EXPLANATORY MEMORANDUM TO THE ACTION TAKEN ON THE REPORT OF
THE SECOND TRIPURA STATE FINANCE COMMISSION UNDER SECTION 214

In pursuance of the provisions under Sub-Section (1)(2) of Section 214 of the
Tripura Panchayats Act, 1993, read with Rule 3 of the Tripura Panchayats
(Constitution of Finance Commission) Rules, 1994, the Governor of Tripura
Constituted the Second Tripura State Finance Commission with the following
members vide Notification NO.F.6(5-215)-GL/PR/96/9534-43, dated 29.10.1999,
as below :

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<td>1.</td>
<td>Sri Sudhir Sharma, IAS, the then Principal Secretary to the Government of Tripura</td>
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<td>2.</td>
<td>Sri Haradhan Debnath, Asstt. Professor (Senior Scale), MBB College</td>
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<td>3.</td>
<td>Sri N.C.Sen, Joint Secretary of the then Finance Department, Government of Tripura</td>
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3. The Commission was asked to make recommendations in regard to :

(b) The Principles which should govern

(iv) The distribution of the net proceeds of the taxes, duties, tolls and fees leviable by the State among the State, Zilla Parishads, the Panchayat Samitis and the Gram Panchayats.

(v) the determination of the taxes, duties, tolls, rates and fees which may be assigned to or appropriated by the Zilla Parishads, the Panchayat Samitis and the Gram Panchayats.

(vi) 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

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.

On receipt of the Report, it has been examined in the Department and in the
Finance Department. It is observed that further devolution of fund is not feasible
under present financial position of the State.

4. In the meantime, the State Government has constituted Third State Finance
Commission for Panchayati Raj Institution and Urban Local Bodies vide dated
23.08.2007.

i. The matter was placed before the Council of Ministers for necessary
decision. The Council of Ministers in its meeting held on 12.10.2007 has
decided to continue the implementation of the recommendations of the First
Tripura State Finance Commission.

(D.Sircar)
Principal Secretary to the
Government of Tripura
RD(Panchayat) Department
THE COMMISSION HAS SUBMITTED ITS REPORT ON 10.04.2003. THE RECOMMENDATIONS OF THE SECOND TRIPURA STATE FINANCE COMMISSION ARE IN ANNEXURE -

Para 7.1.

In regard to the Principles which should Govern the distribution between the state and the panchayats of the net proceeds of the taxes, duties, tools, fees leviable by the state the Commission recommends the share of revenue on account of sale tax, addl. Sale tax, purchase tax, luxury tax, tax on profession, trades may continue as recommended by the First State Finance Commission. The Commission also recommends that collection on account of Agricultural income tax and land revenue may be devolved @ 1.40% to each of the Panchayat Samiti, collection on account of Forest revenue @ 20% with 5% devolution for each Zilla Parishad. The Commission further recommends that a token amount of 1% of collection from the tax on motor vehicles may also be devolved to the Zilla Parishad @ 0.25% for each Zilla Parishad towards use of roads maintained by PRIs in the Rural Areas.

The Commission recommends that the State Government should earmark separate provision in the budget documents for transfer of share of taxes, etc. as per its recommendation, other than PDF, to the PRIs. However, the commission also recommend that the salary expenditure of the staff of PRIs, the establishment costs of PRIs and the cost of training to the Panchayat Member should be the first charge on such devolution.

Para 7.2.

The Commission recommends that levy of taxes, tolls, fees, etc by the PRIs, as recommended by the First State Finance Commission, may be assigned to the 3- Tiers of Panchayats and the Rules for levying the same may be finalized by the State Government at the earliest. The Commission also recommends that the Panchayats may also be empowered to collect revenue from sand, stone, quarry and soil lifted / collected from the Panchayat areas. The Commission, in particular, recommends that the cattle pounds, ferry ghat, markets situated in Panchayat areas as are not yet handed over to the Panchayats
may be handed over, the position in regard to earlier instructions issued in this regard clarified to all concerned. Similarly, arrangements may be made for handing over of the horticulture orchards to the PRIs. Further, arrangements for collection of irrigation charge by the PRIs towards maintenance of various Minor Irrigation schemes by them should be streamlined. Arrangement for collection of charge for maintenance of drinking water schemes also need to be streamlined. The State Government should fix uniform rates for leasing out of water areas belonging to Panchayats.

Para 7.3

The Commission likes to recommend that an average compound growth rate of 12.73% in the per capita availability of Panchayat Development Fund during its award period of 2003-04 to 2007-08 on the basis of the similar growth rate as marked in the case of revenue receipts of the State during 1997-98 to 2001-02. At this rate, per capita availability works out to be Rs. 410.00 approximately during 2003-04. On rounding the same, the Commission recommends that the Grants at a minimum level of Rs. 400.00 per head may be considered to be available to the PRIs as PDF on the basis of the population living in each unit of the PRIs on a permanent basis. The above amount may be made available for the 3-Tiers of Panchayats @ Rs. 200.00 per head in the case of Gram Panchayats, Rs. 120.00 per head in the case of Panchayat Samitis and Rs. 80.00 per head in the case of Zilla Parishads. The Commission recommends that index of number of BPL families in a Gram Panchayat area may be built in for use in the distribution of fund under PDF among various Gram Panchayats. The Commission recommends that the State Government may issue guidelines detailing further flexibility for utilization of PDF.

Para 7.4

The Commission feels that the awareness among PRIs for generating resources through their own efforts like setting up their own horticulture and floriculture nurseries should be encouraged in improving their financial position. In this context, the Commission feels that the Panchayats at various tiers may be provided with incentives for raising resources through their own efforts as the present mobilization by the Panchayats constitutes only a very small amount except in the case of some Panchayat
Samitis. The Commission also feels that the PRI’s may also be given power to recruit agriculture /horticultural experts for helping them in raising horticulture /floricultural nurseries in a scientific way though for a limited duration, if services of regular Technical staff are not possible to be provided to them. It is also recommended that the State Government should issue uniform guidelines so as to enable the Panchayats to utilize their own generated fund.

Para 7.4.1

The Commission would also like to suggest that the State Government may explore the possibility of getting the Panchayats involved in the better management of protective Forest land without having any tree cover within the Forests Conservation Act with a view to increasing the income of the Panchayats.

Para 7.4.2

The Commission recommends that the Panchayats may avail of the benefit of the Provision of TLR & LR Act,1960 and get allotment of land required for taking up productive /income generating activities, such as horticulture nurseries etc. It also recommends that prior to giving allotment of any khas land falling in any Panchayat area, the approval of the concerned Panchayat Samiti should be obtained by the allotting authority.

Para 7.4.3

The Commission suggests that it may be examined whether some funds may be allocated to the Sabhadhipati and Sahakari Sabhadhipati of the Zilla Parishad for implementation of Local Area Development schemes on the lines of MPLAD /MLALAD.

Para 7.4.4

The Commission is reported that the State Power Department have introduced a scheme of incentives for Gram Panchayats taking initiative in the elimination of hook lines, in the form of providing them with extra Kutir Jyoti connections in the Gram Panchayat Area. The Commission would like to suggest that similar such schemes may be considered for introduction by other Line Departments for motivating the Panchayats.
Para 7.4.5

The Commission is informed that panchayats render necessary help to the Banks from time to time for holding recovery camps and in many cases the panchayats play an active role in the recovery of bank loans. The Commission likes to request the State Government to pursue the banks to consider providing some incentive to the panchayats with a view to improving their income on the basis of recovery of loans achieved.

Para 7.4.6

The Commission would like to request the State Government to explore the availability of institutional finance for taking up productive activities by the Panchayat as per provisions of the Tripura Panchayats Act, 1993. The Commission also suggests that necessary Rules for the purpose may be framed.

Para 7.5

The Commission strongly recommends that appropriate Rules for maintenance of PRIs accounts and audit of the same may be framed under the provisions of the Tripura Panchayats Act, 1993 and also keeping in view the recommendation of the Eleventh Finance Commission at the earliest.

Para 7.6

To motivate the better performance in the implementation of various PRI programmes, the Commission recommends that incentives may be given for good performance by the Panchayats in the form of suitable rewards.

Para 7.7

As per present arrangement the Gram Panchayat Pradhan gets a monthly honorarium of Rs 300.00 and the Up Pradhan gets @ Rs. 200.00 per month, while there is no provision for honorarium for the members of the Gram Panchayats. The
Commission feels that there is a need for enhancing the present level and for providing honorarium to these functionaries, where ever it is not provided so far and the Commission is of the view that an appropriate amount of honorarium within the limitation of the difficult situation of the State finances, may be provided to these functionaries to ensure their more meaningful involvement.

**Para 7.8**

In regard to fund for contingency, the Commission suggests that the present ceiling of fund under this head for Gram Panchayat may be increased suitably taking into account the increase in prices since December, 1998, when the ceiling was fixed. However, for other two tiers of the PRIs the present ceilings may continue.

**Para 7.9**

In order to make the Panchayat functionaries responsive to the elected representatives of Panchayats, the Commission suggests that some control of the elected representatives over the functionaries may be provided. In this context, the Commission also suggests that the instructions dated 28-03-2000 issued by the State Government for transfer of functions and empowerment of 3- Tiers of Panchayats should be operationalized at the earliest and, if required, in a phased manner.

**Para 7.10**

The Commission suggests that the State Government may consider whether the Chairperson / Vice Chairperson of Panchayat Samitis may be authorized for hiring of vehicles for a minimum period in a month for supervision of specific works.

**Para 7.11**

The Commission would like to suggest that functional manuals for the officials working in panchayats as prepared by the State Panchayat Department may be operationalised for more effective functioning at all levels.

**Para 7.12**
The Commission feels the necessity of the posting of an exclusive officer in each Zilla Parishad supported by minimum staff to assist them in the performance of their desired roles in the implementation of various programmes / schemes through various Line Departments.

Para 7.13

The Commission requests the State Government to project the balance requirement of construction of office buildings of the remaining Gram Panchayats and Panchayat Samitis to the Twelfth Finance Commission for making suitable provision for their construction.

Para 7.14

Last, but not the least, the Commission feels that much more emphasis needs to be given on training of the PRI representatives to enable them to function as vibrant institutions of local self-government. The Commission also feels that training in the form of refresher courses should also be organized for all levels of PRI functionaries with a view to increasing their awareness. Tour programmes both within and outside the State for the representatives of the PRIs for sharing the experiences may also be considered. The Commission also feels that more training programmes for the women representatives of PRIs need to be undertaken for raising their awareness level with a view to having their more active involvement in the affairs of the Panchayats.

The Commission also recommends that the training infrastructure for imparting training to PRI representatives should be strengthened and for setting up district training centers for the purpose, the requirement may be projected to the Twelfth Finance Commission.