EXPLANATORY MEMORANDUM TO THE ACTION TAKEN ON THE REPORT OF
THE FINANCE COMMISSION UNDER SECTION 214 OF THE TRIPURA
PANCHAYATS ACT, 1993

In pursuance of the Constitution (73rd Amendment) Act, 1992, the State Legislature
enacted The Tripura Panchayats Act, in 1993. This Act received the assent of the
Governor on the 7th November, 1993 and came into force from 16.11.93. Section 214
of Tripura Panchayats Act provides for constitution of a Finance Commission.

2 The State Government constituted the State Finance Commission under the
Act with the following members vide Notification No.F.6(1-66)-GL/PR/93/894-98 dated
23rd April, 1994 as below:

Shri S.K. Panda, Chairman
Commissioner to the
Government of Tripura

Shri Haradhan Debnath Member
Asstt. Professor, MBB College

Shri D. Dutta, Addl. Director -Secretary
Panchayats Department,
Government of Tripura.

3 The Commission was asked to make recommendations in regard to:

(a) The Principle which should govern-

(i) The distribution of the net proceeds of the taxes, duties, tolls and fees
liable by the State among the State, Zilla Parishads, the Panchayal
Samitis and the Gram Panchayats.

(ii) The determination of the taxes, duties, tolls, rates and fees which may
be assigned to or appropriated by the Zilla Parishads; the Panchayat
(iii) The Grant-in-aid to the Zilla Parishads, the Panchayat Samitis and the Gram Panchayats from the consolidated fund of the State,

(b) the measures necessary to improve the financial position of Panchayats; or

(c) any other matter referred to the Finance Commission by the Governor in the interest of sound finance of the Zilla Parishads, the Panchayat Samitis and the Gram Panchayats.

4. The report of the Finance Commission was received by the State Government on 17.1.96 and is attached.

5. Section 214(8) of the Panchayat Act provides that on receipt of the report the Governor shall cause every recommendation made by the Finance Commission under this Section, together with an explanatory memorandum as to the action taken thereon to be laid before the State Legislature. It is therefore now necessary for the State Government to examine and act upon the recommendations made by the Finance Commission before laying the report before the State Legislature along with an explanatory memorandum.

6. The Explanatory Memorandum as to the action taken on the Report of the State Finance Commission is at Annexure.

7. The Explanatory Memorandum along with the Report of the Commission is accordingly laid on the table of the House.

(Sr. Subodh Das)
Minister of Panchayat Department
Note: Recommendation numbers given below relate to the numbering in Chapter 8 of the Report, if recommendation is summarised in Chapter 8. Otherwise the paragraph number of the Report where the recommendation was given is indicated.

Recommendation No. 1

Following the 73rd amendment to the Constitution, the Panchayat Raj Institutions have been given constitutional status. Adequate power and authorities are required to be passed on to the elected Panchayat Raj Institutions for enabling them to function as effective institutions in the process of democratic decentralisation. We have considered the present condition of the Panchayat Raj Institutions in Tripura as well as the role envisaged of them for fulfilling the hopes and aspirations of the people living in rural areas. Our recommendations have been made basing on available information and keeping the financial constraints being faced by the State Government in mind.

Action Taken

The Government is happy for the efforts put in by the Chairman and Members of the Finance Commission in preparing their report.

The Government wishes to assert that the well being of the Panchayati Raj Institutions will continue to receive the most careful attention of the Government and that the Government will spare no effort in making the Panchayati Raj Institutions viable and vibrant bodies.

The Government also take this opportunity to also assert that it attaches as much importance to the needs of the Tripura Tribal Areas Autonomous District Council and would like to ensure that the Panchayati Raj Institutions and the Tripura Tribal Areas Autonomous District Council develop harmoniously together.

The Government is conscious of the fact that the major part of the area of the State falls within the Tripura Tribal Areas Autonomous District Council and outside the purview of the Panchayat Raj area. The population of the ADC is largely tribal. The Tripura Tribal Areas Autonomous District Council area is relatively backward and
a great need to upgrade the standard of Institutions in the Tripura Tribal Areas Autonomous District Council area.

The Government, therefore, after careful consideration have decided that it will ensure that an amount of money equal to the devolution to the Panchayat Raj Institutions as a result of the present report will also be made available to the Tripura Tribal Areas Autonomous District Council areas as follows:

(i) Transfers to the Tripura Tribal Areas Autonomous District Council will continue as at present.

(ii) Rs. 75/- for each person residing in Tripura Tribal Areas Autonomous District Council areas, as per 1991 census, will be placed with the Block Development Officers for taking up works in accordance with the directions of the Block Advisory Committees.

(iii) Rs. 175/- for each person residing in Tripura Tribal Areas Autonomous District Council areas, as per 1991 census, will be placed with the Block Development Officers for taking up works in accordance with the directions of the Block Advisory Committees in the area of Village Committees.

In case the Parliament by law framed in exercise of powers under Article 243M(4)(b) extends the provisions of Part IX of the Constitution to the Tripura Tribal Areas Autonomous District Council areas, the transfers as above will be adjusted against such transfers as may become necessary as a result of such extension.

Recommendation No. 2

Devolution of resources from the State to the Panchayat Raj Institutions would be a continuous process. With a view to reduce tension in the process to extent possible, we have suggested a relatively simple system for devolution of power and responsibility.

Action Taken

This recommendation is noted.
Recommendation Nos. 3, 17 and 18

Recommendation No. 3

the State Government may pass on a reasonable portion of the total tax revenue of the State to the Panchayati Raj Institutions. At the initial stage, 10% of the state share of central taxes may be assigned to the Zilla Parishad, 8% to the Panchayat Samiti and 2% to the Gaon Panchayats. The total amount may be distributed among individual units at each tier as per a formula, basing on population and socio-economic backwardness. As the State share of central taxes have been committed for meeting the liability on account of establishment related expenditure to a considerable extent at present, share of taxes for the Panchayat Raj Institutions may be adjusted against the non-plan liability i.e. salary of the staff deputed for working in the Panchayati Raj Institutions on full time basis in the initial years. Any increase in share of taxes, in the coming years should be provided to the Panchayati Raj Institutions in cash. This issue may be projected suitably to the next Finance Commission for providing additional resources to the State for strengthening the Panchayati Raj Institutions.

Recommendation No. 17

State and Central Sector schemes relating to 29 activities indicated in the 11th schedule implemented at the District, Block and village level may be transferred to the Panchayati Raj Institutions in a phased manner. The Gaon Panchayats may select beneficiaries for the Individual beneficiary oriented schemes. Panchayat Samiti may look after schemes covering more than one Panchayat. Schemes covering more than one block may be entrusted to the Zilla Parishad. Schemes covering more than one district, training, research and development, coordination etc. may only be retained by the State Government. A suggested list of existing schemes to be transferred to Panchayat Raj Institutions has been proposed to the three different tiers.
Recommendation No. 18

Services of staff dealing with implementation of the transferred schemes should be made available to the concerned Panchayati Raj Institutions. The Panchayati Raj Institutions should be given full authority to deploy, assign work, initiate assessment/confidential reports, issue working certificate and other day to day functions. Recruitment, transfer, disciplinary powers, drawal and disbursal of pay, maintenance of service record etc. may be done by the Administrative Department concerned initially. Power of transfer and recruitment from local areas against vacancies may be passed on to the Panchayati Raj Institutions in due course. No staff other than those required under the statute should be recruited by the Panchayat Raj Institutions. The DRDA, DIC and Development section of DM’s Office, District Planning and Statistics officers may be merged with the Zilla Parishad.

Action Taken

The three recommendations above are inter-related and are accepted as follows:-

1. With effect from 1.4.97 all District Level Offices of developmental Departments of the Government will report progress of implementation of all schemes to the Zilla Parishad every month. The Zilla Parishad will be competent to issue appropriate instructions to the District Level officers and the District Level Officers shall normally comply with the instructions. In case a District Level Officer is unable to comply with a instruction on account of conflict with the existing instructions of the Government, the matter shall be referred by the Chief Executive Officer of the Zilla Parishad to the concerned Department. the District Level Officer shall thereafter comply with such instructions as the Government may issue.

2. Zilla Parishad shall allocate targets under different schemes to the Panchayat Samitis. The Panchayat Samiti shall allocate targets under different schemes to the Gram Panchayat.

3. Individual beneficiaries under various schemes would be selected by the Gram Panchayat.
The working certificate of Government staff deployed at the village level would be issued by the Gram Panchayat. Leave to such staff would also be sanctioned on the basis of recommendation from the Gram Panchayat.

The Government subsequently and in a phased manner shall take steps to place staff at the disposal of the Zilla Parishads, the Panchayat Samitis and the Gram Panchayats. The exact schedule would be decided in consultation with the Panchayati Raj Bodies.

Recommendation No. 4

50% of the revenue earned from sale tax, additional sale tax, purchase tax and luxury tax may be passed on to the Panchayati Raj Institutions @ 30% to Gaon Panchayats, 15% to Panchayat Samitis and 5% to Zilla Parishads. The horizontal distribution in each tier may be done basing on the population.

Action Taken

Due to financial constraints the recommendation is accepted as follows:

25% of the revenue earned from sale tax, additional sale tax, purchase tax and luxury tax may be passed on to the Panchayati Raj Institutions @ 15% to Gaon Panchayats, 7.5% to Panchayat Samitis and 2.5% to Zilla Parishads. The horizontal distribution in each tier may be done basing on the population. The total financial implication of this recommendation is Rs. 9.84 crores in 1997-98 presuming a total collection from the above taxes of Rs. 39.34 crores.

Recommendation No. 5

35% of the professional tax may be provided to the Panchayati Raj Institutions @ 20% for Gaon Panchayats, 10% for Block Panchayat and 5% for Zilla Parishad. The horizontal distribution may be done basing on population.

Action Taken

This recommendation is accepted. The financial implication of this recommendation is Rs. 2.34 crores in 1997-98 presuming a total collection from the above tax of Rs. 6.67 crores.
Recommendation No. 6

In view of the reference to prohibition in directive principles of state policy in the constitution, State excise duties may be retained by the State Government, which may take appropriate steps to achieve the objective. Share of State excise duties may not be passed on to the Panchayati Raj Institutions.

Action Taken

This recommendation is accepted.

Recommendation No. 7

32% of the collection from agri-income tax and land revenue may be passed on to the middle tier Panchayati Raj Institutions i.e. Panchayat Samiti at an uniform rate of 2% each.

Action Taken

This recommendation is accepted. The financial implication of this recommendation is Rs. 0.35 crores in 1997-98 presuming a total collection from the above taxes of Rs. 1.09 crores

Recommendation No. 8

15% of the forest revenue may be passed on to the three Zilla Parishads @ 5% each.

Action Taken

This recommendation is accepted. The financial implication of this recommendation is Rs. 0.70 crores in 1997-98 presuming a total collection of the above revenue of Rs. 4.69 crores.

Recommendation No. 9

The share of taxes may be utilised for meeting expenditure on maintenance, pay and allowances of staff etc.
**Action Taken**

This recommendation is accepted subject to the condition that the Panchayati Raj Institutions and Tripura Tribal Areas Autonomous District Council will recruit no staff without approval of Government, with the funds now being made available.

**Recommendation No. 10**

In view of the fact that more than 70% of the population in rural areas are living below poverty line, the scope for mobilisation of resources by levying taxes by the Panchayati Raj Institutions would be limited in the initial stages. Nevertheless, the Panchayati Raj Institutions should try their best for mobilising as much resources as possible from the local area without causing much financial hardship to the population living below the poverty line in particular.

**Action Taken**

This recommendation is accepted.

**Recommendation No. 11**

The Gaon Panchayats may levy taxes @ 1% of the value of land and building per annum and 1% additional stamp duty on all transfer of immovable property. They may levy fees on cattle pounds at rates as prescribed by the State Government and fees @ Re. 1/- per cattle head for issuing cattle movement permit per unit.

**Action Taken**

The Government accepts in principle the need for Panchayat bodies to levy taxes and duties and the need to frame Rules for the purpose.

The Government proposes to frame Rules in this regard in consultation with the Panchayat bodies. The process of consultation and the framing of Rules will be completed by 31st December 1997.
Recommendation No. 12

The Gaon Panchayats may collect fees not exceeding Re. 1/- per adult visiting places of worship, pilgrimage, fair etc. managed by it, fees not exceeding Rs. 10/- on marriages solemnised in the Panchayat area, taxes from person running wholesale/retail trade at rates prescribed by Government, house-hold tax @ Re. 1/- per household per month for maintaining common spot drinking water sources, street-lighting facilities and other civic amenities and toll @ Re. 1/- to Rs. 5/- on movement of carts, two wheeler/three wheeler/four wheelers on roads, bridges, ferries etc. maintained by it.

Action Taken

The Government accepts in principle the need for Panchayat bodies to levy taxes and duties and the need to frame Rules for the purpose.

The Government proposes to frame Rules in this regard in consultation with the Panchayat bodies. The process of consultation and the framing of Rules will be completed by 31st December 1997.

Recommendation No. 13

Panchayat Samiti may levy license fees from shop/merchants occupying hat/markets etc. run by it at rates not exceeding 5% of the total turnover. Besides, it may collect Rs. 100/- per annum per household from families availing piped drinking water supply facilities. The collected amount should be used for maintaining the sources. The Panchayat Samiti may collect irrigation tax from the sources created and maintained by it at commercial rates for maintenance and replacement of the irrigation sources in due course. Besides, they may collect 1% of the market value of trees to be felled on jute land in the area and Re. 1/- for parking rickshaw, carts, motor car etc. in the stands maintained by it.

Action Taken

The Government accepts in principle the need for Panchayat bodies to levy taxes and duties and the need to frame Rules for the purpose.
Recommendation No. 14

The Zilla Parishad may levy tax on roads and bridges made by it out of its own fund, at the same rate as indicated for the Gaon Panchayat and Panchayat Samiti.

Action Taken

The Government accepts in principle the need for Panchayat bodies to levy taxes and duties and the need to frame Rules for the purpose.

The Government proposes to frame Rules in this regard in consultation with the Panchayat bodies. The process of consultation and the framing of Rules will be completed by 31st December 1997.

Recommendation No. 15

Collection made from these services may be used exclusively for maintenance/replacement of assets of the Panchayat Raj Institutions.

Action Taken

This recommendation is accepted.

Recommendation No. 16

In view of limited resource base of the State Government and economic condition of the rural population, the Panchayati Raj Institutions are required to be provided adequate grants for discharging the responsibilities entrusted to them. This point may be projected suitably to the Planning Commission and Government of India with request to make additional resources available for supporting the Panchayati Raj Institutions.

Action Taken

This recommendation is accepted.
Recommendation No. 19

Preparation of annual plan for each tier of Panchayati Raj Institutions should be given specific emphasis. This may be introduced at the Zilla Parishad level immediately and taken up to Panchayat Samiti and Gaon Panchayat level in phased manner. The Zilla Parishad may be provided required assistance for the purpose.

Action Taken

This recommendation is accepted.

Recommendation No. 20

Besides transfer of schemes, the Panchayati Raj Institutions may be given an untied fund for taking up innovative and location specific schemes. The Gaon Panchayat may be provided grant @ Rs. 100/- per head, Panchayat Samiti @ Rs. 60/- per head and Zilla Parishad @ Rs. 40/- per head on the basis of total population living in each unit on a permanent basis.

Action Taken

This recommendation is accepted with the condition that all transfers will be made on the basis of the 1991 population figures. The financial implication of this recommendation is Rs. 30.65 crores in 1997-98.

Recommendation No. 21

Besides grant indicated above, cash award may be provided to the best body in each tier basing on their performance in the field of education, mother and child care, population control and resource mobilised from own sources. The best three Gaon Panchayats in each block may be given cash reward amounting to Rs. 3 lakhs, Rs. 2 lakhs and Rs. 1 lakh respectively. Similarly, the best three blocks may be given reward @ Rs. 10 lakhs, Rs. 5 lakhs, Rs. 3 lakhs respectively. The best Zilla Parishad may be given reward @ Rs. 50 lakhs, Rs. 20 lakhs and Rs. 10 lakhs in order of performance. This amount may be utilised mainly for creation of infrastructure.
Action Taken

The Government have carefully considered the recommendation and feel that it would be inappropriate at this stage to provide for a scheme of performance based incentive. The Government feels that such a scheme would be more appropriate after the functioning of the Panchayat Raj Institutions under the new system has stabilised. The Government therefore, does not propose to implement the recommendation presently.

Recommendation No. 22

The Panchayati Raj Institutions particularly Zilla Parishad and Panchayat Samiti may take steps for utilising their available resources in a better manner for generating assets, which can give them a steady source of income. They may also avail institutional finance for supplementing their resource base and taking up economically viable projects. Specific care may be taken to develop cooperative and raise public donation/contribution as far as possible.

Action Taken

The recommendation is accepted.

Recommendation No. 23

Activities and performance of the Panchayati Raj Institutions should be given due publicity. The State Government, academic institutions, voluntary agencies and press may extend necessary support to these new institutions so that they are able to serve the people in rural areas in a better manner, as envisaged under the constitution.

Action Taken

This recommendation is accepted.

Recommendation 24

6.5 Special grants for Construction of office building of the Panchayat Raj Institutions

The Panchayati Raj Institutions are required to have their own offices. In Tripura, some of the gram Panchayats were assisted for construction of
Panchayat Ghar with mud-wall. At Block level, one hall was constructed for Block Development Committee meeting. However, these structures were of semi-pucca nature. In view of the important role, envisaged for the Panchayat under the Constitution, we recommend provision of one time grant for construction of a pucca Panchayat Ghar (@ 1000 Sq. ft. area) for each Gram Panchayat, for Panchayat Samiti (@ 3000 Sq. ft. area) and for Zilla Parishad (@ 5000 Sq. ft. area). This may be taken up in phases and completed at the earliest.

Action Taken

The Government have noted that the Tenth Finance Commission has provided funds to the Panchayat Raj Bodies for similar purpose. The Government therefore, feels that immediately there is no further need for funds and that this recommendation need not be implemented for the present.

Recommendation 25

8.6. Preparation of plan for development of the Panchayat Raj Institutions:

Preparation of Annual plan for ensuring economic development and social justice and implementation of the plan in a coordinated manner have been indicated under section 143 of the Tripura Panchayats Act. We consider preparation of the district plan to be of critical importance for ensuring development of rural areas and recommend that the Zilla Parishad may be given required support for preparation of District Development plan. A one time grant of Rs. 10 lakh may be provided to each Zilla Parishad for acquisition of Computer, books and furniture and training of personnel on preparation of District Plan preparation of block level and village level plans may be taken up by the Panchayat Samiti and Gram Panchayats concerned under supervision of the Zilla Parishad.

Action Taken

This recommendation is accepted. The financial implication of this recommendation is Rs. 0.30 crores in 1997-98.
General

The Government realise that with the acceptance of the recommendations as above there will be considerable flow of funds into the Panchayat Raj Institutions. The Government is committed to providing such staff to the Panchayat Raj Bodies as may be necessary to ensure proper utilisation of the funds. The Government is also committed to the timely audit of the accounts of all Panchayat Raj Bodies. For this purpose the Government has decided to create a separate Audit set up under the Finance Department. The Audit set up would be headed by a Director of Audit assisted by other staff. The Government proposes to create initially 150 posts.