWAN) with the help of the Government of India. This envisages inter-connectivity of all districts, sub-divisions, blocks and important commercial towns in the State. Also, decentralization of financial powers to Panchayati Raj was implemented in August, 2003. This was done with the basic aim of delegating more administrative and financial powers to Panchayats at the Zilla and Gram Levels. A Committee was set up to look into the details of the PSEs and recommended ways to improve the efficiency of the PSEs. Concerned administrative departments have been providing continuous supervision to promote the functioning of the PSEs. Timely auditing of accounts is being undertaken. Finally, a single window system has been introduced in many departments. This has brought tremendous improvement in service delivery, efficiency, cost reduction and convenience to the general public.

**Table 3.1: Components of Non-Plan Revenue Receipts (Rs. in Lakh)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Growth Rate
<b>Total Non-Plan Revenue Receipts States own Revenue</b>	36937	53589	46509	49066	60087	62219	8.96
	15151 (41.02)	24483 (45.69)	20231 (43.50)	22739 (46.34)	26002 (43.27)	33515 (53.87)	12.97
Own Tax Revenue	8039 (53.06)	10323 (42.16)	10801 (53.39)	11695 (51.43)	14722 (56.62)	16416 (48.98)	14.42
Own Non-Tax Revenue (net of lottery)	7112 (46.94)	14160 (57.84)	9430 (46.61)	11044 (48.57)	11280 (43.38)	17099 (51.02)	11.67
<b>Central Transfers Non-Plan Grants</b>	21786 (58.98)	29106 (54.31)	26278 (56.50)	26327 (53.66)	34085 (56.73)	28704 (46.13)	5.44
Share in Central Taxes	8483 (38.94)	7720 (26.52)	11233 (42.75)	10735 (40.78)	18213 (53.43)	22278 (77.61)	23.39
Non-Plan Grants	13303 (61.06)	21386 (73.48)	15045 (57.25)	15592 (59.22)	15872 (46.57)	6426 (22.39)	-12.06

Note: Figures in bracket are percentage of their respective heads.

**Table 3.2: Non-Plan Revenue Receipts, Expenditure and Deficit.**

(Rs. in Lakh)			
Year	NPRR	NPRE	NPR Deficit/ surplus
2000-01	35093	38,399	-3,306

2001-02	36937	41,449	-4,512
2002-03	53589	46,211	7,378
2003-04	46509	49,236	-2,727
2004-05	49066	60,434	-11,368
2005-06	60087	59,721	366
2006-07	62219	63,759	-1,540
	9.47	9.42	

(-) indicated deficit

**Table 3.3: Components of Non-Plan Revenue Expenditure**

**(Rs. in lakh)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Non-Plan Revenue Expenditure	39,741	38,399	41,449	46,211	49,936	60,434	59,768	63,759
Of which								
Salary	20,663 (51.99)	19,686 (51.27)	20,978 (50.61)	22,182 (48.00)	23,872 (47.81)	26,928 (44.56)	31,821 (53.24)	33,768 (52.96)
Pension	1,626 (4.09)	1,826 (4.76)	2,129 (5.14)	2,917 (6.31)	9,982 (7.97)	3,077 (5.09)	4,152 (6.95)	4,924 (7.72)
Interest Payment	6,792 (17.09)	7,867 (20.49)	8,416 (20.30)	8,954 (19.38)	9,250 (18.52)	9,919 (16.41)	10,260 (17.17)	11,527 (18.08)
Others	10,660 (26.82)	9,020 (23.49)	9,926 (23.95)	12,158 (26.31)	12,832 (25.70)	20,510 (33.94)	13,535 (22.65)	13,540 (21.24)

**Table 3.4: Revenue Receipts and Revenue Expenditure**

**(Rs. in Lakh)**

Year	Revenue Receipts (RR)	Revenue Expenditure (RE)	Revenue Surplus (RS)	RS as % of RR
2001-02	75,008	60,715	14,293	19.06
2002-03	90,398	71,013	19,385	21.44
2003-04	89,820	73,868	15,952	17.76
2004-05	101,037	84,237	16,800	16.63
2005-06	108,347	89,141	19,564	18.00
2006-07	119,347	97,424	21,923	18.37
Growth rate	8.93	9.50	6.54	

**Table 3.5: Fiscal Deficit: Sikkim**

**(Rs. in Lakh)**

Year	Fiscal Deficit	As % of GSDP
2001-02	6,685	5.88
2002-03	1391	1.09

2003-04	5,098	3.57
2004-05	18,646	11.64
2005-06	14,993	8.32
2006-07	10,661	5.22

(Source: Memorandum to Thirteen Finance Commission-Vol-I)

## **CHAPTER IV.**

### **Status of decentralized Governance and Devolution.**

SIKKIM had joined the mainstream of Indian Union on 16<sup>th</sup> May 1975. The State had started empowering its Local Bodies even before it joined in the Indian Union. The first attempt to establish Panchayat in the State was made in 1948. With a view to consolidating the Panchayats, Sikkim promulgated Laws relating to Panchayats under the Sikkim Panchayat Act 1965. The objective of establishing these Panchayats was to facilitate rural development and to enable participation by all communities at the village level. The term of such Panchayats was three years and each of these Panchayats was assigned 16 duties & functions. To fulfill these duties the Panchayats had resources comprising House Tax, a portion (10%) of the land revenue of the block, matching grants by the Darbar for original work for which public contribution was collected, sanitation cess and water cess. Subsequently in 1982 a new Act was enacted for decentralizing the work at district levels. This Act envisages the constitution of Zilla Panchayats at the district level. The Constitution 73<sup>rd</sup> Amendment Act 1992 was implemented by enacting the Sikkim Panchayat Act 1993, to enable the Panchayati Raj Institutions (Gram Panchayats & Zilla Panchayats) to have the authority to levy taxes, rates and fees. The State is in the process of implementing the Constitution 74<sup>th</sup> Amendment Act. The State has a two tier system of Panchayati Raj Institution viz. Zilla Panchayats and Gram Panchayats. At present there are 4 (four) Zilla Panchayats and 163(One hundred sixty-three) Gram Panchayats in Sikkim (Annexure IV & V).

#### **The PRIs have been entrusted with the following duties:**

##### **(1) Obligatory Duties of Gram Panchayat (amended 1995)**

Subject to any general or special direction of the State, the duties of a Gram Panchayat shall be to provide within the area under its jurisdiction for:-

- a) Sanitation, conservancy and drainage and the prevention of public nuisance.
- b) Curative and preventive measures in respect of any infectious disease.
- c) Supply of drinking water and the cleaning and disinfecting the sources of supply and storage of water.
- d) Maintenance, repair and construction of village roads and protection thereof.
- e) The removal of encroachments of village roads or public place,
- f) The management of common grazing grounds burning places and public graveyards.
- g) The supply of local information which the District Collector or District Development Officer-cum-Panchayat Officer of the Zilla Panchayat may require, within the limits of the jurisdiction of the Gram Panchayat.
- h) Organizing voluntary labour for community work and works for the upliftment its areas;
- i) Control and administration of the Gram Panchayat Fund established under this Act;

- j) The imposition, assessment and collection of taxes, fees or rates livable under this Act;
- k) Construction and maintenance of Dharmasala.
- l) Regulating places for the disposal of dead bodies and carcasses and other offensive matters;
- m) Assisting the development or agriculture, forestry, animal husbandry, poultry fisheries, village and cottage industries and co-operatives;
- n) Registering birth, deaths and marriage and annually submitting such records to the Zilla Panchayat;
- o) Maintenance of such records relating to cattle census, population census, crop census and census of unemployed persons and such other statistics as may be required and annually submitting such other statistics as may be required and annually submitting such records to the Zilla Panchayat;
- p) Regulating inflow off animals within the area and their transfer;
- q) Distraction and disposal of ownerless and rabid dogs and disposal of unclaimed animals;
- r) Maintenance, upkeep and supervision of any building or other property which may be entrusted to it by the State Government for management.
- s) Assisting the Zilla Panchayat in preparing development plan of its area;
- t) Tendering assistance in extinguishing fire and protecting life and property when fire occurs;
- u) Any other local work or service of public utility which is likely to promote the health comfort, convenience or material prosperity of the public not other wise provided for in this Act.
- v) Such other duties not enumerated specifically in the above clauses but enumerated in the Eleventh Schedule to the Constitution.

**(2). Other Duties of Gram Panchayat.**

- (i) Gram Panchayat shall also perform such other function as the State Government may assign to it in respect of:-
  - b) Primary, social, technical or vocational education;
  - c) Rural dispensaries, health centers, maternity and child welfare centres.
  - d) Minor irrigation
  - e) Grow more food campaign;
  - f) Care of the infirm destitute;
  - g) Rehabilitation of displaced persons;
  - h) Improved breeding of cattle, medical treatment of cattle and prevention of cattle diseases;
  - i) Its acting as a channel through which Government assistance should reach the residents of the Gram;
  - j) Bringing private waste land under cultivation;
  - k) Promotion of plantation in the Gram ;
  - l) Arranging for cultivation of land lying fallow ;
  - m) Arranging for co-operative management of resources of the Gram;
  - n) Implementation of such schemes as may be formulated or performance of such acts as may be entrusted to it by the State Government;

- o) Field publicity of matters connected with development works and other welfare measures under taken by the State Government;
  - p) Regulation of fairs meals, hats and exhibition of local produce and products of local handicrafts and home produces;
  - q) Assisting and advising the residents of Gram in the matter of obtaining state loan and its distribution and repayments;
  - r) Assisting in the implementation of land reform measure in its area;
  - s) The promotion and encouragement of education including adult education;
  - t) Such other functions which the State Government may, from time to time, by order writing, entrust to such Gram Panchayat which in its opinion to promote direct or indirect the welfare of the public ;
- (ii). If the State Government is of opinion that a Gram Panchayat has persistently made default in the performance of any of the function assigned to it under sub-section 1, the State Government may, after recording its reason withdraws such functions from such Gram Panchayat.
- (iii) Where the State Government assigns any functions to a Gram Panchayat under sub-section (1) it shall place such funds at the disposal of the gram Panchayat as may be determined by the State Government for the due performance of such function

### **Powers and Duties of Zilla Panchayat**

#### **(1.) Obligatory duties of Zilla Panchayat.**

Subject to any general or special direction of the State Government, a Zilla Panchayat shall have power in respect of:-

- a) regulating meals or hats within its local limits ;
- b) construction and maintenance of Panchayat Ghars, Dharmasala and rest houses ;
- c) construction, repair and maintenance of such small irrigation projects of such class or types thereof, as may be specified by the State Government by general or special order in this behalf, and regulating of supply of water there from for irrigation purposes;
- d) regulating supply of water for irrigation or drinking water supply schemes constructed by the Government and entrusted to it for maintenance and repairs;
- e) Regulating maintaining and developing of lands vested in it by the State Government as may be specified for promotion of social forestry and environmental conservation and maintaining and regulating of such forests;
- f) Organizing plantation programme in the public land, road sides and such other places as may be specified for promotion of social forestry and environmental conservation and maintaining and regulating of such forests;
- g) Establishing and maintaining primary schools and organizing adult education centers;
- h) Establishing health centers and maternity and child welfare centers;
- i) Managing or maintaining any works of public utility and adopting measures for the relief of distress;

- j) Preparing plans for all round development of the district after obtaining previous approval of the State Government and with such technical assistance as may be made available by the Government.
- k) Co-coordinating and integrating the development plans and schemes prepared by Gram Panchayat within its jurisdiction;
- l) Fulfilling any other obligation imposed by or under this Act or by any other law for the time being in force or by general or special order of the State Government in this behalf;
- m) Such other duties not enumerated specifically in the above clauses but enumerated in the Eleventh Schedule to the Constitution;

**(2) Other Duties of Zilla Panchayat:**

- (i) Subject to such condition as may be imposed by the State Government, a Zilla Panchayat may, if the State Government so directs may, if the State Government so directs may make provisions for
  - (a) the promotion of opportunity of employment through community farming by organizing model agriculture or dairy farms and small scale village industries;
  - (b) the organization and maintenance of clubs and other places for recreation or games;
  - (c) establishment and maintenance of library or reading rooms and public radio listening centres;
  - (d) construction and maintenance of destitute homes, slaughter houses and encamping grounds;
  - (e) rendering assistance in extinguishing fire and protecting life and property when fire occurs;
  - (f) assisting in the prevention of burglary and dacoity;
  - (g) the promotion of socio –culture and communal harmony;
  - (h) the promotion of agriculture and allied activities connected with it;
  - (i) any other local work or service of public utility which is likely to promote the health, the health, comfort, convenience or material prosperity of the public not otherwise provided for in this Act;
- (ii) Where the State Government directs a Zilla Panchayat to make provision for any of the items enumerated in sub-section (1), it shall place such funds at the disposal of the Zilla Panchayat as may be determined by the State Government;
- (iii) A Zilla Panchayat shall have the power to advice the State Government on all matters relating to all round development of rural areas.
- (iv) Notwithstanding anything in sub-section (1), a Zilla Panchayat shall not undertake or execute any scheme confined to a Gram unless the implementation such a scheme is beyond the competence of the Gram Panchayat concerned financially or otherwise. In the latter case the Gram Panchayat may execute the scheme itself or entrust its execution to the Gram Panchayat and give such assistance as may be required; Provided that a Zilla Panchayat shall undertake or execute any scheme if it extends to more than one Gram.

Through Notification No. 35(2) 97-98/38/RDd/P (II) dated 13 May 1998, following activities had been devolved to the PRIs:

Sl. No	Name of Department Scheme	State	Zilla	Gram Panchayat	Gram Sabha
<b>AGRICULTURE</b>					
1	Farmers field seed production	Selection of and procurement of seeds and technological supervision	Selection of areas for seed production	Selection of farmers for seed production	Selection of all beneficiaries through Gram Sabha
2	Manure & fertilizers	Procurement of fertilizer	Distribution under supervision of ZP	Distribution through VLW by Gram Panchayat	Selection of all beneficiaries through Gram Sabha
3	Plant protection	Procurement of pesticides and overall technical supervision	To pursue the matter with the deptt. On the basis of information from GP.	Collection of information of pests & diseases in plant at inform ZP introduction customized services in common Disease.	
4	(A) Commercial Crops (B) Other minor C. Crops.  (C) Spices (D) Tuber Crops	Procurement of seeds where Inter districts ramification is there should lie with state Govt.	Procurement for inter Panchayat should lie with the Zilla Panchayat	To organize the G.S for identification & process the list of ZP for supply & approval in case of special component Plan/N.C Plan.	Identification of beneficiaries.
5	Extension and Training	Providing curriculum teaching aids and other materials organization of more sophisticated training and training of trainers.	Organizing routing training at farms	Identification of training needs of farmers	Gram Sabha be involved while making identification organization training at V.L.
6	(A) Oil Seed production Programme (B) Pulses Production	As in item 4  As in item 4	As in item 4  As in item 4	As in item 4  As in item 4	As in item 4  As in item 4
7	Rejuvenation of old orchards	Technological support supervision annual physical	Training /Drawing of annual action plan	Training /IMP emendation and supervision identification of areas where rejuvenation to be taken up.	As in item 4
8	Planting new Orchards  Integrated	Procurement of planting materials in case of inter District.  Procurement of planting materials	Identification of beneficiaries and distribution of planting materials	Distribution	Identification of beneficiaries



	Development of fruit, vegetable development floriculture	in case of inter District ramification			
9	Subsidy of bank finance scheme	Formulation of scheme and allocation	Approval of scheme		Identification of beneficiaries through Gram Sabha
10	VLW		Supervision of maintenance minor repairs upto Rs.3 Lakhs		Priority to be fixed in Gram Sabha

#### ANIMAL HUSBANDARY

1	Prevention and control of animal disease	Formulation of strategy for prevention and control procurement of technology, medicine & providing to Zilla	Identification of areas for prevention and execution of works & monitoring I/C census of animals to assess the requirement of vaccine & medicine for the District.	Supervision of prevention & control work in co-ordination with the respective V.O and report to ZP.	
2	Hero improvement (A) Through Natural service  (B) through A.I	Formulation of programme and policy Allocation of fund to Zilla  Formulation of programme & policy and allocation of fund to Zilla	Approval of requirement placed by GP and release of maintenance allowance on the report of GP.	Identification of farmers keeping the breeding animals.	Supervision and reporting
3	Integrated piggery Dev. Programme	Programme introduction guidelines and allocation of funds	Implementation and monitoring of the scheme training orientation and distribution of piglets and feeds	Identification of beneficiaries for the scheme approved by the ZP and reporting to ZP.	Identification of beneficiaries
4	Extension & training	Providing curriculum teaching aids and others materials, organization of more sophisticated training and training of trainers	Organizing routing training at farms.	Identification of training needs of farmers.	Gram Sabha to be involved while making identification organization of training at the stockman level.
5	Minor works/supervision/maintenance	Allocation to district	Approval and implementation minor works/ supervision/ maintenance accounts upto Rs. 3 Lakhs.	To report to ZP for projecting requirement of minor works	Gram Sabha to identify the area.
6	Stockman centre		Supervision/ maintenance minor repairs upto Rs. 3 Lakhs.		Priority to be fixed in Gram Sabha

#### MEDICAL AND PUBLIC HEALTH

1	Mass Education	Allocation of funds to district	Implementation and monitoring	To organize swastha Samiti in GP and organize health	
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				camps in consultation with ZP & concerned CMO.	
2	Rural family welfare services	Allocation of funds to district	Implementation and monitoring		
3	Maintenance of PHSC	Allocation to district	Upto Rs. 3 Lakhs	Supervision	Priority to be fixed in Gram Sabha
4	PHC				Supervision
5	ICDS	Women & Child welfare department to provide funds from the sources	Construction of ICDS Centres in consultation with State Government	Supervision of centre and report to ZP	Priority to be fixed in Gram Sabha
<b>RURAL DEVELOPMENT DEPARTMENT</b>					
1	Maintenance of Panchayat Ghar	Fund allocation of district and monitoring	Project formulation and approval of Scheme as per fund available upto Rs. 3 Lakhs	Selection & arrangement of land supervision of work and reporting to ZP maintenance	Priority to be fixed in Gram Sabha
2	Rural Bridged		Upto Rs. 3 Lakhs maintenance		Priority to be fixed in Gram Sabha
3	Village WSS repair/maintenance		Upto Rs. 3 Lakhs maintenance		As above in 2
4	Sanitation	Formulation of programme institutional Latrine	Implementation of household latrines	Identification	Identification of beneficiaries
5	NRSE National programme on Bio-gas development	Fund allocation of district and overall control	Identification of areas on the basis of viability as per the guidelines of the Scheme	Identification of beneficiaries' supervision of implementation and reporting to ZP.	Identification of beneficiaries
<b>EDUCATION DEPARTMENT</b>					
1	Minor works	Jr. High School	Primary		
2	Non-formal education	Planning Co-ordination & management of programmes as per GOI guidelines	Supporting state authorities in survey & related projects	Motivation and supervision	Motivation
3	Adult education	Planning co-ordination and management of programmes as per GOI guidelines.	Zilla Ashkashyas are the presidents of Zilla Saksharta Samities & Co-ordinate the programme with help of State functionaries.	Helping state functionaries in Literacy survey and selection of instructors also identifying potential learners	Helping state functionaries in Literacy survey and selection of instructors also identifying potential learners
4	Mid Day Meals	Co-ordination & monitoring	Distribution of dry rations with help of district authorities		
5	Primary Schools		Supervisor/ maintenance / minor repairs upto Rs. 3 Lakhs		Priority to be fixed in Gram Sabha
6	Jr. High Schools		Supervision		
<b>LAND REVENUE DEPARTMENT</b>					
1	VLO Centres		Supervisor/ maintenance/minor repairs upto Rs. 3 Lakhs		Priority to be fixed in Gram Sabha

IRRIGATION DEPARTMENT					
1	Minor Irrigation Works		Supervisor/maintenance/minor repairs upto Rs. 3 Lakhs		Identification of beneficiaries
FOREST DEPARTMENT					
1	Social forestry		Social forestry will be taken up by Zilla Panchayat		Identification of beneficiaries

### ADMINISTRATIVE APPARATUS

In order to ensure that effective devolution of powers and functions to the Panchayati Raj Institutions (PRIs) takes place and resources placed at the disposal of the PRIs are utilized with the required degree of efficiency, economy and effectiveness suitable administrative machinery at the district level will be created. This will be as follows:

#### i) Administrative Cell

The District Collector of the concerned district shall be the Sachiva of the Zilla Panchayat. He shall be the Chief Executive Officer of the Zilla Panchayat.

in addition to the manpower already available in the office of the Zilla Panchayat the following personnel will be posted immediately:-

#### ii) Finance and Accounts Cell

In view of the work load and nature of functions that are required to be carried out by the PRIs the following officers shall be posted immediately to the Zilla Panchayats on deputation:-

- (a) Accounts Officer - one (Assistance of the Accounts Officer posted in
- (b) Accountant - one the officers of the District Collector will be One harnessed)

#### iii) Technical Cell

in order to ensure proper formulation of schemes, observing correct technical parameters, effective supervision and proper monitoring and implementation of the programmes of all schemes that are transferred to the Zilla Panchayats shall be implemented by the technical wing of the Zilla Panchayat which shall comprised:-

- (a) Horticulture Officer - one
- (b) Vet. Officer - one
- (c) Assitt. Director, Education - one
- (d) Range Officer, Forest - one

No new post will be created.

In order to evolve a set administrative procedure detail guidelines will be prepared by each Department with respect to the programmes transferred to the Zilla Panchayats.

All the officers placed on deputation to the Zilla Panchayat will be under the administrative control of the Zilla Panchayat Sachiva for all purposes.

#### **iv) Planning Cell**

For the purpose of evolving and formulating suitable development strategy and plans for the economic and social development of the district tailored to meet the particular requirements of the district, a planning cell will be established taking the entire district as a unit of development. The requirement projected by the Gram Sabha in respect of their Gram Panchayat shall be given due consideration and priority in the District Plan. Matters concerning specific need of a particular area and selection of the beneficiaries in regard to beneficiary oriented schemes shall originate from Gram Sabha. There should be total transparency. The Gram Sabha shall henceforth provide forum for just equitable and need based formulation and implementation of programme. The Constitution Amendment provides for decentralization and effective devolution of powers to the grassroot institutions which is one of the guiding principle of participatory democracy. In order to achieve the above required objective the District Planning Cell will be set up immediately in the Zilla Panchayat. This will consist of the following:-

- (a) District Planning Officer : One (to be posted on deputation)
- (b) Statistician : Two
- (c) Research Assistance : One

(Services and the manpower available in the district of the State Statistical Cell of Planning and Development Department will be harnessed).

It would be observed that at the district level, the above machinery will provide a proper system of checks and balance with a view to ensuring that expenditure proposals are formulated in a proper manner taking into account the requirements and the expenditure estimates are scrutinized by the Planning Cell with reference to the programme content programme objectives and whether they are in conformity with the overall objectives of planned development for the State. Thereafter, the proposals will be examined by Finance and Accounts Cell who will look at the proposal whether returns from the investment have been taken into account and whether the proposed expenditure is justified from the angles. It may be born in mind that all expenditure proposals should be prepared in a technically sound manner duly scrutinized by the Planning cell and concurred to be Finance and Accounts Cell before it is submitted to the Zilla Panchayat Sachiva for his approval/sanction and where necessary for the sanction of the Adhakshya or Up-Adhakshya as per the evolution of powers.

#### **District Budget**

##### **Preparation of the District Budget**

As regard the District Budget it is incumbent of the Zilla Panchayat to prepare a detail District Budget. The format of preparing the District Budget will be prescribed by the Planning and Development Department of the State Government.

While preparing the budget, the Zilla Panchayat will take account both the Plan and Non Plan revenue and expenditure.

As regards the non-plan budget, all the funds raised by the Zilla Panchayat through exercise of powers conferred on the Zilla Panchayat by the Panchayat Act will be estimated and incorporated in budget. Further, fund flow as that may come to the Zilla Panchayat through the award of the Finance Commission will also become part of the

Zilla Panchayats revenue budget. Estimates of expenditure will also be incorporated in the Non-Plan budget.

As regard the Plan budget, it will specifically provide for fund flow from the State Government through allocation from various Departments with respect to the subjects that are administered and implemented by the Zilla Panchayat. The budget will provide for expenditure with respect to each of the schemes to be implemented by the Panchayat. Detailed instructions will be issued by the Planning and Development with respect to the preparation of the Annual Budget.

The intention is that the Zilla Panchayat budget will be duly scrutinized by the Finance Department and the Planning and Development of the Government of Sikkim and will be incorporated in the general budget to be presented to the State Legislature.

The State Government will communicate at the beginning of the financial year in accordance with the budget passed by the State Legislature, the funds that are earmarked under Non-Plan and Plan. The funds so transferred and the resources generated by the Zilla Panchayat will form the "Consolidated fund of the Zilla Panchayat" all expenditure from the consolidated fund of the Zilla Panchayat shall be incurred only in accordance with the Sikkim Zilla Panchayat Financial Rules and all expenditure will also be subject to audit by the Accountant General, Sikkim.

It must be underlined that non expenditure from the consolidated fund of the Zilla Panchayat can be incurred without there being adequate budget provision and without the observance of the prescribed procedure under the financial rules and without the concurrence of the Plan and Finance Cells of the Zilla Panchayats.

### **The Planning Calendar**

The Calendar of events for the planning process is to be adopted so that the Zilla Panchayat Plan can be smoothly incorporated into the State sector plan.

- 15<sup>th</sup> August. Adopting the tentative size for the State's Annual plan of the next year.
- 25<sup>th</sup> August Government in the Planning Department to indicate Zilla Panchayat and Gram Panchayat the financial ceiling within which their Annual Plan should be formulated for the next year.
- 10<sup>th</sup> Sept. Gram Panchayats to sent their plan proposals into the District Plan and sent the Draft District Plan to the Government in the Planning Department and concerned State Head of the Department.
- 10<sup>th</sup> Oct. Discussion with the Zilla Panchayats on their Draft District Plan by to Nov the Planning Department for achieving consistency and integration of District 25<sup>th</sup> October. Sector with State Sector Schemes/Plans. Government/State Heads of Department to consolidate these proposals and build them into State's Draft Plan and send the same to the Planning Commission.
- January Approval of the Planning Commission to the State's Plan.

February Finalizing the State's Plan Budget in the light of Planning Commission's approval to the State plan and finalizing the District Plans of Zilla Panchayats.

This process has been designed to ensure that every reasonable local aspiration even at the village State Plan and finalizing the District Plans of Zilla Panchayats.

### **District Planning Committee**

The 74<sup>th</sup> Amendment Act provides for the constitution of District Planning Committee consolidate. The plans prepared by the Panchayat and the Municipalities in the District and to prepare a draft development plan for the district as a whole. The is with a view to ensure active involving of the people (beneficiaries/use group) not in the identification but formulation of District Plan/Budget but also in the implementation of schemes and maintenance of the assets created.

Further, the District Planning is to some extent a kin to the concept of integrated. District can be taken as sub-State decision making unit within the system of multi-level planning. It arises from the need to supplement the National and State Plans with the more detailed examination of the resources, problems and potential of local areas (District) so that investment programmes mot specifically tailored to the particular needs each District could be evolved and implemented. In contrast to the National and State Pans the District Plan would represent a distinct multi-sectoral package of area specific to its own agro-climatic and social-economic conditions but at the same time it should reflect basis objectives of the National Plan. The latter are the ultimate objectives which cover the over-all activities of the Nation. The local level objectives are derived from them. The logical corollary to this will be earmarking of funds (district budget) so that plans formulated problems identified would be effectively tackled.

### **Criteria for Allocation of Plan Outlay**

For realizing the objective of regional balance through decentralized planning the Government has approved the following criteria for distribution of Plan outlay among Zilla Panchayat. As per these criteria backward regions / areas get a relatively higher share of outlay compared to developed region.

### **Indicators and Weightages for Distribution of Plan Outlay**

<b>Indicators</b>	<b>Weights (%)</b>
1. Population- Rural	40
2. Backwardness in Agriculture as measured by the value of Agriculture output per hectare	7
3. Backwardness in Irrigation as measured by the proportion of Irrigation Area to Net Area Sown.	5
4. Backwardness as measured by the value of Industrial output	3
5. Backwardness in Communication as measured by road mileage	3

6. Backwardness in Financial infrastructure measured by Size of Population served by each commercial and cooperative bank.	2
7. Backwardness in Medical and health facilities as measured by the number of hospitals/PHC/PHSC.	5
8. Backwardness in power supply as measured by the proportion of Villages electrified.	5
9. Problems of the weaker section:	
(a) as measured by the proportion of SCs/STs in the population	10
(b) as measured by the proportion of landless agriculture laborers	8
10. Special Problems of drought prone areas/dry area	
(a) as measured by the area under forest.	2
(b) as measured by the rural population of drought prone areas	2
11. Literacy percentage	5
12. Performance in Family Planning Programme.	3
<b>Total</b>	<b>100</b>

Further, the details of activity mapping done through Notification No. 3/RM&DD/P dated 29 April 2008 are as follows:-

**List of activities transferred to Z.Ps and G.Ps**

Name of Sector /Department	Activities under ZP	Activities under GP.
1. Agriculture of Food Security	Identification of areas for all programmes. National Agricultural Insurance Scheme. Extension and demonstration organic farming. Conducting crop competition demonstration. Deconstruction program (Identification of area and beneficiaries). Compensation for crop loss due to natural calamities. Establishment of storage facilities. Generate crop statistics.	Selection of beneficiaries for demonstration and organic manure production. Assist in organizing crop competition & exhibition. Selection of beneficiaries for special program of organic farming. Generating yield data. Reporting of crop loss. Maintenance of infra-structures. Organizing & motivation for agriculture production.
2. Horticulture &	Extension & demonstration on	Extension and demonstration on organic

<p>Cash Crops.</p>	<p>organic farming related to horticulture.</p> <p>Conduction crop competition and exhibition.</p> <p>Training and demonstration of horticulture crops including fruits, vegetables, potato, ginger and cardamom.</p> <p>Create awareness in floriculture as commercial venture.</p> <p>Assessment, verification and compensation of horticulture crop losses due to natural calamities.</p> <p>Establishment of storage facilities.</p> <p>Generate horticulture crop statistics.</p> <p>Motivation and implementation of crop insurance.</p>	<p>farming related to horticulture and development of local entrepreneurs for production of organic manures.</p> <p>Assist in organizing crop competitions and exhibitions.</p> <p>Training &amp; demonstration of horticulture crops through selection of right beneficiaries and areas.</p> <p>Assessment and reporting of horticulture crop losses.</p> <p>Maintenance of storage facilities.</p> <p>Generate horticulture crop statistics.</p> <p>Motivation of crop insurance programme.</p>
<p>3. Animal Husbandry, Livestock, Veterinary Services.</p>	<p>Rabies control, vaccination and elimination of affected animals,</p> <p>Distribution of preventive materials for control of animal diseases.</p> <p>Preventive measures.</p> <p>Compilation of reports and dissemination of information.</p> <p>Identification of areas for different types of animal development programme.</p> <p>Quality monitoring.</p> <p>Meat inspection &amp; certification.</p> <p>Programmes for fodder production.</p> <p>Management of marketing of animal product. Assessment of production.</p> <p>Processing Centres.</p> <p>Training and awareness of animal husbandry related programmes.</p> <p>Organizing district level training, workshops &amp; programmes.</p> <p>Cross breeding management of</p>	<p>Monitoring &amp; regulation of wastes.</p> <p>Identification of beneficiaries.</p> <p>Distribution of fodder.</p> <p>Collection of products for large markets.</p> <p>Assessment of production collection centers.</p> <p>Supervision of delivery of government services.</p> <p>Identification of training needs of farmers.</p> <p>Requisition f training programme.</p> <p>Distribution of high-bred varieties of farm animals.</p> <p>Execution of works up to Rs. 2 Lakhs</p> <p>Supervision of implementation.</p>



	<p>artificial insemination programme</p> <p>Execution of works between Rs.2 to Rs.5 Lakhs.</p> <p>Identifying areas for various types of fisheries.</p>	
4. Education	<p>Overall supervision of JHS except appointment and transfer of teachers.</p> <p>All repairs &amp; maintenance of JHS.</p> <p>Supporting state authorities in survey &amp; related projects.</p> <p>Literacy programmes.</p> <p>Monitoring the programmes.</p> <p>Construction of midday meal kitchen and its maintenance.</p>	<p>Overall supervision of functioning of PS and LPS except appointment and transfer of teachers.</p> <p>All repairs &amp; maintenance work up to Rs. 10. Lakhs.</p> <p>Identification of learner's assisting in literacy.</p> <p>Supervision of programmes.</p>
5. Health and Family Welfare.	<p>To facilitate the formation of village health and sanitation committees at the Gram Panchayat level.</p> <p>To ensure and help District Health Mission under NRHM to prepare a need based demand driven socio-demographic plans at the district level.</p> <p>To oversee effective implementation of health and family welfare programmes as the district level by monitoring and supervising the functions and functionaries, by training, equipping and empowering Panchayat members suitably to manage and supervise the functioning of health care infrastructure and manpower and further co-ordinate works of different departments such as Health &amp; Family Welfare, Social Welfare, Public Health Engineering, Rural Development, etc. at the district level.</p> <p>To ensure un-biased selection of ASHA in each village by Panchayat members and to devise mechanism at the district level for monitoring of ASHA.</p> <p>Awareness generation regarding all health and family welfare related issues and generate</p>	<p>Form village health and sanitation Committee comprising of ANM/MPHW/(M), AWW, ASHA, MSS,</p> <p>NGOs and village representatives with adequate representation for women members (Existing village sanitation committees under Total sanitation campaign may be redesignated as Village Health and Sanitation Committees.</p> <p>To ensure and help village level health committees under NRHM to prepare an area specific, need based, demand driven, socio-demographic plans at the village/sub-centre level.</p> <p>To grant approval and ensure proper utilization of funds earmarked as untied funds under NRHM.</p> <p>To ensure selection of sincere and dedicated ASHA in village. To promote access to improved health care at the household level through female health activist (ASHA).</p> <p>To demonstrate exemplary performance in compulsory registration of births, deaths, marriages and pregnancies. Ensuring safe deliveries to bring a reduction in Infant Mortality Rate(IMR) and Maternal Mortality Rate(MMR)/</p> <p>Identification of people in need of services and facilitate providing services in collaboration with village level health</p>

	<p>demand from the community regarding available services provision under different National Health Programmes and State Service Provision. To increase service utilization at different levels through different effective locally acceptable approaches.</p>	<p>workers in respect of National Programmes like Reproductive and Child Health, blindness, TB Control, STD/HIV/AIDS, etc.</p> <p>Keeping provision of fund for maternal and child health activities (referral of high risk cases, etc) in the PRI budget.</p> <p>Awareness generation regarding all health and family welfare related issues and to generate demand from the community for services under different National and State Health Programmes.</p>
6. Forest, Environment and Wildlife	<p>Facilitation for marketing of saplings for government and private plantation.</p> <p>Providing marketing facilities for medicinal plants and other forestry products.</p> <p>Training for cultivation.</p> <p>Protection support to Smriti Van. Support for control of forest fire.</p> <p>Prevention &amp; control.</p> <p>Awareness on grazing-regulated grazing.</p> <p>Promotion of NTFP-bamboo plantations.</p> <p>Promotion of timber substitutes-marketing.</p> <p>Identification of gram Panchayats for the programme.</p> <p>Monitoring of the programme.</p> <p>Identification of Gram Panchayats for the programme.</p> <p>Harvesting &amp; distribution of fuel wood.</p> <p>Implementation of creative.</p>	<p>Establishment of community nurseries.</p> <p>Establishment of medical plants gardens for commercial purpose.</p> <p>Establishment of Smriti vans.</p> <p>Control of forest fires.</p> <p>Co-ordination with JFMC.</p> <p>Control of grazing in forest land.</p> <p>Implementation of regulated grazing.</p> <p>Plantation of NTFP- production.</p> <p>Micro-planning &amp; implementation of soil conservation works.</p> <p>Planning &amp; implementation of Green Mission works.</p> <p>Planning &amp; implementation of fuel wood plantation in community lands.</p> <p>Identification of sites.</p> <p>Upkeep of parks and gardens.</p>
7. Commerce & Industries.	<p>Providing assistance to trained beneficiaries to start their own units including credit support.</p> <p>Organizing entrepreneurial development programmes.</p> <p>Providing marketing facilities for cottage and village products.</p> <p>Identifying locations for specific</p>	<p>Identification of beneficiaries for training.</p> <p>Distribution of raw materials.</p> <p>Promotion of cottage industries based on locally available materials.</p>

	industrial and commercial activity.	
8. Disaster Management	<p>Assisting in assessment of damages during natural calamity.</p> <p>Providing training on rescue and relief operation.</p> <p>Co-coordination with District Relief Committee and Village Relief Committee.</p> <p>Investment in preventive measures and also preparedness.</p> <p>Maintenance &amp; minor repairs between Rs. 10 to Rs. 20 Lakhs.</p>	<p>Establishment of community nurseries.</p> <p>Establishment of medical plants gardens for commercial purpose.</p> <p>Establishment of Smriti vans.</p> <p>Control of forest fires.</p> <p>Co-ordination with JFMC.</p> <p>Control of grazing in forest land.</p> <p>Implementation of regulated grazing.</p> <p>Plantation of NTFP-production.</p> <p>Micro-planning &amp; implementation of soil conservation works.</p>
9. Irrigation	Creation of minor irrigation channels.	<p>Identification of locations for minor irrigation channels.</p> <p>All repairs of minor irrigation channels.</p>
10. Cultural activities	Identification and preservation of heritage sites.	<p>Promotion of folk art.</p> <p>Preservation of traditional culture and customs.</p> <p>Rural (village) libraries.</p>
11. Rural water supply	All maintenance and new schemes between Rs. 10 to Rs. 20 Lakhs.	Minor repairs and new schemes up to Rs. 10 Lakhs.
12. Rural Bridges	All maintenance and new schemes between Rs. 10 to Rs. 20 Lakhs.	Minor repairs and new schemes up to Rs. 10 Lakhs.
13. Rural Sanitation	<p>Promoting environment friendly means of disposal of solid and liquid waste.</p> <p>Maintenance of environmental hygiene.</p> <p>Construction and maintenance of institutional and community latrines and bathing places.</p> <p>Promotion of cooperative movement.</p>	<p>Conduction environment friendly waste management through Gram Panchayat level Water and Sanitation Committees.</p> <p>Construction and maintenance of Individual Sanitary latrines and bathing cubicles.</p>
14. Cooperatives	<p>Regulating building construction.</p> <p>Rural street lighting and its maintenance.</p>	Generating awareness of cooperatives.
15. Miscellaneous	<p>Establishment &amp; maintenance of crematoriums and burial places.</p> <p>Regulating disposal of carcasses.</p> <p>Construction of ICDS Centres.</p> <p>Disbursement of OAP &amp; SA.</p>	<p>Enforcing regulation for building construction.</p> <p>Establishing facilities for generation of renewable energy sources.</p> <p>Reporting on presence of dead carcasses.</p>

	<p>Small Family Benefit Scheme.</p> <p>National Family Benefit Scheme.</p> <p>Promotion of eco-tourism.</p> <p>Maintaining tourist's infra-structure and amenities at the district level.</p> <p>Identification of potential places for development of tourism.</p> <p>Promotion of use of renewable energy sources.</p> <p>Maintaining haat sheds at the Sub-Divisional level markets not falling under the jurisdiction of ULBs.</p> <p>Assisting the State Government in collection of data/survey/maintenance of law and order and IEC activities.</p> <p>Village Street lighting and its supervision.</p>	<p>Supervision and maintenance of ICDS Centres.</p> <p>Maintaining tourist infra-structure and amenities at the village level.</p> <p>Regulating the use of haat sheds at the Sub-Divisional Level markets not falling under the jurisdiction of ULBs.</p> <p>Collection of data for the State Govt. and reporting to the District Administration of the law &amp; order situation including potential dangers and disturbances.</p>
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## **CHAPTER V**

### **Assessment of Finances/Resources of PRIs.**

So far, the GPs/ZPs do not have any resource/revenue base of their own. No notification prescribing the rates of taxes/fees/tolls has been issued by the Government. Only a very few GPs have started collecting some user charges on the basis of decision /rates fixed in Gram Sabhas.

In order to assess the financial position of the PRIs the Commission had called for the following information and statement of accounts of the PRIs for the last five years.

- (1) Details of revenue realized, grants received and expenditure incurred by each local body for the last 5 years (2005-06 to 2009-10) and estimate for next 5 years (2010-11) in prescribed format No. 1, 2 & 3.
- (2) Details of employees working under each local body with their salary expenditure for above period in prescribed format no. 4.
- (3) Details of borrowings, bonds and other capital receipts (if any) by each local body during 2005-06 to 2009-10.
- (4) Details of aid/donations received by each local body during 2005-06 to 2009-10.

- (5) Details of tax revenue and non-tax revenue being imposed by each local body (to enclose copies of notification /orders / regulations)
- (6) Details of maintenance and up-keeps of capital assets created by each local body or transferred by the government to the local bodies for above period.
- (7) Details of tax revenue and non-tax revenue that the local bodies propose to realize during 2010-11 to 2014-15 (items, rates, annual quantum etc be submitted).

The sample copy of correspondence and the formats are at Annexure VI. Against this, only two ZPs and forty five GPs have furnished the information, out of which information furnished by thirty four PRIs, are not upto the mark. The information/statements furnished by 3 GPs and 2 ZPs in order of clarity are at Annexure VII. All heads of Department were also requested to furnish the details of funds transferred to the ZPs and GPs during the years 2005-06 to 2009-10 in prescribed format (Annexure-VI). Replies have been received only from ten Departments. Beside above, various other information like status of devolution of administrative and financial powers to PRIs, utilization report of Central Finance Commission Grants, Levy of taxes, rate and fees, provision for maintenance and repairs etc. etc. were called for from concerned departments.

On the basis of the information received and other available records the commission has observed that there being no revenue base of the PRIs of their own, the PRIs are totally dependent on Government grants as of now. The average quantum of Government grants received by the PRIs from RM&DD during the last five years (2005-06 to 2009-10) works out to Rs. 118.00 Lakhs per Zilla Panchayat per annum and Rs. 12.61 lakhs per Gram Panchayat per annum. Such Grants relate to expenditure on **(a)** Administrative expenses, **(b)** Development works (State fund) and **(c)** Development works (Central Finance Commission Grants). These are released by the State Government, RM&DD under the following head of accounts/sectors.

1. 2501-DRDA/IAY/GSY/SGRY/NREGA
2. 3054-Roads & Bridges
3. 2216-Housing
4. 2501/2515/2810-Comm.Dev.NRSE.IREP
5. 2215- Water Supply/Sanitation.

Beside this, certain funds are received by the PRIs from some other departments of the State Government for specific sectoral purposes. So far, there is no fixed norm or clear cut provision and the PRIs do not know what would be the quantum of fund to be received during a particular year or any such fund would be received at all. Even the quantum of fund received by some PRIs from some departments is very meager. With effect from 2008-09, HRDD has started transferring the entire funds provided in the State Budget (both under Non-Plan and Plan) to the GPs for payment of salaries of the teachers upto the Junior High School Level. Funds transferred during 2008-09 and 2009-10 on such account accounted for Rs. 10662.41 lakhs and Rs. 10294.21 lakhs respectively, which mean an average amount of Rs. 64.28 lakhs per annum transferred for each Gram Panchayat for payment of teacher's salary upto the Junior High School level. Now, though the salaries are being paid by the GPs, the power relating to supervision and control over the functioning of the teachers, their disciplinary action,

transfers, writing of annual confidential reports etc. have not been transferred to the PRIs.

## **CHAPTER VI**

### **Review of Debt position and management.**

The Panchayat Raj Institutions (Zilla Panchayats and Gram Panchayats) in Sikkim are very small in size and have not yet been able to make any revenue base of their own.

The Urban Local Bodies have not yet been constituted. Accordingly, no debt/borrowings has till date been raised and no raising of such borrowings/loans in the coming years (2010-11 to 2014-15) is contemplated.

## CHAPTER VII

### Assessment of Gap in Financial Resources (PRIs and ULBs) and Scheme of Devolution.

1. Article 243-I of the Constitution of India provides as follows :-

“The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy Third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to :-

  - (a) The Principles which should govern-
    - (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds,
    - (ii) the determination of the taxes, duties, tolls and fee which may be assigned to, or appropriated by the Panchayats,
    - (iii) the grants-in-aid to the Panchayats from the consolidated fund of the State,
  - (b) The measures needed to improve the financial position of the Panchayats,
  - (c) Any other matter referred to the Finance Commission by the Governor in the interest of sound finance of the Panchayats.”

As regards own revenue, so far, no taxes/fees are being collected by the GPs though the GPs have been empowered to levy a number of taxes/fees vide section 40 of the Sikkim Panchayat Act, 1993. The Gram Panchayats may be assigned with the collection of the following Taxes/fees:

- a) Household Tax @ Rs. 5/-, Rs.10/- and Rs.15/- per month for each household of small, medium and bigger size households respectively. For Resorts/Hotels/Restaurants/Guest House, etc. the rate should be Rs. 5000/- each per annum.
- b) Water and Sanitation Tax @ Rs.1/- per month for each household.
- c) Village Road and Environment Tax @ Rs. 1/- per month for each household.
- d) Panchayat Recommendation /Clearance/Certificate Fees @ Rs. 20/- per case/application.
- e) Sale of Tender forms at the rates prescribed by SPWD/RM&DD other Government Departments.
- f) Building construction Fees @ Rs. 2/- for pucca and Re. 1/- for Kutcha per square feet of plinth area.
- g) Other miscellaneous receipts (Bank interest, donation, disposal of unserviceable items, etc).

It is recommended that the suitable amendment in the Panchayat Act duly amending Section 40 where the rates of levy of taxes and fees are recommended to be fixed by State Government may be made. Such power to fix the rates may be delegated to the DPCs. It is further recommended that the rates as prescribed above may be revised upwards by the respective Gram Panchayat in special Gram Sabha meeting. Such revised rate will have to be approved by the DPC in respective District.



## **CHAPTER VIII**

### **Finance /Resource of Urban Local Bodies.**

There is no Urban Local Body in Sikkim at present. Once the election are held, it is likely that there would be 7(seven) Nos. Urban Local Bodies in Sikkim in near future. The Urban Development and Housing Department which has been taking care of the urban areas has indicated that the anticipated revenue receipts and estimated expenditure of above 7 Nos. ULBs will be as shown in table-14 (b).

**Table 14 (b)**

### **Anticipated revenue receipts and estimated expenditure of 7 Nos. ULBs.**

(Rs. in Lakhs)

Sl.No	Item	2010-11	2011-12	2012-13	2013-14	2014-15	Total
1	Own Revenue (Tax +Non Tax)	316.00	347.00	381.00	417.00	458.00	1919.00
2	Expenditure	10528.00	8240.00	7564.00	7976.00	7203.00	41511.00

## **CHAPTER IX**

### **General observation and concluding remarks.**

1. In spite of the constitutional provisions and passage of one and half decade's time, empowerment of local governments in the real sense has not taken place. Under such circumstances it becomes the responsibility of the Union to find out the actual causes/problems/weakness and to take corrective measures to ensure implementation of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments both in letter and spirit. The Union Government should pay special consideration to the special category and small States in view of the basic fact that the resource/ tax base of such States remains very poor and expenditure cost is higher.
2. Article 280(3) (bb) of the Constitution provides that it shall be the duty of the Central Finance Commission to make recommendations to the President as to the measures needed to augment the consolidated fund of a State to supplement the resource of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State. Keeping in view the spirit of the 73<sup>rd</sup> and 74<sup>th</sup> amendments and the clear need to provide an impetus to the decentralization process, the Twelfth Central Finance Commission (2005-10) had recommended a sum of Rs. 25,000 crore for the period 2005-10 as grants-in-aid to augment the consolidated fund of the States to supplement the resource of the Panchayats and municipalities. This was equivalent to 1.24 per cent of the sharable tax revenues and 0.9 per cent of gross revenue receipts of the centre as estimated by the Twelfth Central Finance Commission during the period 2005-10. The Commission had felt that a share of 20 per cent to the Municipalities would appear to be in order and accordingly recommended that the amount of Rs. 25,000 crore would be divided between the Panchayats and the Municipalities in the ratio of 80:20. On the basis of the criteria used for inter-se allocation of grants (population 40%, geographical area 10%, distance from highest per capita income 20%, index of deprivation 10% and revenue effort 20%), the share of Sikkim was only 0.65% in respect of Panchayats and 0.20% in respect of Municipalities. Accordingly a sum of Rs. 1300.00 Lakhs for the Panchayats and a sum of Rs. 100.00 Lakhs for the Municipalities were allocated. Certain conditions were again attached with the allocation and accordingly, only a part of above allocation has actually been released to Sikkim in spite of several requests to the concerned Ministry for release of the whole amount recommended by the Twelfth Central Finance Commission.

### **This Commission recommends as under:**

- (a) The Central Finance Commission /Union Government should consider above grant at least @ Rs. 150 per capita per annum in respect of Sikkim which is a special category State, for the period 2010-11 to 2014-15.
- (b) As for the inter-se allocations among the States, common criterion/ weight should not be used, special category/disadvantaged States should be given special weightage.
3. While SIRD and other institutions involved in training Panchayat functionaries have been imparting training to the target beneficiaries, much more is required for elaborate training/ capacity building and for skill development. Opportunities available in other advanced States/ International Training Institutes should also be availed.
  4. All necessary steps should be taken to ensure that the Gram Panchayat Financial Rules and Zilla Panchayat Financial Rules are strictly followed. The system of preparation of Annual Budgets, District Plans, and Annual Statement of Accounts should be adhered to in letter and spirit. Directorate of Panchayat should monitor this vigorously.
  5. The auditing system should be intensified to bring about higher transparency and accountability and everything should be displayed for information of public in general. The Commission recommends that a Directorate of Local Fund Audit with appropriate and efficient manpower should be set up immediately. The Directorate of Local Fund Audit may also undertake intensive training of the PRIs.
  6. The functions of monitoring and evaluation of performance of the PRIs should be taken up vigorously by the Directorate of Panchayats and a mechanism of developing a system of performance based allocation of grants to the PRIs to be undertaken. The Director, Local Fund Audit may also be made a member of such Monitoring Committee. The existing Directorate of Panchayats needs to strengthen suitably.
  7. A special incentive grant of Rs. 20.00 Lakhs to each of the top three GPs and Rs. 30.00 lakhs to the top ZP annually be provided. The awareness and competition among the PRIs would definitely bring improvement in functioning.
  8. A permanent State Finance Commission Cell within the Finance, Revenue and Expenditure Department be created to administer and monitor the functioning of the SFCs and to maintain the records /datas developed by each SFC.
  9. In order to look after the day to day functioning of the PRI Offices and to maintain the accounts of the PRIs systematically, it has become necessary to provide one Accountant to each GP. The GPs may be empowered to select and appoint suitable /capable candidate as an Accountant with minimum qualification as a Commerce graduate on a consolidated pay as may be deemed right by the GP, the expenditure would be met by concerned GP out of its own revenue generated.
  10. The Gram Panchayat Financial Rules and the Zilla Panchayat Financial Rules should be so amended to give full power to the GPs/ZPs for incurring expenditure

within the sanctioned annual budget provisions under each item. The budget heads may be codified/ standardized.

- 11.** Activity mapping of all centrally sponsored Schemes should be taken up.
- 12.** The system of implementation of Schemes on the basis of approved District Plan should be followed. The system/ procedure of implementation of District Plans should be clearly spelt out.
- 13.** The District Planning Committee should be made more functional and ensure that the District Plans are effectively implemented under the administrative control of DPER and NECAD.
- 14.** The salary of RDAs/GRSs, etc. posted under GPs should be paid through respective GPs. The honorarium of GP members should be paid through concerned GPs.
- 15.** The offices of Gram Prasashan Kendra open for public service during normal working hours as in the case of Government Departments.

# **CHAPTER X**

## **Summary of Recommendation**

### **1. The recommendations pertaining to amendment of Sikkim Panchayat Act and related Rules.**

- (i) As per the Sikkim Panchayat Act, Section 40, at present, the rates of levy of Taxes, fees are to be approved by the State Government. This approval of the rates by the State Government is resulting delay in implementation of this provision. As such, it is recommended that the authority to approve the rates for levying of taxes and fees may be delegated to the District Planning Committee. The Commission is recommending minimum rates for various fees and taxes in the report. However, representatives of Gram Panchayat may revise these rates upwards with the prior approval of the Gram Sabha and submit to the District Planning Committee for approval if these recommendations are accepted.
- (ii) As per the present provision of Panchayat Act, every Gram Panchayat is to have only one account where all the grants or revenue is deposited. It is recommended that the Gram Panchayat may be allowed to operate two accounts, one for receipts of grants from the State Government and another for depositing the fees, taxes or user charges collected by the Gram Panchayat. A suitable amendment in the Sikkim Panchayat Act may be made so that Gram Panchayat can operate these two accounts.
- (iii) It is recommended that the Sikkim Panchayat Act may be suitably amended and provide for creation of a Directorate of local fund audit under the Finance, Revenue & Expenditure Department. This Directorate shall be responsible for conducting audit of all the Gram Panchayats, Zilla Panchayats and Urban Local Bodies.

### **2. Recommendations pertaining to collection of Taxes/fees/tolls/user charges.**

- (i) Household Tax @ Rs. 5/-, Rs. 10/- and Rs.15/- per month from each household- small, medium, and bigger respectively. For Resorts, hotel, restaurant, guest houses @ Rs. 5000/- per annum.
- (ii) Water and Sanitation Tax @ Re. 1/- per month from each household.
- (iii) Village Road and Environment Tax @ Rs. 2/- per month from each household.
- (iv) Panchayat Recommendation /Clearance/Certificate Fees @ Rs. 20/- per case.
- (v) Sale of Tender Forms as per Government norms.
- (vi) Building Construction fee @ Rs. 2/- per Sq. ft. for RCC building and @ Re. 1/- per sq. ft. for ekra /Kacha structure.
- (vii) Other Miscellaneous Receipts (Bank interest, donation, disposal of unserviceable items, charges for use of Panchayat Ghars/ Conference Halls/ other properties etc.) (As per Panchayat resolution duly approved by DPC).
- (viii) Trade License fees and hawker license fees as per UD&HD rates. (The licenses will be issued by GPs on fulfillment of required conditions as per Trade License rules).

- (ix) Fees on Mela/Picnic etc. in rural area. (As per Panchayat resolution duly approved by DPC).
- (x) Fees for construction of temporary sheds for any kind of social gathering in public property. (As per Panchayat resolution duly approved by DPC).
- (xi) Fees for minor dispute redressal. (Such redressal forum should be created in GPs.)(@ Rs. 20/- per application/case)

### 3. Recommendations pertaining to allocation of resources to the Panchayati Raj Institutions from the State Government.

- (i) Based on the details provided by the various Departments and various Gram Panchayats and Zilla Panchayats, the annual administrative expenditure of 163 Gram Panchayats and 4 Zilla Panchayats has been estimated at **Rs. 600.00 lakhs** for the year 2010-11 and it is estimated that this expenditure will increase by 8% per annum therefore, the total administrative expenditure for a period of 5 years i.e. 2010 to 2015 is estimated at **Rs. 3667.00 lakhs**.
- (ii) As per the recommendations of this Commission the collection of annual revenue for 163 Gram Panchayat Units has been estimated at Rs. 182.00 lakhs for the year 2010-11. If this revenue increases at the rate of 8% per annum the total anticipated own revenue for the period of 5 years i.e. 2010-15 comes to **Rs. 1066.00 lakhs**.
- (iii) Thus the gap between the administrative expenditure and own revenue of the Panchayati Raj Institutions works out to **418.00 lakhs** for the year 2010-11 and **Rs. 2600.00 lakhs** for a period of 5 years i.e. 2010-15.
- (iv) It is recommended that this gap in the administrative expenditure and revenue as estimated above can be met by sharing of net proceeds of following revenue of the State Government and duly supplemented by grants-in-aid by the State Government.

- (a) Land Revenue
- (b) Stamps and registration
- (c) Tax on Sale, Trade etc.
- (d) Animal Husbandry
- (e) Forestry and Wildlife
- (f) Minor Irrigation
- (g) Village and Small Industries
- (h) Tourism.

It is recommended that for the financial year 2010-11, 2% of the net proceeds of State revenue from the above sources which comes to **Rs. 362.58 lakhs** may be transferred to the Panchayati Raj Institutions. Similarly figures for next five years from 2010-15 are depicted in Table-5 of this report.

- (v) The distribution of share of revenue as recommended above in between the ZPs and the GPs will be in the ratio of 40:60 and the internal allocation in-between the ZPs and the GPs will be based on population figures of 2001 Even after sharing of revenue from State Government the Gap between Administrative Expenditure and Own Revenue is not

filled as such. CFC / Government of India may be requested to provide special fund equivalent to above gap as committed liability for effective devolution of powers as per 73<sup>rd</sup> Constitutional amendment.

- (vi) The State Government has been providing grants-in-aid to the Panchayati Raj Institutions out of the State Plan. It is recommended that for a five year period of 2010-15 the State Government may provide **Specific Purpose Grant** from the following 15 Sectors at a percentage rate ranging from 2% to 35% (approx) as per the details given in Table – IX. The list of sectors from which allocations are to be met is as follows :

- (a) Agriculture
- (b) Horticulture
- (c) Animal Husbandry
- (d) HRDD
- (e) Health
- (f) Forest
- (g) Commerce and Industries
- (h) Disaster Management (Land Revenue)
- (i) Irrigation
- (j) Culture
- (k) Rural Management and Development Department
- (l) Co-operative
- (m) Social Welfare
- (n) Tourism
- (o) Power

In addition to the above recommendations, salary provisions upto Junior High School level shall continue to be released to Gram Panchayat by Human Resource Development Department.

The total annual allocation under this head comes to **Rs. 7679.30 Lakhs** and for 5 years it works out to **Rs. 46882.88 lakhs** (2010-2015) excluding Teacher's salaries. The distribution of above fund in-between the Zilla Panchayats and the Gram Panchayats will be in the ratio of 30:70. The horizontal distribution among the 4 ZPs will be on the basis of population figure and the Panchayat Area. The internal distribution in-between the GPs will be on the basis of population figure of 2001.

- (vii) In addition to the **Specific Purpose Grant** given by various departments to Panchayati Raj Institutions, it is further proposes that a **General Purpose Grant** at an approx 20% of State Plan budget under Rural Management & Development sector should be made available to the Panchayati Raj Institutions as Untied Fund. It is estimated that annual allocation of this **General Purpose Grant** would come to **Rs. 2439.00 lakhs** and for a period of 5 years this grant would come to **Rs. 14891.00 lakhs**. It is further recommended that the internal distribution of this grant between Zilla Panchayats and Gram

Panchayats may be in the ratio of **10:90**. It is further recommended that horizontal distribution among the various Gram Panchayats and Zilla Panchayats may be based on the population.

- (viii) The proposed 7 Nos. Municipalities may impose and collect the following revenues. ( as per details vide Table 16)
- (a) Property tax
  - (b) Toll tax
  - (c) Other taxes
  - (d) Sanitation charges
  - (e) Parking
  - (f) Rent from premises
  - (g) Other charges
  - (h) Blueprint fee
  - (i) License fee
  - (j) Other fees
  - (k) Fines

Anticipated collection for 2010-11 is **Rs. 316.00 lakhs** and accordingly **Rs. 1919.00 lakhs** may be collected for 5 years (2010-15).

Administrative expenses for ULBs are estimated at **Rs. 767.00 lakhs** for 2010-11 and **Rs. 4678.00 lakhs** for 2010-15. The gap between the administrative expenses and the own revenue of the ULBs comes to **Rs. 451.00 lakhs** for 2010-11 and **Rs. 2759.00 lakhs** for 5 years (2010-15). Out of net proceeds of the States revenue under Entertainment Tax and Trade Tax /VAT, it is recommended to share **Rs. 125.00 lakhs** for 2010-11 and **Rs. 685.00 lakhs** for 5 years (2010-15). There would still be a gap of **Rs. 326.00 lakhs** in 2010-11 and **Rs. 2074.00 lakhs** in 2010-15. This gap may partially be met from anticipated savings out of existing administrative expenditure of UD&HD. The CFC/Government of India may be requested to provide special funds of **Rs. 1850.00 Lakhs** for meeting the committed liability of ULBs for effective devolution of powers as per 74<sup>th</sup> Amendment.

Beside this, for carrying out the different functional activities of the Municipalities, Grant @ **Rs. 2000.00 lakhs** annually with 10% increase i.e. **Rs. 12210.00 lakhs** for 5 year (2010-15) should be provided.

- (ix) As per provision under Art.280 (3) (bb) of the Constitution, the 12<sup>th</sup> CFC had allocated **Rs. 1400.00 lakhs** to Sikkim for PRIs and ULBs. It is recommended that CFC/Government of India may allocate such grant @ Rs. 150 per capita per annum. The annual allocation would thus be **Rs. 871.00 lakhs** and for 5 years it comes to **4355.00 lakhs** (2010-15)
- (x) The average grant to a GP and a ZP from all above sources i.e. Administrative Grant, Specific purpose grants, General Purpose Grant and CFC grant comes to **Rs. 52.00 lakhs** and **Rs. 738.00 lakhs** respectively.



- (xi) Monitoring and evaluation of performance of the Panchayati Raj Institutions shall be undertaken by Directorate of Panchayats. Special incentive grant of Rs. 20.00 lakhs to each of top 3 Gram Panchayats and Rs. 30.00 lakhs to the Top Zilla Panchayat annually may be provided.

**4. Recommendations pertaining to the Administrative Reforms for effective decentralization.**

**District Planning Committees to be more effective.**

The District Planning Committees are constitutional bodies constituted as per requirement under 243 ZD. The District Planning Committees in the State have been constituted, however their functioning is not effective. To make the DPC more effective to fulfill the mandate provided by the Constitution, Commission recommends the following:-

- (i) District Planning Committee should be under direct administrative control of the DPER-Planning Department. The District Planning Officers shall also be under the control of DPER Planning Department. The Planning Department should create a separate cell in the Planning Department to monitor the functions of the DPCs.
- (ii) All the Plan funds of the various Departments reflected in the respective budget of various Line Departments should be placed at the disposal of the Development Commissioner who will re-allocate the fund to the District Planning Officers.
- (iii) Every Gram Panchayat should prepare Annual Budget which will take into consideration the sectoral allocation for GPUs. The budget of Gram Panchayat will be placed in Gram Sabah and after approval of Gram Sabah will be submitted to DPC. DPC will examine the budget (in prescribed format) of GPs and will approve the budget or return it to the GP with observation if any. If the budget is returned back to the Gram Panchayat by the DPC the Gram Panchayat should rectify the budget and obtain the approval of the Gram Sabah and re-submit to the DPC.
- (iv) All the fund whether pertaining to certain revenue, taxes etc. must be accounted for in the budget and no drawal from any of the Gram Panchayat account should be made which is not in consonance with the approved budget. The DPC may constitute a Sub committee to examine the budget of two or three Gram Panchayats and Sub Committees will submit their report to the General body of DPC. The member of the Sub Committee may be selected in the DPC meeting for the period as determined by DPC. The DPC may invite Government officials of various Departments with having knowledge of finances to be member of Sub Committee.

**5. Procedure for collection of levies taxes./fees by the Panchayati Raj Institutions.**

Every Gram Panchayat and Zilla Panchayat shall have a separate account for Non-plan grant including collection of revenue. All the revenue collected or levied etc will be deposited in this account. This fund should be used for expenditure on

salary, honorarium, expenditure on maintenance, purchase of stationary, equipment, etc. and to meet expenditure of Gram Prasashan Kendra. This account may be operated by Panchayat President and Secretary. All drawal from this account for any specific purpose can be made based on format prescribed by Directorate of Local Fund Audit. Such expenditure should conform to the budget of the Gram Panchayat approved by DPC. The monthly bank statement of this account indicating the receipt and expenditure should be submitted to respective DPO who will compile such bank statement of the District and submit the report to Directorate of Local Fund Audit bi-monthly. DLFA will take up auditing of accounts of the GPs and ZPs from time to time and see that the expenditure is as prescribed and approved by DPC.

6. **It is recommended** that regular training programs to be organized for Gram Panchayat and Zilla Panchayat Members to impart them necessary skills for effective administration.
7. **It is recommended** that PRIs should follow the GP Financial Rules and ZP financial strictly and prepare Annual Statement of Accounts, Monthly Statement of Accounts, Annual Budgets etc. Directorate of Panchayat should conduct effective monitoring and supervision of the respective Panchayats.
8. **It is recommended** that A permanent State Finance Commission Cell may be set up within FRED. Notification regarding constitution of State Finance Commission should be issued by FRED.
9. **It is recommended** that one Accountant and one Chowkidar to each Gram Panchayat may be provided. The GPs may be empowered to select and appoint suitable candidates on suitable pay. The GPs will meet up the expenditure from their own revenue. The offices of Gram Panchayats should remain open for public service from 10 am to 4 pm or as per the time prescribed by State Government.
10. **It is recommended** that the salary of Rural Development Assistants, Gram Rojgar Sahayaks posted under Gram Panchayats should be paid through respective Gram Panchayats. Similarly, the honorarium of Gram Panchayat member should be paid through concerned GPs.
11. **It is recommended** that the quantum of grants that will be available to each Gram Panchayat and Zilla Panchayat should be predictable and specific. No re-appropriation from Sect oral funds earmarked for PRIs should be allowed.
12. **It is recommended** that grants to PRIs should be released in two installments. Various Line Departments should place the entire earmarked PRI funds at the disposal of Development Commissioner through letter of allotment at the beginning of the year. The Development Commissioner may re-allocate the fund to 4 District Planning Officers who will transfer the funds to the PRIs.
13. **It is recommended** that the PRIs should submit the Utilization Certificates on annual basis to District Planning Officer, who will forward copies to all concerned Line Departments and Directorate of Local Fund Audit.
14. **It is recommended** that the State Finance Commission should be constituted in advance in such a manner that the report of the State Finance Commission is available for consideration of the Central Finance Commission. Accordingly the 4<sup>th</sup> State Finance Commission may be constituted in November 2011 i.e. 1 year in advance of the 14<sup>th</sup> Central Finance Commission likely to be constituted in November 2012.

