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Recommendations of the 15th Finance Commission (FC) for Making Rural Bodies Effective

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सत्यमेव जयते

15th FINANCE COMMISSION

The Context

The role of urban and rural bodies (ULBs), India's third-tier of government after Centre and the states, has traditionally been given less focus and resources by the policymakers.

But there is strong realization that this must change as the final delivery of amenities, services, and government services is at the level of these bodies.

The public policy initiatives by the Centre and by the states have substantially widened opportunities for the ULBs to progress towards better resource generation and governance.

This however also requires that the skill-sets, e-governance technology, and infrastructure of these bodies needs to be upgraded; and greater accountability and transparency be required from these bodies.

It also requires mind-set and behavioural change on the part of all the stakeholders, including citizens, to want to obtain better citizen-centric outcomes from government outlays and work processes.

The importance of this point was highlighted By Swami Vivekananda about 130 years ago. To quote: "I consider that the great national sin is the neglect of the masses, and that is one of the causes of our downfall. No amount of politics would be of any avail until the masses of India are once more are well educated, well fed, and well cared for...If we want to regenerate India, we must work for them.

The Theme

This column discusses the recommendations of the 15th FC concerning rural bodies. Rural bodies comprise, Zilla Parishad (at District level). Panchayat Samiti (at Block level), and Gram Panchayat (at village level).

The District Rural Development Agency (DRDA) is among the key agencies in rural India. Its effective functioning and coordination with Block and Village level bodies are essential to deliver citizen-centric outcomes, and fulfil Swami Vivekananda's vision.

The role of the DRDA is in terms of:

- planning for effective implementation of antipoverty programs;
- coordinating with other agencies-Governmental, non-Governmental, technical and financial for successful program implementation;
- enabling the community and the rural poor to participate in the decision-making process, overseeing the implementation to ensure adherence to guidelines, quality, equity and efficiency; reporting to the prescribed authorities on the implementation; and promoting transparency indecision making and implementation.

The Recommendations of the 15th FC for Rural Bodies¹

The 15th FC's final Report was submitted in October 2020. The government has accepted many of its major recommendations such as devolving 41% of applicable Central Government Tax revenue to the States. The 15th FC reduced the percentage from 42% to 41 % because of the modified standing of the erstwhile state of Jammu and Kashmir into the new Union Territories (UTs) of Ladakh and Jammu and Kashmir, the logic being that the sources for these UTs will now be offered by the Union authorities

The detailed recommendations of the Commission related to local bodies grants are contained in Chapter 7 of Volume-I of the Final Report. The Central Government has accepted these recommendations of the Commission².

The Commission has recommended total grants for duly constituted local governments that add up to ₹4,36,361 crore for the period 2021-26.

Aditi Pathak & Shikha Dahiya estimate that the 15 FC has recommended grants to local bodies equivalent to 2.85% of gross revenue receipts of the states³.

The Commission has recommended basing the inter-se distribution of grants for local bodies among the States, on population and area in the ratio of 90:10.

A sum of Rs 2,36,805 crore is earmarked for rural local bodies, Rs 1,21,055 crore for urban local bodies and Rs 70,051 crore for health grants through local governments.

Rs 8,000 crore is performance-based grants for incubation of new cities and Rs 450 crore is for shared municipal services.

The Commission has recommended imposing entry-level conditions for local bodies to receive grants. These include:

(i) setting up of State Finance Commissions in States, act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State legislature on or before March 2024

(ii) having both provisional and audited accounts online in the public domain

(iii) fixation of minimum floor for property tax rates by the relevant State followed by consistent improvement in the collection of property taxes in tandem with the growth rate of State's own GSDP (for urban local bodies)

The Commission has recommended that 60% of the grants to rural local bodies and for urban local bodies in non-Million-Plus cities should be tied to supporting and strengthening the delivery of two categories of basic services:

- a. sanitation, maintenance of ODF status (for Rural Local Bodies), solid waste management and attainment of star ratings as developed by MoHUA (for non-million plus cities / Category-II Cities/Towns);
- b. drinking water, rain water harvesting and water recycling (both for Rural Local Bodies and Urban Local Bodies).

The Commission has recommended that for cities with million plus population (Million-Plus cities), 100% of the grants are performance-linked through the Million-Plus Cities Challenge Fund (MCF).

The Commission has recommended that a sum of Rs 8,000 crore is recommended to States as grants for incubation of new cities and Rs 450 crore for facilitating shared municipal services.

Making the Recommendations Effective

The rural bodies will need to closely study the 15th FCs recommendations, with state rural development departments taking the lead. They will need to be much more proficient at utilizing the potential of their resource envelope as explained below.

Resource envelope for Rural Bodies:

- Central FC grants—general and those with conditions. Rural Bodies will need to be pro-active in meeting the conditions laid down by the 15th FC, and have specific course of action to obtain their share of the conditional grants.
- State FC- Its grants should be made transparent and provided in time with reliability.
- State Government expenditure and grants
- Collect cost recovery, use charges more effectively. Some of the Central Government schemes such as Jal Jeevan Mission, could assist these bodies in cost recovery and fees collection. These should be explored.
- Treasury Management: How are surplus funds of rural bodies invested? Many such bodies have sold land to the state for which they have been compensated. But their investment returns have much scope for improvement, while keeping investment risk low.
- Using Assets more productively, including leasing, divesting. Many leases given by rural bodies at non-economic prices, and renewal not followed up.
- Set up skills development program through Vishwakarma Skills University⁴ and other similar organizations to train persons in maintenance of rural assets, including bio- gas plants, hydroponics fodder units, facilities for drinking water for animals, etc.
- For rural lands, consider erecting land boundaries with income generating trees to get income, reduce encroachment
- The ULBS could consider leveraging SWAMITA Scheme launched in April 2020⁵. To help generate more resources, by making the households and others more inclined to contribute to cost recovery and paying fees to the ULBs.

In the States, the Revenue Department / Land Records Department are to be the Nodal Department and shall carry out the SWAMITA Scheme with support of State Panchayati Raj Department. Survey of India shall work as the technology partner for implementation.

The Scheme aims to provide an integrated property validation solution for rural India. The demarcation of rural areas is to be done using Drone Surveying technology. This would provide the 'record of rights' to village household owners possessing houses in inhabited rural areas in villages which, in turn, would enable them to use their property as a financial asset for taking loans and other financial benefits from Bank

The scheme seeks to achieve the following objectives: -

- i. To bring financial stability to the citizens in rural India by enabling them to use their property as a financial asset for taking loans and other financial benefits.
- ii. Creation of accurate land records for rural planning.
- iii. Determination of property tax, which would accrue to the GPs directly in States where it is devolved or else, add to the State exchequer.
- iv. Creation of survey infrastructure and GIS maps that can be leveraged by any department for their use.

To support in preparation of better-quality Gram Panchayat Development Plan (GPDP) by making use of GIS maps.

To reduce property related disputes and legal cases

Leveraging Technology: The ULBS could take technology initiatives to improve expenditure management of public amenities, and help generate royalty income.

In a Big Plan to Convert Garbage & Agricultural Waste into Alternate Fuel, Nexgen Energia Ltd (Leading Clean Fuel company) to Start Manufacturing and Distribution Units in India with an Investments of ₹5000 crore and initial 1000 CNG(CBG) units First 100 CBG units to come up in Uttar Pradesh.

Rural bodies, in partnership with their states, can create a menu of such technologies relevant for them, and encourage their adoption.

Coordination between different levels of rural government bodies, Zilla Parishads (at District level), Panchayat Samiti (at Block level), and Gram Panchayat (at Village level) is essential to obtain better results from such technology initiatives.

Concluding Remarks

Opportunities for generating resources in conventional and non-conventional manner, and through better expenditure have opened up considerably due to policies emphasizing economic freedom and application of technology for rural bodies in India.

But the stakeholders of the state at all levels must prepare themselves, including through mind-set and behavioural change, and readiness to use technology, and imbibe the essence of Swami Vivekananda's quote cited earlier.

NIYAT (intent), Integrity, competence, and using resources, including through introducing relevant context-specific technologies, for improving ease of living and enhancing quality of life are the key requirements for rural bodies and stakeholders to make intended use of the 15th FC's grants, and other resources.

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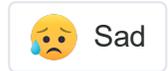
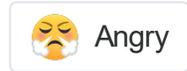
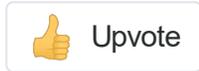
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