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**RURAL DECENTRALIZATION AND PARTICIPATORY  
PLANNING FOR POVERTY REDUCTION**

***ORISSA STATE REPORT***

***Pratap Ranjan Jena***

***March 2007***

**National Institute of Public Finance and Policy  
New Delhi**

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Under the terms of UNDP project No. IND/03/020 titled “Rural Decentralization and Participatory Planning for Poverty Reduction”, executed through the Planning Commission over the period 1 March, 2004 to 31 December, 2007, a study was assigned to NIPFP. Under the terms of reference, enclosed as annex 2 of the overall report, NIPFP undertakes to present one overall report and four state reports covering the states Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan.

The inception report was presented before the members of the Steering Committee on 17 April 2006. The minutes of that meeting confirmed the list of deliverables due.

The study team was led by Professor Indira Rajaraman. The members of the team were: Dr. C. Bhujanga Rao, Dr. Manish Gupta, Dr. O.P. Bohra and Dr. Pratap Ranjan Jena.

The team worked as a whole on the entire project. Individual responsibility was assigned as follows:

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# RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION

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# **RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION**

## **FINAL REPORT: ORISSA**

### **1. INTRODUCTORY**

#### **1.1 OBJECTIVES AND METHODOLOGY**

This study is embedded in a larger UNDP project no IND/03/020 signed with the Planning Commission of the Government of India. The larger project is operational in character, with a largely capacity building focus, and pilot participatory approaches focused at the village level. It is expected to converge with other UNDP supported programmes for the capacity building of elected women functionaries and the District Governance programme. The study executed at NIPFP and reported here is part of that larger project, but has a research rather than operational character.

The geographical coverage of the larger project, and hence of the NIPFP component as well, is confined to four states: Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan. Coverage is further confined to the poorer districts within these states receiving RSVY support (Backward District Initiative of the Planning Commission). The nine pre-selected districts are: Bastar and Rajnandgaon in Chhattisgarh, Mandla and Khargone in Madhya Pradesh, Mayurbhanj and Kandhamahal in Orissa and Jhalawar, Dungarpur and Banswara in Rajasthan.

This set of nine district was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. A further set of eight districts was added on through principal component analysis, rather than random selection, since the intent of the expansion was purposively addressed towards including less deprived districts. The add on districts are called comparator districts. Since the selection of district coverage within



each state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest. The results cannot be aggregated across the two sets of districts to obtain state-level estimates because the mode of sample selection was purposive, not random.

Annex 1 of the overall report lists the terms of reference (TOR) as agreed to between UNDP and the National Institute of Public Finance and Policy. Five project objectives are enunciated in the TOR. They are:

- i. To quantify the present state of expenditure assignment in the four states, so as to define the boundaries of functional responsibilities assigned to panchayati raj institutions (PRIs), and assess this against the functional devolution visualized in the Constitutional Amendments
- ii. To assess the present state of implementation of State Finance Commission recommendations
- iii. To assess the present state of revenue assignment
- iv. To assess the present composition of revenue receipts by source (Centre/state/own) and thereby the present state of intergovernmental transfers
- v. To assess the utilization of receipts by PRIs, and thereby the state of fiscal monitoring in each state.

The following sources and approaches together define the methodological approach:

- a. Budgets of the respective states for FY 2006-07 (BE) to quantify the functional devolution in place.
- b. The Central Budget, also for FY 2006-07 (BE), will be used to quantify the share of Central flows to the rural sector actually going directly to panchayats.
- c. Data from field survey covering 780 sample gram panchayats, 78 janpad panchayats, and 17 district panchayats in the four states. An initial set of nine backward districts were pre-selected by UNDP. An additional set of districts were required by the terms of the project, with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. Eight such were accordingly selected from a ranking of districts in each of the four states using principal component analysis. Within the selected districts, the sample panchayats were

selected in accordance with standard sampling procedures. Details on the sample selection procedure are in Chapter 2 of this report.

- d. SFC Reports together with Action Taken Reports, and functional devolution circulars issued by the respective states.

This report for Orissa supplements the summary of findings in the overall report.

The field survey itself has two components:

1. There is a questionnaire on the panchayat as an institution, where the targeted respondent was either a panchayat elected official, or the panchayat secretary. Three questionnaires, one for each of the three tiers in the panchayat structure, are appended to the overall report as Annexes 3, 4 and 5 for the Gram Panchayat (GP), Janpad or Block Panchayat (JP), and Zilla Panchayat (ZP) respectively. This questionnaire ascertains the composition of the elected body, institutional aspects of their functioning such as frequency of meetings and interaction with gram sabhas, the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, own revenues actually raised, and finally, willingness to raise further revenues through the contingent valuation method. The focus in terms of detail of information collected as well as sample size is at gram panchayat level, where executive authority is vested, but there is a smaller sample covering panchayats at the middle and district tiers.
2. There is a questionnaire on the main village of every sample GP, which is Part B of the GP questionnaire (Annex 1 of the overall report). The information includes information on the degree of ethnofractionalisation, number of households below the poverty line, number of kutcha and pucca structures, type/s of water sources and distance/s to them, distance to fuel wood source, sanitation and solid waste disposal status, water conservation practices, street lighting, distance to primary and secondary education facilities, and details on the functioning of these facilities, distance to primary health centre and the functioning of these, and law and order.

The table below summarises the chapter structure of this report and the four state reports, and maps into each the TOR objective covered, and the methodology used to serve that objective.

**Table 1.1: Summary of Contents in Overall and State Reports**

| <b>Overall report</b> | <b>Four state reports</b> | <b>Objectives</b>                                      | <b>Methodology</b> |
|-----------------------|---------------------------|--|--------------------|
| Chapter 1             | Chapter 1                 | Introductory   |                    |
| Chapter 2             | Chapter 2                 | TOR (i)<br>Sample selection procedure for field survey | a                  |
|                       | Chapter 3                 | TOR (i), (ii), (iii)                                   | d                  |
| Chapter 3             | Chapter 4                 | TOR (iii)  | c,d                |
| Chapter 4             | Chapter 5                 | TOR (iv)   | b,c                |
| Chapter 5             | Chapter 6                 | TOR (v)  | c                  |
| Chapter 6             | Chapter 7                 | Concluding   |                    |

The two basic sources of intergovernmental fund flow to panchayats are the respective state governments, and the Centre. Although the Constitutional Amendments were enacted at the Centre, it is at the level of the state where authority to for expenditure assignment and devolution of functions to panchayats is fundamentally vested. No devolution of functions is expected from Centre to states. A list of 29 functions is listed in a schedule attached to the Constitutional Amendment, defining the universe of state functions for which devolution to PRIs is suggested; these are listed in Annex 2 of the overall report.

Chapter 2 of this report for Orissa provides details on the principal component analysis through which the non-poor set of eight districts were selected, along with the sampling design used for the field survey. Tests for consistency of this generated ranking with respect to two other rankings, one by per capita income, and the other by the Human Development Index show that the PCA ranking is statistically different from those other rankings. The chapter also has a section on the mode of identification of Below Poverty Line (BPL) households in Orissa.

Chapter 3 sets out the present status with respect to implementation of the recommendations of State Finance Commissions (SFCs), the setting up of which at five-yearly intervals is among the mandated requirements of the constitutional amendments.

Chapter 4 collates such information as is available from secondary sources on own revenues collected by PRIs for the period 1991-2003. The chapter also presents a

comparative picture of sources of revenue for PRIs for the year 2002-03 from the report of the Twelfth Finance Commission, as a basis of comparison for data from the field survey for the year 2005-06. The chapter also analyses the state transfers comprising funds under state schemes and revenue assignments for the year 2002-03 drawn from TFC report and field survey results for the year 2005-06.

Chapter 5 covers fund flows to PRIs from the Centre, which have two components. One component consists of flows to state governments as a part of Centrally Sponsored Schemes, augmented by the state governments in prescribed percentages. These get incorporated within the consolidated fund of the states, the share of which going directly to panchayats already stands identified in Chapter 2. Central flows by-passing state governments to rural areas divide into two categories. One component goes directly to PRIs. This in turn has two components, one that is scheme-specific, and the other consisting of flows mandated by the Twelfth Finance Commission for the period 2005-10, and by the Eleventh and Tenth Commissions, for the preceding quinquennia. The second component by-passes PRIs, and is spent through scheme-specific or other agencies of the Centre. The sources used for this chapter will be the Budget of the Centre for fiscal year 2006-07, supplemented by field survey data from the recipient end, which will pertain to the year 2005-06.

Chapter 6 will assess the utilization of receipts by PRIs, and thereby the state of fiscal monitoring in each state. This chapter has necessarily to be based entirely on the results of the field surveys.

Chapter 7 concludes the report.

The next sub-section of this introductory chapter provides a brief overview of the status of PRI legislation in Orissa.

## **1.2 FORMAL STATUS OF DECENTRALISATION TO PRIS IN ORISSA**

Orissa has amended its Panchayati Raj Acts in 1994 to conform to the seventy-third Constitutional Amendment. The PRIs in Orissa are governed by three

different Acts, viz. Orissa Grama Panchayat Act, Orissa Panchayat Samiti Act and the Orissa Zilla Parishad Act. Prior to 73 Amendment, the state of Orissa had only two tiers of PRIs, i.e. Grama Panchayat and the Panchayat Samiti (Janapad Panchayat – JP has been used in the report for the middle tier), the third tier of Zilla Parishad at district level was added with the introduction of Orissa Zilla Parishad Act 1994.

The number of panchayats at village, block and the districts levels are as shown in table 1.1, and the electoral history in table 1.2.

**Table 1.2: Panchayati Raj Institutions at the Three Tiers**

| <b>Gram panchayats</b> | <b>Intermediate panchayats</b> | <b>District panchayats</b> | <b>Total</b> |
|------------------------|--------------------------------|----------------------------|--------------|
| 6234 (20)              | 314(10)                        | 30                         | 6578         |

**Source:** Government of India, 2004.

**Note:** The figures are with reference to 1 April 2004. Those in parentheses indicate the number of GPs per intermediate panchayat, and the number of intermediate panchayats per ZP.

**Table 1.3: Post 73<sup>rd</sup> Amendment Elections to Panchayati Raj Institutions**

| <b>First</b> | <b>Second</b> | <b>Third</b>  |
|--------------|---------------|---------------|
| 1997         | February 2002 | February 2007 |

**Source:** *Ibid.*

The number of elected representatives at village level was 14. At the block level, there were 20 and at district level, there were 28 elected representatives. One-third of all seats are reserved for women.

State Finance Commissions at quinquennial intervals are among the mandated requirements. The principal task addressed by SFCs has been setting the share of PRIs in the state revenues. A summary in respect of prescriptions on the divisible pool and PRI shares thereof is shown in chapter 3. In Orissa there were alterations in the divisible pool made it difficult to assess the change in PRIs share between the first and second SFCs. In addition to tax shares, there are also grants prescribed by the SFCs (general purpose, specific purpose, and establishment). The total amount received under SFC provisions therefore has to be pieced together from its components. The SFCs also make recommendations on a wide range of other issues.

The second SFC of Orissa has made substantive recommendations in respect of expanding the fiscal domain of PRIs. Taxation rights are principally vested at GP level. The taxes assigned to GPs are vehicle tax, latrine tax, water rates, lighting rates and drainage tax. There is also an assortment of non-tax revenue sources, where these are often of far greater significance than tax revenues.

## **2. SAMPLE SELECTION FOR THE FIELD SURVEY**

### **2.1 THE FINAL SAMPLING UNIT**

The main focus of the study is on Panchayati Raj Institutions (PRIs), which following the 73 Constitutional Amendments in 1993 are expected to carry the burden of effective delivery of anti-poverty programmes in the rural areas of the country, where the majority of the poor reside. In order to examine the functioning of the decentralized government in the rural areas and the effectiveness of its service delivery, the focus of the study is mainly on the gram panchayats where the executive authority is vested. It is, therefore, the panchayats and not the household which forms our final sampling unit. By excluding/ignoring the households' perception on the functioning of local governments we are no doubt losing out on some important information from the beneficiaries' point of view, but due to limited time and finances the study limits itself only to the survey of panchayats as an institution which forms our final sampling unit. Within the three tiers of panchayats the major focus is at the functioning of the lower most tier, the gram panchayat. In addition to the gram panchayat there is a smaller sample covering the panchayats at the middle (janpad panchayat/panchayat samiti) and district (zilla panchayat) tiers.

The instrument of survey is a questionnaire on the panchayat as an institution. Three questionnaires, one for each of the three tiers in the panchayat structure i.e., for the gram panchayat (GP), panchayat samiti/janpad panchayat (JP), and zilla panchayat (ZP) are prepared. These questionnaires ascertain the composition of the elected body, institutional aspects of their functioning such as the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, and own revenues actually raised.

As the focus in terms of detail of information collected as well as sample size is at gram panchayat level a more detailed questionnaire is prepared for the GPs. The gram

panchayat questionnaire has two components. Part I of the GP questionnaire deals with the institutional aspects of the functioning of the gram panchayat such as frequency of meetings, interaction and participation in the gram sabhas, the quantum and seasonal timing of fund flows received from the Centre and the state under different schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, and own revenues actually raised. This section also collects information on the willingness of the panchayats to address local needs by raising resources from the people. Part II of the GP questionnaire focuses on the main village of every sample GP. Here by main village we mean the village where the GP office is located. In this section of the questionnaire the information sought includes information on the number of households below the poverty line, number of kutchha and pucca structures, type/s of water sources and distances to them, sanitation & solid waste disposal status, water conservation practices, street lighting, distance to primary & secondary education facilities and details on the functioning of these facilities, distance to nearest health facility and functioning of these, and law & order situation in the village. The GP, JP and ZP questionnaires are given in annexes 3, 4, and 5 of the overall report respectively.

## **2.2 SELECTION OF DISTRICTS**

The selection of districts forms an important component of the present study. The geographical coverage of the larger project, and hence the NIPFP component as well, is confined to the four states of Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan and within these states the coverage was further confined to the pre-assigned nine backward districts. In Orissa the coverage of the project is confined to the districts of Kandhamal and Mayurbhanj. These are the poorest districts in the state receiving RSVY support (Backward District Initiative of the Planning Commission). The set (of districts) was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. In response to this requirement three additional districts were added in Orissa. We call this new set the



comparator districts. It is important to note here that since the selection of districts in the state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest. The results cannot be aggregated across the two sets of districts to obtain state level estimates because the mode of sample selection was purposive, not random.

**Table 2.1: List of Indicators used for District Selection**

| <b>Name of the indicator</b>                                  | <b>Unit of measurement</b> | <b>Name of the indicator</b>                                | <b>Unit of measurement</b>               |
|---|----------------------------|---|--|
| Per capita income   | Rupees                     | Density of population                                       | Person per sq km                         |
| Infant mortality rate   | Per thousand live births   | Crude birth rate  | Births per thousand population per annum |
| Rural female sex ratio (0-6 yrs)                              | Females per 1000 males     | SC & ST population as percent to total population           | Percent                                  |
| Households having electricity, water and toilet facilities    | Percent                    | Households without electricity, water and toilet facilities | Percent                                  |
| Rural work force participation rate                           | Percent                    | Female work participation rate                              | Percent                                  |
| Agricultural labour Enrolment ratio in the age group 5-14 yrs | Percent                    | Rural literacy  | Percent                                  |
|   | Percent                    | Rural households below the poverty line                     | Percent                                  |

The selection of the additional districts was based on a number of indicators. Table 2.1 gives a list of indicators used. As the number of indicators involved is large and diverse it would be useful to represent them in the form of some sort of index. For this the method of Principal Components is used (annex 1 briefly sets out the technique).<sup>1</sup> Having derived the principal components the next step would involve constructing an index (a weighted index) from them using the proportion of total variations absorbed or accounted for by these principal components as weights. The index thus derived would be a composite of all the indicators and is clearly a better measure to rank the districts or comparatively evaluate their performances. The districts are then ranked on the basis of

<sup>1</sup> Using SPSS ver. 11.0.0 software.

this newly constructed index (the complete ranking of the districts in Orissa is in annex 2). The selection of the comparator districts based on ranking by Principal Component analysis yields a benchmark set with lower deprivation characteristics although, their location with respect to the backward districts set by per capita income alone, or HDI alone, may not necessarily mark them as less deprived. But in Orissa as the pre-assigned backward districts are not at the bottom of the PCA ranking the comparator set spares the full range of PCA ranking.

The district wise ranking thus obtained is now compared with the ranking based on per capita income to see if there exists is any relation between the two. A separate exercise is also carried out to compare PCA based district ranking with those obtained using the human development index. The Spearman's rank correlation coefficient ( $\rho$ ) tests for the null hypothesis  $H_0: (\rho = 0)$  i.e., there is no relation between the two rankings against the alternative hypothesis  $H_1: (\rho > 0)$  or  $H_1: (\rho < 0)$  i.e., there is a positive (or negative) relation between the two rankings. The results are tabulated in table 2.2. From table 2.2 one can infer for Orissa the null hypothesis of no correlation between our ranking and the rankings on the basis of per capita income cannot be rejected but such a conclusion does not hold when we compare PCA based ranking with those obtained using the human development index.<sup>2</sup>

|                                      | <b>Orissa</b>         |                    |
|--------------------------------------|-----------------------|--------------------|
|                                      | <b>PCA vs. PCY</b>    | <b>PCA vs. HDI</b> |
|                                      | <b>rank</b>           | <b>rank</b>        |
| Rank Correlation Coefficient         | -0.1768               | 0.4425             |
| t-value (estimated)                  | -0.9509               | 2.6110             |
| t-value (observed) ( $\alpha=0.01$ ) | -2.467                | 2.467              |
| Degrees of freedom                   | 28                    | 28                 |
| <b>Outcome</b>                       | Null Hyp not rejected | Null Hyp rejected  |

<sup>2</sup> For the other three states of Chhattisgarh, Madhya Pradesh and Rajasthan, however, the null hypothesis of no correlation between our ranking and the rankings on the basis of per capita income and human development index cannot be rejected. Those interested could refer to the relevant section of the respective state reports.

On the basis of principal component analysis the districts of Bargarh, Kendrapara and Malkangiri were added to the existing list of pre-assigned backward districts in Orissa. In Orissa, therefore, the selected districts are Kandhamal, Mayurbhanj, Bargarh, Kendrapara and Malkangiri. Table 2.3 shows the entire set of selected districts in the state.

**Table 2.3: Selected Districts in Orissa**

| Total districts | Sample districts |            | PCA ranks |
|-----------------|------------------|------------|-----------|
|                 | Backward         | Comparator |           |
| 30              | Mayurbhanj       |            | 18        |
|                 | Kandhamal        |            | 25        |
|                 |                  | Kendrapara | 5         |
|                 |                  | Bargarh    | 13        |
|                 |                  | Malkangiri | 30        |

**Source:** Author's calculations

**Notes:** The backward districts are the initial pre-assigned districts while the comparator districts are the districts which were later added on using PCA rankings.

### 2.3 SAMPLE SELECTION WITHIN SELECTED DISTRICTS

Having selected the districts in the state the next step is to select from these the lower tiers namely the block panchayats (i.e., the janpad panchayats) and gram panchayats. The sample target was 50 percent of the blocks in each of the selected districts. A total of 78 blocks were selected in the four states of Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan. While arriving at a figure for the number of gram panchayats to be selected it was decided to select on an average 10 gram panchayats per block. The total numbers of GPs in the selected blocks are 6301 (see annex 6 of the overall report). Thus a total of 780 GPs are selected from 6301 GPs. This yields a sample selection percentage of 12.38 for the GPs.

In Orissa there are 66 blocks in the selected districts in all, of which 38 are in the two backward districts, while the remaining 28 are in the comparator districts. Table 2.4 provides information on the number of blocks in the selected districts for the state. The sample target was 50 percent of the blocks in each of the selected districts. So out of the total of 66 blocks in the state 30 were selected, 17 from the backward districts and 13 from the comparator district. In Orissa the proportion of blocks to be selected from the

total works out to be 0.454. The number of sample blocks in each of the selected districts in Orissa is given in table 2.4.

Once the number of blocks to be selected in each of the districts is decided, these are the selected within the district circular systematically after arranging the blocks in the district in ascending order by number of gram panchayats in each block. Annex 3 gives the names of the selected blocks in the five selected districts in Orissa.

**Table 2.4: Selection of Blocks (i.e., Janpad Panchayats)**

| State          | Total blocks in selected districts |            |           | Selected blocks |            |           | Percent<br>(7)/(4) |
|----------------|------------------------------------|------------|-----------|-----------------|------------|-----------|--------------------|
|                | Backward                           | Comparator | All       | Backward        | Comparator | All       |                    |
| (1)            | (2)                                | (3)        | (4)       | (5)             | (6)        | (7)       | (8)                |
| <b>Orissa</b>  | <b>38</b>                          | <b>28</b>  | <b>66</b> | <b>17</b>       | <b>13</b>  | <b>30</b> | <b>45.45</b>       |
| Mayurbhanj (B) | 26                                 | -          | 26        | 12              | -          | 12        | 46.15              |
| Kandhamal (B)  | 12                                 | -          | 12        | 5               | -          | 5         | 41.67              |
| Kendrapara (C) | -                                  | 9          | 9         | -               | 4          | 4         | 44.44              |
| Bargarh (C)    | -                                  | 12         | 12        | -               | 6          | 6         | 50.00              |
| Malkangiri (C) | -                                  | 7          | 7         | -               | 3          | 3         | 42.86              |

**Source:** *Ibid.*

**Note:** B = Backward districts.

C = Comparator districts.

Taking 12.38 percent of the total of GPs from the selected backward and comparator blocks in Orissa yields the GP sample size of 138 in the state as shown in table 2.5. Thus, in Orissa the GP sample size is 138 of which 66 are from the backward blocks and 72 from comparator blocks.

**Table 2.5: Selection of Gram Panchayats**

| Total gram panchayats in selected districts |            |      | Sample gram panchayats |            |     | Percent<br>(6)/(3) |
|---|------------|------|------------------------|------------|-----|--------------------|
| Backward                                    | Comparator | All  | Backward               | Comparator | All |                    |
| (1)   | (2)        | (3)  | (4)                    | (5)        | (6) | (7)                |
| 535   | 586        | 1121 | 66                     | 72         | 138 | 12.31              |

**Source:** *Ibid.*

Having identified the number of blocks to be selected both in the backward and comparator districts the next step is to identify the GPs in each of these blocks. Taking

the proportion of GPs to be selected to the total number of GPs in the selected blocks and applying this proportion to each block would yield the number of GPs to be selected in each of the selected blocks. Given the listing of GPs in each of the block, the requisite number is then selected using the procedure of simple random sampling with replacement (SRSWR). The names of the selected GPs in each of the selected blocks in the three selected districts of Orissa are given in annex 3.

As the selection of the district was through non-random procedures the results from the survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest.

## **2.4 DEFINING POVERTY**

The conceptual approach to measurement of poverty in India is based on the level of personal expenditure that enables the individual to satisfy a certain minimum consumption level. People who are unable to attain the specified level of expenditure are considered to be poor. While estimating the incidence of poverty the procedure followed is to first define a poverty line that separates poor from non-poor. The poverty line is quantified by taking a monetary equivalent of the minimum required consumption levels. The population having per capita consumption expenditure levels below the level defined by the poverty line is counted as poor. The poverty line is applied to the NSSO household consumer expenditure distributions as available from different rounds to estimate the incidence of poverty. The poverty ratio, also known as head count ratio (HCR) is estimated separately for rural and urban areas by taking the ratio of people living below the poverty line and the total population.

The poverty line was first defined by a Working Group set up in a seminar on ‘Some Aspects of Poverty’ in 1962. Since then the methodology for poverty estimation in India has undergone changes. The present poverty estimation is based on the

methodology specified by the expert group constituted by the Planning Commission in 1989.

The HCR estimated by the Planning Commission gives the number (and proportion) of poor in the country, but does not identify them. It serves the purpose of examining the issue of poverty reduction as plan objectives in an overall macroeconomic context and is being used for evaluating development programmes and allocation of funds for poverty alleviation programmes. To identify the households living below the poverty line a 'Below Poverty Line' (BPL) census is carried out in rural areas by the Ministry of Rural Development. The reason for conducting such a survey that covers all the rural households is to identify poor households so as to directly assist them through specially designed anti poverty programmes by providing productive assets, credit, skill improvements/training and employment. While poverty estimates through HCR simply gives the number of the poor, the BPL survey identifies the poor households in each village in the country so that benefits of various schemes could be passed over to them.

The incidence of poverty in rural areas as estimated based on NSSO household consumer expenditure survey and BPL census based on a comprehensive household survey is not comparable. The two independent approaches of poverty estimates following different methodologies have resulted in two dissimilar series of poverty data for rural areas.

#### **2.4.1 Poverty Estimates by the Planning Commission**

The methodology to estimate poverty in India has undergone changes following the recommendations of various expert groups set up from time to time by the Planning Commission. The first attempt in this direction was taken by a Working Group set up in a seminar on 'Some Aspects of Poverty' in 1962 that estimated a poverty line at Rs.20 and Rs.25 per capita per month for rural and urban areas respectively at 1960-61 prices based on minimum normative food basket. There were other independent studies related

to poverty line during 1970's.<sup>3</sup> The Task Force (1979) set up by the Planning Commission using calorific norms recommended by the Nutritional Expert Group (1968) estimated poverty lines at Rs.49.09 per capita per month for rural areas and Rs.56.64 per capita per month for urban areas at 1973-74 prices. The Planning Commission following the Task Force methodology had estimated the proportion and number of poor for rural and urban areas at national and state level using the NSSO consumption expenditure survey at an interval of five years. The estimates are available for the years 1972-73, 1977-78, 1983-84 and 1987-88.

The Planning Commission set up another expert group in 1989 to consider the methodological and computational aspects of estimation of poverty, which have outlined an alternative estimation methodology. The expert group retained the 1973-74 poverty line estimated by the Task Force - Rs.49.09 (rural) and Rs.56.64 (urban) at all India level anchored in the recommended per capita daily intake of 2400 calories and 2100 calories for rural and urban areas respectively as base year estimates. The base year state-specific poverty lines were derived using adjusted consumer price indices for 1973-74 corresponding to the all India poverty line to reflect the observed differences in the cost of living index. The state-specific poverty lines were then moved with the state-specific price indices obtained for the latter years. The expert group prepared poverty estimates for the years 1973-74, 1977-78, 1983, 1987-88, and 1993-94 using different rounds of NSSO consumer expenditure survey data. These estimates were released in March 1997 and replaced the earlier released series.

Major differences in the methodology set out by the expert group from the 1979 task force are

- Discontinued the practice of adjustment of NSSO data on aggregate private consumer expenditure, which was the practice earlier to make it compatible with that of National Accounts Statistics (NAS) data.
- Use of state specific poverty line instead of one all India poverty line.

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<sup>3</sup> Dandekar and Rath (1971) estimated poverty line at Rs.15 and Rs.22.50 per capita per month in rural and urban areas respectively at 1960-61 prices taking average calorie norm of 2250 calories per capita per day for both rural and urban areas.

- Use of state specific cost-of-living indices for updating poverty line for rural and urban areas separately. The expert group used consumer price index for agricultural labourers (CPIAL) for rural households and the consumer price index for industrial workers (CPIIW) for urban households.

The Planning Commission, subsequently, estimated the incidence of poverty for the year 1999-00 using the methodology of the expert group. The 1999-00 poverty estimates are based on the 55 round quinquennial sample survey on household consumer expenditure by the NSSO.

Some features of the 55 round consumer expenditure survey and the poverty estimates based on these survey needs mention as questions were raised on these estimates (Deaton and Dreze, 2002; Deaton, 2003; and Sundaram and Tendulkar, 2003). The 55 round of sample survey reported two sets of different distributions of consumer expenditures. Consumption expenditure on certain non-food items (clothing, footwear, and medical) and durable goods were collected by using a 365-day recall period and for all other non-food items a 30-day recall period was used. The data regarding consumption of food items were collected using two recall periods of 7 days and 30 days. Two sets of data were used to estimate the corresponding distribution of persons by monthly per capita consumption expenditures.

The Planning Commission has estimated poverty line using both the consumer expenditure distributions reported by NSSO. State specific poverty lines have been estimated by updating the state specific poverty line constructed by the 1989 Lakadawala Committee to 1999-00 prices by using the price deflators (CPIAL, CPIIW). The national poverty lines in terms of per capita per month were estimated as Rs.327.58 and Rs.454.11 for rural and urban areas respectively in 1999-00. The percentage of people living below poverty line (poverty ratio) for each state was estimated using the state specific poverty lines in conjunction with the consumption distribution.



The poverty ratios estimated for 1999-00 are 27.09 percent for rural areas, 23.62 percent for the urban areas and 26.10 percent for the country as a whole based on the 30-day recall period.<sup>4</sup> The poverty line and poverty ratio for the selected states of Madhya Pradesh, Orissa and Rajasthan and all India poverty figures based on 30-day recall period are given in table 2.6. It should be noted that the poverty estimation carried out in 1999-00 for Madhya Pradesh pertains to the undivided state and the figures for Madhya Pradesh should also stand good for the state of Chhattisgarh. A poverty index derived on the basis of HCR of all the 25 states normalized with the all India estimates and the relative rankings of the selected states for 1999-00 are reported in table 2.6. Among all the states Rajasthan occupies eighth rank with a poverty index of 0.585, Madhya Pradesh at 23 rank with poverty index of 1.434 and Orissa at the bottom of 25 states with a poverty index of 1.807.

**Table 2.6 Poverty Line and Poverty Ratio (HCR): 1999-00  
(Based on 30- Day Recall Period)**

| States/union territories | Rural              |              | Urban              |              | Combined HCR (%) | Poverty index | Rank |
|--------------------------|--------------------|--------------|--------------------|--------------|------------------|---------------|------|
|                          | Poverty line (Rs.) | HCR (%)      | Poverty line (Rs.) | HCR (%)      |                  |               |      |
| Rajasthan                | 344.03             | 13.74        | 465.92             | 19.85        | 15.28            | 0.585         | 8    |
| Madhya Pradesh*          | 311.34             | 37.06        | 481.65             | 38.44        | 37.43            | 1.434         | 23   |
| Orissa                   | 323.92             | 48.01        | 473.12             | 42.83        | 47.15            | 1.807         | 25   |
| <b>All India</b>         | <b>327.56</b>      | <b>27.09</b> | <b>454.11</b>      | <b>23.62</b> | <b>26.10</b>     |               |      |

**Source:** Planning Commission, 2001.

**Note:** \* Poverty estimates in 1999-00 refer to the undivided Madhya Pradesh.

The estimates of poverty ratio show an impressive decline from 37.27 percent to 27.09 percent in rural areas, from 32.38 percent to 23.62 percent in urban areas and an overall decline from 35.97 percent to 26.10 percent between 1993-94 and 1999-00 (annex 4). However, the extent of the actual decline has remained a subject of debate due to a

<sup>4</sup> The corresponding figures using the 7-day recall period are 24.02 percent in rural areas, 21.59 percent in urban areas and 23.33 percent for the country as a whole. Though two sets of poverty estimates are reported based on the NSSO survey, the 30-day recall estimates are being used as official poverty estimates.

change in the methodology of sample survey and possible non-comparability with earlier rounds of the consumer expenditure surveys.<sup>5</sup>

#### **2.4.2 Identification of BPL Households**

The Ministry of Rural Development has been conducting BPL surveys periodically at interval of five years typically at the beginning of the five year plan periods. The BPL surveys were carried out in 1992, 1997 and the latest BPL relates to the year 2002. However, due to Supreme Court's intervention in response to a writ petition, there is a delay in finalization of 2002 BPL list. The 1997 BPL survey results are still being used for various poverty alleviation programmes.

The Supreme Court gave a ruling in 2003 on a writ petition by People's Union for Civil Liberties (PUCL) not to remove any person from the existing BPL list till the Court's next hearing. The PUCL petition was on effective implementation of the Central and Centrally Sponsored Schemes to prevent starvation deaths and malnutrition in the calamity affected rural areas and other backward areas and not excluding the existing BPL families from the new list so that they continue to avail benefits from various schemes. In accordance to the Court's ruling the Government of India has advised the state governments not to finalise the BPL list till the next hearing. The BPL list requires inclusion and exclusion based on the guidelines and criteria fixed for the census by the Government. The Government has already approached the Supreme Court for clarification on its order. Subsequently, the Solicitor General of India has advised to complete all the spade work for the preparation of BPL list pending the final orders from the Supreme Court. However, no further orders have been obtained from the court as yet. On further advice from the Solicitor General, the Ministry of Rural Development has asked the state governments to finalise the BPL list based on 2002 census and along with

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<sup>5</sup> Deaton and Dreze (2002) and Deaton (2003) contested the official methodology on two counts; first, the two recall periods used in 55 round of NSSO survey schedule resulted in upward bias in 30-day recall period answers, thus understating the poverty level. Second, price deflators used for updating poverty line is beset by the fact that the weights are fixed and outdated. They have tried to make adjustments on both counts and arrived at adjusted poverty ratio for 1987-88, 1993-94 and 1999-00. The revisions carried out by

the new list provide the details of the families who were in BPL list of 1997 but are getting excluded in the new census.

The first BPL survey was carried out in 1992 in which a simple schedule was used to collect data on household income and using all India poverty line households living below poverty line were identified. The survey resulted in rather uncomfortably high estimate of rural poverty of 52.59 percent at the national level and in some states it yielded estimates that crossed 60 to 70 percent. The Ministry of Rural Development set up an expert group to recommend modified methodology for the next BPL survey.

The 1997 BPL survey moved to a two-stage methodology. The survey schedule had two parts, part-A of the schedule was designed to exclude the visibly non-poor on the basis of information on households possessing selected assets and consumer durables. After excluding the visibly non-poor, Part B of the schedule was employed for all other households to identify those living below poverty line. Part B of the schedule collected information on household expenditures (previous 30 days), sex, educational status, social group affiliation, housing, and skill training to identify BPL households. Household having per capita consumption expenditure less than the poverty line (Planning Commission) are categorized as BPL households. This survey also resulted in a high rural poverty incidence of 41.05 percent as against the Planning Commission HCR estimates of 26.10 percent in 1999-00.

Major criticisms raised against the 1997 BPL survey were (a) very rigid exclusion criterion (possession of a single ceiling fan would leave the household out of BPL list), (b) use of poverty line of nearest state in the case of absence of state poverty line, and (c) adoption of uniform criteria that disregarded regional variations.

To improve the methodology of BPL Census for the Tenth Plan, the Ministry of Rural Development constituted an Expert Group in 2001 comprising administrators,

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them resulted in all India rural HCR close to the official estimates in 1999-00. But in the case of urban HCR, the adjustments resulted in significantly lower estimates as compared to the official estimates.

academics, planners and representatives of Assam, Kerala, Orissa, Rajasthan and Uttar Pradesh. The Expert Group after having deliberations with other state governments/union territories Administrations as well as the stakeholder Central ministries made a number of recommendations to improve the design and content of the BPL Census. Unlike the two previous surveys where income and expenditure approaches were taken, a 'score based ranking' of households indicating their quality of life was adopted for the 2002 survey. Both social and economic indicators were included in the process of ranking.

The BPL survey schedule of 2002 had 13 indicators that include wide range of areas like landholding, housing, food security, water supply and sanitation, literacy and migration (annex 5). These indicators are to be assigned with scores in a scale of 0-4 for each household and aggregated to give the relative position of the particular household in the village. The freedom was given to the state to determine the cut off score for identifying poor households that could be uniform or vary across districts, blocks and villages within the state. However, the states were directed to limit the number of persons living below poverty line to 10 percent higher than the Planning Commission estimates of 1999-00.

Given the differences in the methodologies adopted under the NSSO survey based poverty estimates and the BPL survey, the results would not match and the directive to limit the BPL survey results to align with the Planning Commission estimates raises questions. The efforts to generate incidence of poverty with multiple dimensions through large number of indicators, it was contended, would result in measuring the same theme in different ways (Hirway, 2003). It was also pointed out that the actual operationalisation of BPL survey 2002 would be difficult at village level due to village level power politics and lot of subjectivity would creep into the information set. "The complexities of aggregating multiple facets of deprivation" through scoring of large number of indicators into a single index may throw up improper results (Sundaram, 2003).

From the above scrutiny of poverty estimation in India some specific conclusions can be drawn. The latest available poverty estimates by the Planning Commission continues to be that relating to the year 1999-2000 that used 55 round NSSO consumer expenditure survey. The estimates indicate a reduction in the incidence of poverty from 36.0 percent in 1993-1994 to 26.1 percent in 1999-2000. As there was a change in methodology of sample survey, the actual decline remains a subject of debate due to possible non-comparability with earlier rounds of the consumer expenditure survey.

The Ministry of Rural Development has still been using a ten year old census on BPL (1997 census) population as the basis for assisting the rural poor under various poverty alleviation programmes. Pending the final verdict from the Supreme Court the finalization of latest 2002 BPL list using a modified methodology remains to be implemented.

The difference between the two approaches of estimating rural poverty has been quite large that is attributed to adoption of two different methodologies. The BPL household surveys in 1992 and 1997 have reported higher rural poverty as compared to the Planning Commission figures. A fresh list of BPL households surveyed without any subjectivity would improve the actual implementation of poverty alleviation programmes targeting really deserving poor.

### **2.4.3 BPL Survey in Orissa**

Incidence of poverty in Orissa according to the 1999-00 Planning Commission estimates has been the highest among Indian states. The aggregate poverty ratio for the state is 47.15 percent, the rural poverty being higher at 48.01 percent (table 2.6). The derived poverty index for the state is 1.807 and is placed at the bottom in terms of relative ranking among 25 states.

As per the BPL survey carried out in 1997-98, 66.37.1 percent of the total rural household in the state fall below the poverty line. District wise incidence of rural poverty

in terms of percentage of BPL households is given in table 2.7. Incidence of rural poverty is highest in the districts of Nawapara, Koraput and Malkangiri, while Jharsuguda and Cuttack has the least percentage of rural poor households in the state.

**Table 2.7: Orissa: District wise Percentage of BPL Household in Total Rural Household, 1997**

| S. No.    | Districts         | Percentage   |
|-----------|-------------------|--------------|
| 1         | Nawapara          | 85.70        |
| 2         | Koraput           | 83.81        |
| <b>3</b>  | <b>Malkangiri</b> | <b>81.88</b> |
| 4         | Boudh             | 80.20        |
| 5         | Debagarh          | 78.79        |
| <b>6</b>  | <b>Kandhamal</b>  | <b>78.42</b> |
| <b>7</b>  | <b>Mayurbhanj</b> | <b>77.74</b> |
| 8         | Keonjhar          | 76.96        |
| 9         | Balasore          | 73.72        |
| 10        | Nabarangpur       | 73.66        |
| 11        | Sonepur           | 73.02        |
| 12        | Rayagada          | 72.03        |
| 13        | Puri              | 69.13        |
| 14        | Nayagarh          | 67.91        |
| 15        | Bhadrak           | 66.70        |
| 16        | Sundergarh        | 65.22        |
| 17        | Kalahandi         | 62.71        |
| 18        | Dhenkanal         | 62.63        |
| 19        | Gajapati          | 61.38        |
| 20        | Balangir          | 61.06        |
| 21        | Jajpur            | 60.40        |
| <b>22</b> | <b>Bargarh</b>    | <b>60.38</b> |
| <b>23</b> | <b>Kendrapara</b> | <b>59.89</b> |
| 24        | Sambalpur         | 59.78        |
| 25        | Angul             | 59.36        |
| 26        | Khurda            | 59.17        |
| 27        | Ganjam            | 55.00        |
| 28        | Jagatsinghpur     | 52.75        |
| 29        | Cuttack           | 52.38        |
| 30        | Jharsuguda        | 49.02        |
|           | <b>Orissa</b>     | <b>66.37</b> |

**Source:** Department of Panchayati Raj, Government. of Orissa.

The rural poverty in Orissa as evident in 1997 BPL survey seems much higher than the poverty estimates given by Planning Commission in 1999-00. However, it is difficult to compare these statistics as the methodologies adopted in both the surveys are different.

### **3. STATUS OF STATE FINANCE COMMISSION RECOMMENDATIONS**

#### **3.1 SHARE OF STATE REVENUE AND OTHER GRANTS**

Under the provision of article 243I and 243Y of the 73 and 74 Constitutional Amendments, it is mandatory for each state to constitute the SFC within one year from the introduction of PR Act and then at the expiry of every fifth year. Accordingly, the state of Orissa has completed the mandate of first two rounds of SFCs. The devolution of resources as recommended by first and second SFC is discussed in detail in the next section below.

Under the constitutional provision, the vertical fiscal imbalances between the centre and the states are corrected by way of the transfer of resources from centre to states through the instrument of Central Finance Commission (CFC). Similarly, at the state level, the constitutional provision (article 243I (a) (i) of 73 Constitutional Amendment) provides for the distribution of the “net proceeds of the taxes, duties, tolls and fees” between the states and the panchayats.<sup>1</sup> In other words, there is provision to share the revenue from both the taxes and non-taxes.<sup>2</sup> The first SFC of Orissa has recommended sharing of individual taxes. On the other hand the second SFC has recommended a divisible pool comprising of gross own revenue. It has recommended a share of 7.61 percent of own revenue of 2002-03. In addition to tax shares, there are also grants prescribed by the SFCs.

The assigned tax revenue to PRIs in Orissa constitutes mainly two individual sources; share in cess on land revenue and net profits from Kendu Leaf trade. The Gram Panchayats receive two other small sources of revenue originating from sairat and entertainment tax under their areas. The first SFC (1998-2005) did not make changes in the broad pattern of tax sharing except that of recommending changes in the tax shares and extending a portion of shared taxes to the ZPs that are new entrants

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<sup>1</sup> Article 243I (a) (i) of 73 Constitutional Amendment indicates the principles of distribution of proceeds between state and PRIs.

<sup>2</sup> The Tenth Finance Commission in its report discussed about the concept of “Global sharing” of all sharable union taxes between centre and the states. The EFC recommended a share of 29.5 percent of the gross revenue from all the shareable taxes put together. The Twelfth Finance Commission recommended 30.5 percent of net proceeds of all shareable union taxes



to the PRI in the state. The commission also recommended for payments of arrears due to the PRIs under the assigned revenues. The details of action taken by the state government on various recommendations are given in table 3.2.

The second SFC (2005-10) departed from the individual tax sharing approach and recommended for giving the PRIs a share of 7.61 percent of gross own revenue pegged at the absolute figures of 2002-03. This percentage is derived from the overall recommendations regarding the devolutions to both urban and rural local bodies (see table 3.2). The second SFC set down absolute year wise tax devolution and grants to PRIs and recommended the use of such funds by the PRIs in various activities. However, the state government has worked out a year wise absolute amount to be transferred to the PRIs that includes transfers from the Twelfth Finance Commission (TFC) and state compensation and assignment to local bodies (non-plan revenue expenditures) as assessed by the TFC. The existing taxes that are shared with the PRIs feed to the state compensation and assignment portion.

As shown in the table 3.1, it can be observed that there is heterogeneity with respect to the divisible pool, to be shared between state and the panchayats. Keeping in view the heterogeneity in divisible pool between first and second SFC of the state, it is difficult to assess the improvement with regard to devolution of resources over the period.

**Table 3.1: State Finance Commission's Devolution  
(Divisible Pool) to PRIs**

| SFC                       | Orissa   |
|---------------------------|--|
| <b>First SFC</b>          |  |
| Award Period              | (1998-2005)  |
| Divisible pool            | Individual taxes are shared<br>Various taxes shared on<br>individual basis |
| PRI's share (%) per annum |  |
| <b>Second SFC</b>         |  |
| Award period              | (2005-10)  |
| Divisible pool            | Gross own revenue; pegged at<br>the absolute collection of<br>2002-03      |
| PRI's share (%) per annum | 7.61   |

**Source:** First and Second State Finance Commission Reports of the state.

**Note:** The share recommended by the second SFC is a derived percentage for the PRIs from the overall recommendation for rural and urban local bodies.

### **3.1.1 Distribution Criteria**

The criteria used for *inter-se* distribution and further amongst gram panchayats were generally based on equity aspects, backwardness, poverty and the revenue effort. For the distribution of resources from state to local bodies, the SFC of Orissa has adopted the criteria, which varied from tax to tax (annex 6). There were no uniform criteria used for the distribution of resources (tax and grants) from state to the local bodies.

### **3.1.2 Devolution of Grants**

With respect to the grants, the first SFC was of the view that the entire untied grants should be placed at the disposal of ZPs for developmental purpose. It has further recommended that the salary and other staff expenditures transferred to PSs should be treated as devolved grants.

In addition to the tax devolution the second SFC has recommended for specific grants to be given to the PRIs. The second SFC has recommended year wise absolute amount of grants to be given for specific purposes. The specific functions as identified by the second SFC are accounts and audit, plantation, herbal and medicinal plants, welfare of disabled persons and employment.

## **3.2 OWN REVENUE**

The first and second SFC of Orissa have recommended further expansion of own tax domain of the PRIs. The first SFC has recommended that the house tax should be levied by GPs. It has also mentioned that the house tax should be followed by lighting tax, drainage tax, at the rate of 5 percent of house tax, wherever such services are provided by the panchayats. The assignment of house tax has not found favour with the state government. The second SFC has identified 17 new taxes, including that of the house tax, to be levied by the PRIs. However, no concrete decisions have been taken on this regard by the state government.

**Table 3.2: Recommendation of First and Second SFC of Orissa and Action Taken**

|   | <b>Recommendations</b>   | <b>ATR</b>   |
|---|--|--|
| <b>First SFC</b>  |  |  |
| <i>Cess on land Revenue</i>   |  |  |
| No clarity in rule provisions regarding distribution of cess between GPs and PSs. PRIs receive half of the revenues from this cess. Due share of PRIs have not been transferred by the Government. After 1994-95, full amount to be devolved. No Share of ZPs | Past arrears to be paid in five installments. Entire cess to be devolved. Inter se distribution – GP:PS:ZP = 60:20:20.   | Accepted<br>Amendment has not been made to include ZPs as a claimant.                                      |
| <i>Profit from Kendu Leaf Trade</i>   |  |  |
| Abnormal delay in finalizing accounts. Due share of PRIs have not been transferred by the Government. Out of the distributable amount 2% is earmarked for forest department.  | The accounts should be finalized within 2 years. Arrears to be paid in five installments. 2% for forest department to be discontinued. Inter se distribution- GP:PS:ZP = 72:18:10.   | Accepted<br>KL trade act has not been amended to include ZPs as a claimant.                                |
| <i>Surcharge on Entertainment Tax</i>   |  |  |
| Surcharge of 25 paise on entertainment tax in local areas is very low.  | The rate of surcharge to increase to 50 paise. The proceeds should be assigned in favour of GPs on the basis of origin   | Accepted<br>Entertainment Act has not been amended to increase the rate                                    |
| <i>Surcharge on Stamp Duty</i>  |  |  |
| No surcharge in rural areas.  | Surcharge should be levied in all areas. Uniform rate at 3%. Incidental expenses to be fixed at 2%.  | Accepted<br>Necessary acts have not been amended.  |
| There are only specific purpose grants. Non-plan grants cover the remuneration. Plan grants for construction activities. Declining trend in amount of grants to PRI.  | Entire untied grants should be placed at the disposal of ZPs for developmental purpose. Salary and other staff expenditures transferred to PSs should be treated as devolved grants. | Recommendation regarding untied grant not accepted.<br>Recommendations regarding salary expenses accepted. |
| Tax assignment is not sufficient  | House tax to be levied by GPs<br>Housing tax should be followed by lighting tax, drainage tax, at the rate of 5% of house tax wherever such services are available                   | Under consideration  |
|   | Assignment of revenue from <i>sariat</i> sources   | Accepted   |
|   | Assignment of royalty from minor forest products   | Accepted   |
|   | Creation of assets such – pisciculture to augment revenue  | Under consideration  |
|   | Power of no-dues certificate   | Under consideration  |
| <b>Second SFC</b>   |  |  |
| Devolution of power to PRIs   | On the basis of activity mapping functions and functionaries should be placed at the disposal of PRIs.   | ATR is silent on these recommendations   |

|                       |   |  |
|-----------------------|---|--|
| DRDAs                 | Merger of DRDA with ZPs   |  |
| Own resources of PRIs | <p>Seventeen new taxes/cesses identified for the PRIs</p> <ol style="list-style-type: none"> <li>1.Panchayat tax (House tax)</li> <li>2.Turnover tax on commercial agricultural farms</li> <li>3.Livestock registration and development fee</li> <li>4.Capital/property transaction fee</li> <li>5.Population welfare cess</li> <li>6.Pisciculture cess</li> <li>7.Cess on industries</li> <li>8.Education, environment and healthcare cess</li> <li>9.Cess on ports</li> <li>10.Cess on mines</li> <li>11.Cess on power plants</li> <li>12.Parking fees</li> <li>13.License fees from shops</li> <li>14.Toll fees</li> <li>15.Local body cess on forest corporation for KL collection</li> <li>16.Pilgrim fee</li> <li>17.Turnover tax on minor forest products</li> </ol>   |  |
| Other fees            | <p>Markets regulated by committees should be transferred to GPs</p> <p><i>Sariat</i> sources</p> <p>Fee for birth and death certificates</p> <p>Sharing internal resources by the three tiers.</p>  |  |
| Devolution and grants | <p>10% of gross own revenues of 2002-03 to be transferred as devolution and grants to both ULB and RLBs.</p> <p>10% of average of 1999-00 to 2001-02 own tax revenues to be given as devolution.</p> <p>Devolution linked to the specific purpose.</p> <p>Skill development at grass root level.</p> <p>Data Bank</p> <p>Disaster relief and management.</p> <p>Strengthening functional literacy – in primary &amp; secondary school.</p> <p>Primary schools – GPs: funds on the basis no. of schools.</p> <p>Secondary schools – ZPs: Funds on the basis of no. of schools.</p> <p>Health care – Mobile health units: PSs</p> <p>Drinking water : ZPs</p> <p>Watershed development and management: PSs, GP to monitor.</p> <p>Women literacy in tribal areas: PSs</p> <p>Infrastructure for new GPs</p> <p>Boats for reverine GPs</p> <p>Library, reading room: PSs</p> <p>Incentives for performing GPs</p> <p>Untied fund to the PRIs – developmental activities: ZP:PS:GP – 50:30:20</p> <p>Similarly the grants are also distributed on the basis of defined functions.</p> <p>Accounts and audit</p> <p>Outsourcing of maintenance of accounts of the GPs.</p> <p>Control and supervision over maintenance of accounts.</p> <p>Computer compatible formats and networking.</p> | <p>State government has worked out year wise absolute amount to be transferred to PRIs</p> |

|   |  |
|---|--|
| Separation of audit functions.<br>Audit of accounts through outside agencies.<br>Quality improvement of audit and post-audit follow-up action.<br>Pre-audit and concurrent audit of accounts of PSs.<br>A forestation and plantation.<br>Herbal and medicinal plants.<br>Welfare of the physically and mentally retarded.<br>Employment Guarantee Scheme. |  |
| The synchronization of recommendations of SFC and National Finance Commission.<br>Placement of the report of the SFC along with ATR.  | ATR is silent on these recommendations |

### 3.3 DATA, AUDITING, MONITORING

#### 3.3.1 Release and Utilization of EFC Grants

Under the constitutional provision, the vertical fiscal imbalance between the centre and the states are corrected through the transfer of resources from centre to states. This is done through the instrument of Central Finance Commission (CFC). The TOR<sup>3</sup> of Eleventh Finance Commission (EFC) required the EFC to make recommendations with respect to the measures needed for the augmentation of Consolidated Fund of the states to supplement the resources of the panchayats. Accordingly, the EFC has recommended the devolution of resources for the maintenance of core civic services, to the panchayats through the states. The details about the allocation and release of grants as per the EFC recommendations and the matching contribution given by the state (as per the EFC guidelines, each state has to give matching contribution) is presented table the 3.3.

It has been observed that the PRIs in the state of Orissa has shown utilization 100 percent of the total release, which is higher than the average utilization of 81 percent for all states and also higher than the four states average utilization of 91 percent.

<sup>3</sup> Paragraph 3© and 3(d) of the President's Order required EFC to make recommendations on the measures needed to augment the Consolidated Fund of the states to supplement the resources of the panchayats.

**Table 3.3: Release of Grants as per EFC Recommendation and its Utilization**

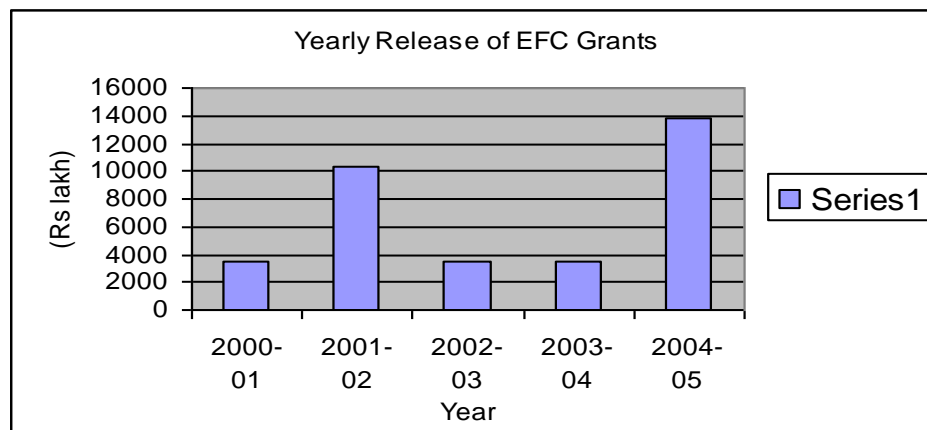
(Rs. lakh)

| Allocation<br>(2000-05) | PRIs - Desired utilization from state govt. |                             |  |                                     | PRIs - As reported by state govt.              |                                  |                                    | % utilized<br>(col.8<br>% of<br>col.5) |
|-------------------------|---|-----------------------------|--|-------------------------------------|--|----------------------------------|------------------------------------|--|
|                         | Annual<br>allocation                        | Grant<br>released<br>so far | Desired<br>matching<br>contribution<br>on 25%<br>of grants<br>released | Total<br>(grants+<br>Contributions) | Matching<br>Contribution<br>by state /<br>PRIs | Released<br>to PRI's<br>by state | Utilization of<br>funds<br>by PRIs |  |
| 1                       | 2   | 3                           | 4  | 5                                   | 6  | 7                                | 8                                  | 9                                      |
| 34558.80                | 6911.76                                     | 34558.80                    | 8639.70  | 43198.50                            | 8639.70  | 43180.86                         | 43198.15                           | 100.00                                 |

**Source:** Finance Commission Division, Department of Expenditure, Ministry of Finance, Government of India, 2006.

The annual release of grants doesn't indicate any pattern in the release of grants to PRIs, because the release was made on the basis of utilization of the previous installments, hence there was no pattern observed in annual release of grants. The graphical presentation of pattern of release of grants is shown in chart 3.1.

**Chart 3.1 Pattern of Release of EFC Grants-Orissa**



### 3.3.2 Grants for Maintenance of Accounts, Audit and Creation of Database

The EFC has also expressed its concern about the poor state of maintenance of accounts and their audit at the panchayats level. It has observed that at the GP and/or JP level, there is no exclusive staff for the maintenance of accounts. Considering this in view, it has earmarked some amount (Rs 4000 per panchayat per annum) for the maintenance of accounts and their audit.

Another problem faced by the EFC was the non-availability of data, in general and on finances of local bodies in particular. The complete absence of good database at the local level made the task of EFC more tedious, specially, while assessing the requirement of resources for the panchayats. Keeping in view the need of good database at the local level, it has recommended Rs 200 crore for all the states. The details regarding grants for the provision of maintenance of accounts and the creation database for the state of Orissa is depicted in table 3.4.

**Table 3.4: Provision and Utilization of Grants for Maintenance of Accounts and Audit Creation of Data Base**

| Creation of data base |                         | Maintenance of accounts & auditing |                                |                         | (Rs. lakhs)      |   |
|-----------------------|-------------------------|------------------------------------|--------------------------------|-------------------------|------------------|---|
| Allocation<br>2000-05 | Utilization<br>reported | %<br>Utilization                   | Annual<br>allocation<br>by EFC | Utilization<br>reported | %<br>Utilization | Auditing<br>responsi-<br>bilities<br>entrusted<br>to C&AG |
| 446.64                | 558.30                  | 125.00                             | 222.76                         | 1392.25                 | 625.00           | Yes   |

Source: *Ibid.*

It can be observed from the table that the utilization of grants allocated for the creation of database was more than 100 percent. The PRIs in Orissa have shown utilization of 125 percent. The utilization of grants allocated for maintenance of accounts and audit was also much higher at 625 percent.<sup>4</sup>

However, during the field survey, it was observed that the maintenance of database at the GP level was not very good. Also there was no indication of computerization of database. However, the accounts were audited.

### 3.4 FUNCTIONAL DEVOLUTION

The details regarding the functional devolution as per the state government rule and notifications are shown in annex 7.

<sup>4</sup> The utilization figures as reported by the states include state contribution also. Under the provision of Articles 243J and 243Z of the Constitution, it is expected that the states would make provisions by way of legislation for maintenance of accounts by the panchayats and for the audit of these accounts.

## **4. OWN REVENUES AND STATE TRANSFERS**

### **4.1 OWN REVENUES OF THE PRIs AND STATE TRANSFERS - 2002-03**

Due to lack of any comprehensive national data base on panchayat finances, reports of the National Finance Commissions serve as the only source of information. The Eleventh Finance Commission had reported data on revenue receipts of the PRIs collected from the respective state governments for the period 1990-91 to 1997-98, which was further extended by the Twelfth Finance Commission up to 2002-03.

Panchayati Raj Institutions are marked by their poor internal revenue effort and high dependence on grants-in-aid and assigned revenues and other specific grants from both central and state governments.<sup>1</sup> The per capita own revenues of the PRIs during 1990-91 and 2002-03 drawn from TFC report given in this section and the survey results for 2005-06 in selected districts of the state reported latter show very low level of own revenue collection. Higher internal revenue mobilization by PRIs is essential to enable them to function as effective institutions of self-government at local level by improving their autonomy in the decision making and the ability to plan and implement various schemes under functions assigned to them.

The own tax and non-tax revenues of the PRIs in Orissa from 1990-91 to 2002-03 as reported by the Eleventh and Twelfth Finance Commissions are given in table 4.1. The share of own revenues consisting of own tax and own non-tax revenues in total revenues varied between 1.09 percent and 7.82 percent during this period and was 2.93 percent in 2002-03. The own tax revenue, which was the main source of internal revenue during the period 1990-91 and 1997-98 accounting for more than 60 percent, has gone down considerably after 1997-98 and in 2002-03 its share in internal revenue was a meager 3.81 percent.

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<sup>1</sup> Memorandum to the TFC by the Ministry of Rural Development puts the internal revenue mobilization by the PRI at 4.17 percent of their total revenues (TFC, 2004). NIRD (2002) estimated the annual average internal revenue receipts of the PRIs for the period 1992-93 to 1997-98 at 6.34 percent of their total receipts excluding central grants.



**Table 4.1: Own Revenue of PRIs in Orissa**

(Rs. Crores)

| Year    | Own tax revenue | Own non-tax revenue | Internal revenue | Share of tax revenue in internal revenue (%) | Total revenue | Share of internal revenue in total revenue (%) |
|---------|-----------------|---------------------|------------------|--|---------------|--|
| 1990-91 | 3.55            | 2.35                | 5.90             | 60.17  | 178.13        | 3.31   |
| 1991-92 | 7.26            | 1.22                | 8.48             | 85.61  | 175.38        | 4.84   |
| 1992-93 | 3.83            | 2.68                | 6.51             | 58.83  | 208.97        | 3.12   |
| 1993-94 | 4.11            | 2.92                | 7.03             | 58.46  | 359.48        | 1.96   |
| 1994-95 | 4.75            | 3.27                | 8.02             | 59.23  | 397.73        | 2.02   |
| 1995-96 | 4.70            | 2.49                | 7.19             | 65.37  | 525.35        | 1.37   |
| 1996-97 | 4.49            | 2.65                | 7.14             | 62.89  | 613.37        | 1.16   |
| 1997-98 | 4.62            | 2.37                | 6.99             | 66.09  | 640.02        | 1.09   |
| 1998-99 | 0.48            | 8.75                | 9.23             | 5.20   | 170.79        | 5.40   |
| 1999-00 | 0.45            | 8.21                | 8.66             | 5.20   | 218.31        | 3.97   |
| 2000-01 | 0.48            | 8.58                | 9.06             | 5.30   | 115.91        | 7.82   |
| 2001-02 | 0.48            | 8.33                | 8.81             | 5.45   | 135.90        | 6.48   |
| 2002-03 | 0.21            | 5.30                | 5.51             | 3.81   | 187.84        | 2.93   |

**Source:** Eleventh and Twelfth Finance Commission reports.

**Note:** Total revenue consists of total internal revenue, grants-in-aid and devolution & assignment from the state government.

**Table 4.2: Per Capita Own Revenues of PRIs in Orissa**

(Rs.)

| Year    | Own tax revenue | Own non-tax Revenue | Total own revenue | Total revenue |
|---------|-----------------|---------------------|-------------------|---------------|
| 1990-91 | 1.30            | 0.86                | 2.16              | 65.24         |
| 1991-92 | 2.62            | 0.44                | 3.07              | 63.40         |
| 1992-93 | 1.37            | 0.96                | 2.32              | 74.56         |
| 1993-94 | 1.45            | 1.03                | 2.48              | 126.61        |
| 1994-95 | 1.65            | 1.14                | 2.79              | 138.27        |
| 1995-96 | 1.61            | 0.85                | 2.47              | 180.27        |
| 1996-97 | 1.52            | 0.90                | 2.42              | 207.75        |
| 1997-98 | 1.54            | 0.79                | 2.34              | 213.98        |
| 1998-99 | 0.16            | 2.89                | 3.05              | 56.36         |
| 1999-00 | 0.15            | 2.67                | 2.82              | 71.11         |
| 2000-01 | 0.15            | 2.76                | 2.91              | 37.27         |
| 2001-02 | 0.15            | 2.64                | 2.80              | 43.14         |
| 2002-03 | 0.07            | 1.66                | 1.73              | 58.86         |

**Source:** Eleventh and Twelfth Finance Commission reports

**Note:** Mid year projected rural population were used to derive the per capita figures.

The per capita own revenues of the PRIs in Orissa for the period 1990-91 to 2002-03 is given in table 4.2. From the table we see that the per capita total revenue increased from Rs.65.24 in 1990-91 to Rs.213.98 in 1997-98 and then declined to Rs.58.86 in 2002-03 touching a low of Rs.37.27 in 2000-01. The per capita total own revenue, on the other hand, fluctuated between Rs.2 and Rs.3 during this period and was Rs.1.73 in 2002-03. From the table it is evident that in per capita terms the own tax revenue which was Rs.2.62 in 1991-92 fell to Rs.0.07 in 2002-03 while the own non-tax revenue increased from Rs.0.44 in 1991-92 to Rs.2.89 in 1998-99 and then declined to Rs1.66 in 2002.03.

The revenue transfers from the states to the PRIs take the form of assigned revenues and grants-in-aid. The assigned revenues primarily comprise assignment of a specific or a predetermined proportion of the principal state tax or the proceeds of a surcharge or cess levied by the state government on its principal tax for the exclusive use of the PRIs. The assigned revenues are allocated to one or more tiers of panchayats. The SFCs recommend the percentage of state taxes to be shared with the PRIs and the criteria for *inter se* distribution among various tiers of PRIs. Acceptance of SFC recommendations, however, is the prerogative of state governments. The grants-in-aid broadly cover establishment costs, honorariums of the elected members, some construction and repairing of panchayat establishments, compensation grants in respect of taxes/non-taxes withdrawn from PRIs, incentive grants, and grants for specific schemes.

**Table 4.3: Composition of Total Revenue of PRIs in 2002-03**

|          |  | <b>Total</b>        | <b>Per capita</b> |
|----------|--|---------------------|-------------------|
|          |  | <b>(Rs. crores)</b> | <b>(Rs.)</b>      |
| <b>A</b> | <b>Total internal revenue (i + ii)</b> | <b>5.51</b>         | <b>1.73</b>       |
|          | i Own tax revenue                      | 0.21                | 0.07              |
|          | ii Own non-tax revenue                 | 5.3                 | 1.66              |
| <b>B</b> | <b>State transfers (i + ii + iii)</b>  | <b>182.33</b>       | <b>57.14</b>      |
|          | i Assignment + devolution              | 82.07               | 25.72             |
|          | ii Grants-in-aid                       | 100.26              | 31.42             |
|          | iii Others                             | 0.00                | 0.00              |
|          | <b>Total</b>                           | <b>187.84</b>       | <b>58.87</b>      |

**Sources:** Report of the Twelfth Finance Commission, Government of India.

Annual Report of Ministry of Rural Development, Government of India.

The composition of revenue receipts of PRIs in Orissa in 2002-03 is given in table 4.3. From the table we see that the total revenue receipts of PRIs in Orissa from both internal and assigned sources were Rs. 187.84 crores in 2002-02 of which the share of own-tax and non-tax sources was Rs.5.51 crores and the remaining Rs.182.33 crores were the assigned revenues and grants received the state government. The corresponding per capita revenue receipts of the PRIs works out to Rs.58.87 of which only Rs.1.73 was mobilized internally while Rs.57.14 was from state transfers.

#### **4.2 OWN REVENUE IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS - 2005-06**

In the statutes of Orissa, it is the gram panchayats which is endowed with revenue raising tax and non-tax powers while the intermediate and the district tiers have no revenue raising powers assigned to them. The tax and non-tax powers assigned to panchayats in Orissa are shown in table 4.4. As per the Orissa Gram Panchayat Act 1964 the GPs in the state are assigned with tax sources like vehicle tax, latrine or conservancy tax, water rate, lighting rate, and drainage tax. The water, lighting and drainage taxes are to be collected where the GPs provide such services. Non-tax powers of the panchayats include fees on animals brought for sale, fees on business units, fees on use of buildings, shops and stalls, and fees on use of public land. Some of the public properties like irrigation sources, ferries, waste lands and communal lands, protected and unreserved forests, and markets and fairs are vested with the Panchayats and income from these sources forms part of their non-tax revenues. Auctions of public properties like orchards, ponds, and ferry ghats, grain gollas and income from wastelands and pisciculture also forms part of the non-tax revenues of the Panchayats.

The Orissa Panchayat Samiti Act 1959 and Orissa Zilla Parishad Act 1991 do not empower the panchayat samities and zilla parishads to levy any tax. Their sources of income consist of mainly transfers, assignments and grants from state or central governments.

**Table 4.4: Tax and Non-tax Powers of the PRIs**

|                | <b>Taxes</b>  | <b>Non-taxes</b>   |
|----------------|---|--|
| Gram panchayat | <p><b>Section 83 of the Act</b></p> <ol style="list-style-type: none"> <li>1. Vehicle tax</li> <li>2. Latrine or conservancy tax</li> <li>3. Water rate if water supplied by the Panchayat</li> <li>4. Lighting rate for public streets/buildings</li> <li>5. Drainage tax</li> <li>6. Any other tax sanctioned by the state government</li> </ol> <p><b>Section 66 of the Act</b></p> <ol style="list-style-type: none"> <li>7. Special tax on adult male members for the construction of any public work of general utility for the inhabitants of the area.</li> </ol> | <p><b>Section 83 of the Act</b></p> <ol style="list-style-type: none"> <li>1. Fee on private markets, cart stands and slaughter houses</li> <li>2. Fee on animals brought for sale in public market</li> <li>3. Fee for regulating the movement of cattle for protection of crops</li> <li>4. Fee for use of any building, structure, shop, stall in public market</li> <li>5. Fee on slaughter house and cart stands maintained by GP</li> <li>6. Rent from temporary use of public land</li> <li>7. License fee on brokers and commission agents</li> <li>8. License for carrying on any trade, business and factories</li> </ol> <p><b>Section 71, sub-section 4</b></p> <ol style="list-style-type: none"> <li>9. Income from public properties like village roads, irrigation sources, ferries, waste lands and communal lands, protected and unreserved forests, and markets and fairs.</li> </ol> |

The PRIs have limited autonomy in choosing the type of taxes as the assignment of taxing powers are enshrined in the Panchayat Acts. The taxes assigned to the GPs in Orissa are optional and not obligatory. The tax rate and the base are decided by the state government, either in the relevant statute, or by an executive order. These rules and rates are typically not revised for long periods of time. For instance, the vehicle tax rates have not been revised in the state since 1975. The statute prescribes the maximum rate at which the panchayats can levy the tax. The house and building tax which is the core element in the PRI fiscal domain has not been assigned to the GPs in Orissa despite recommendations by successive State Finance Commissions.<sup>2</sup> The second State Finance Commission (2005), in addition to the house tax has recommended assignment of 16 types of taxes to the panchayats to improve their financial conditions.

<sup>2</sup> The state government had abolished the power of taxation with respect to house tax, profession tax and vehicle tax during the year 1967 and since then only vehicle tax was restored in 1975.

The survey in the selected districts of the state reveals that GPs despite assignment of a number of taxes by the statute, have not exploited their tax rights. The survey reported that only 7 percent of the GPs both in backward and comparator district cluster collect some tax revenue and the remaining 93 percent do not levy any taxes. The taxes collected by the GPs in the surveyed districts are ferry service tax and weekly market tax. Some of the GPs, instead of auctioning the ferry services, operate it by themselves and call it as ferry service tax. As the JPs and the ZPs in Orissa are not assigned with any revenue raising powers the survey is also indicative of this. Few JPs have, however, reported own income in the form of interest receipts, rent and lease of their properties.

Table 4.5 provides information on the number and type of non-tax revenue sources of the GPs. The broad pattern of non-tax revenue sources presented in the table reveals that most of the GPs, leaving a small 3 per cent in the backward and 6 percent in the comparator district, raise non-tax revenues. A comparison of GP across the district clusters indicate that in the backward districts larger percent of GPs (65.15 percent) exploit 3 to 4 sources of non-tax revenue while in the comparator districts a larger percent of GPs (58.33 percent) exploit 1 to 2 sources of non-tax revenue. Thus the GPs in the backward districts seem to be exploiting more sources of non-tax revenues vis-à-vis GPs in comparator districts. The survey has reported that only 6 percent of the GPs in the comparator and 3 percent in backward districts do not collect any non-tax revenues.

From the table it is evident that a large percentage of GPs, both in the backward and comparator districts collect non-tax revenue from property rental and lease income. This includes renting out panchayat properties, auctioning of ferry ghats, ponds, orchards and trees and leasing out properties for public use. This percentage is higher in the backward district at 90.91 percent as compared to 77.78 percent in the comparator districts. A large number, 36 percent in the comparator and 42 percent in backward districts, receive interest receipts from bank deposits of funds received by them under various central and state schemes. However, this source of income depends upon unspent funds under different schemes remaining with the banks and is not based on any revenue effort of the GPs. Royalty from minor minerals and income from forest products accrue to relatively fewer GPs, depending upon the

endowment of such properties. Other sources mainly include fees on issuing various certificates and for use of shops and buildings in markets and fairs, user fees on services provided by the GPs, sale of scrap, kanji house and fines.

**Table 4.5: Matrix of GPs by Number and Type of Own Non-tax Revenues**

|                             | <b>Property rental &amp; lease income</b> | <b>Interest receipt</b> | <b>Royalty from minor minerals</b> | <b>Income from forest products</b> | <b>Other misc.</b> | <b>Total no. of GPs by source</b> | <b>Percent</b> |
|-----------------------------|---|-------------------------|------------------------------------|------------------------------------|--------------------|-----------------------------------|----------------|
| <b>Comparator districts</b> |   |                         |                                    |                                    |                    |                                   |                |
| 0 source                    | 0   | 0                       | 0                                  | 0                                  | 0                  | <b>4</b>                          | <i>5.56</i>    |
| 1 source                    | 10  | 5                       | 0                                  | 0                                  | 2                  | <b>17</b>                         | <i>23.61</i>   |
| 2 source                    | 20  | 10                      | 2                                  | 1                                  | 17                 | <b>25</b>                         | <i>34.72</i>   |
| 3 source                    | 12  | 7                       | 1                                  | 5                                  | 11                 | <b>12</b>                         | <i>16.67</i>   |
| 4 source                    | 13  | 13                      | 5                                  | 8                                  | 13                 | <b>13</b>                         | <i>18.06</i>   |
| 5 source                    | 1   | 1                       | 1                                  | 1                                  | 1                  | <b>1</b>                          | <i>1.39</i>    |
| <b>Total</b>                | <b>56</b>                                 | <b>36</b>               | <b>9</b>                           | <b>15</b>                          | <b>44</b>          | <b>72</b>                         |                |
|                             | <i>(77.78)</i>                            | <i>(50.00)</i>          | <i>(12.50)</i>                     | <i>(20.83)</i>                     | <i>(61.11)</i>     |                                   |                |
| <b>Backward districts</b>   |   |                         |                                    |                                    |                    |                                   |                |
| 0 source                    | 0   | 0                       | 0                                  | 0                                  | 0                  | <b>2</b>                          | <i>3.03</i>    |
| 1 source                    | 7   | 0                       | 0                                  | 0                                  | 2                  | <b>9</b>                          | <i>13.64</i>   |
| 2 source                    | 10  | 4                       | 0                                  | 0                                  | 8                  | <b>11</b>                         | <i>16.67</i>   |
| 3 source                    | 28  | 23                      | 1                                  | 8                                  | 27                 | <b>29</b>                         | <i>43.94</i>   |
| 4 source                    | 14  | 14                      | 5                                  | 9                                  | 14                 | <b>14</b>                         | <i>21.21</i>   |
| 5 source                    | 1   | 1                       | 1                                  | 1                                  | 1                  | <b>1</b>                          | <i>1.52</i>    |
| <b>Total</b>                | <b>60</b>                                 | <b>42</b>               | <b>7</b>                           | <b>18</b>                          | <b>52</b>          | <b>66</b>                         |                |
|                             | <i>(90.91)</i>                            | <i>(63.64)</i>          | <i>(10.61)</i>                     | <i>(27.27)</i>                     | <i>(78.79)</i>     |                                   |                |

**Source:** Author's Calculation

**Notes:** Figures in parenthesis refer to percent of GPs to total number of GPs. Percentages in the bottom row do not add up to 100.

For the JPs in the surveyed districts property rental and lease income and interest receipts on the bank deposits are the major sources of non-tax revenue as is evident from table 4.6. The 'other' category shown in the tables consists of non-tax revenue sources such as sale of scrap, audit recovery, and fees for issuing certificates. The ZPs on the other hand do not have any non-tax revenues except interest receipts reported for one in the year 2005-06.

**Table 4.6: Matrix of JPs by Number and Type of Own Non-tax Revenues**

|                             | Property<br>rental &<br>lease<br>income | Interest<br>received | License<br>fee | Others      | Total | Percent |
|-----------------------------|---|----------------------|----------------|-------------|-------|---------|
| <b>Comparator districts</b> |   |                      |                |             |       |         |
| 0 source                    | 0                                       | 0                    | 0              | 0           | 6     | 46.15   |
| 1 source                    | 1                                       | 4                    | 0              | 0           | 5     | 38.46   |
| 2 source                    | 1                                       | 1                    | 0              | 0           | 1     | 7.69    |
| 3 source                    | 1                                       | 1                    | 0              | 1           | 1     | 7.69    |
| <b>Total</b>                | 3<br>(23.08)                            | 6<br>(46.15)         | 0<br>(0.00)    | 1<br>(7.69) | 13    |         |
| <b>Backward districts</b>   |   |                      |                |             |       |         |
| 0 source                    | 0                                       | 0                    | 0              | 0           | 4     | 23.53   |
| 1 source                    | 0                                       | 13                   | 0              | 0           | 13    | 76.47   |
| 2 source                    | 0                                       | 0                    | 0              | 0           | 0     | 0.00    |
| 3 source                    | 0                                       | 0                    | 0              | 0           | 0     | 0.00    |
| <b>Total</b>                | 0<br>(0.00)                             | 13<br>(76.47)        | 0<br>(0.00)    | 0<br>(0.00) | 17    |         |

**Source:** *Ibid*

**Notes:** Figures in parenthesis refer to percent of JPs to total number of JPs. Percentages in the bottom row do not add up to 100

**Table 4.7: Composition of Own Revenue Sources of GPs by District**

|                 | Comparator districts |            |            | Backward districts |             | (%) |
|-----------------|----------------------|------------|------------|--------------------|-------------|-----|
|                 | Bargarh              | Kendrapara | Malkangiri | Kandhamal          | Mayurbhanja |     |
| Taxes           | 6.51                 | 6.97       | 2.31       | 1.47               | 6.52        |     |
| Fees & fines    | 0.40                 | 0.83       | 1.09       | 5.54               | 1.49        |     |
| Rent            | 3.38                 | 3.57       |            | 27.74              | 3.67        |     |
| Lease & auction | 61.98                | 74.40      | 67.89      | 29.20              | 48.98       |     |
| Interest        | 11.38                | 4.72       | 23.54      | 25.21              | 14.04       |     |
| Other sources   | 16.36                | 9.51       | 5.17       | 10.84              | 25.30       |     |
| <b>Total</b>    | 100.00               | 100.00     | 100.00     | 100.00             | 100.00      |     |

**Source:** *Ibid*

The tables 4.5 and 4.6 show the number of PRIs collecting own revenues by type of source. Table 4.7 shows the shares in own revenue collected by gram panchayats, by source and by district. The composition of own revenues vary across districts in the state, but the following patterns emerge.

Non-tax revenues are the dominant source of own revenues of GPs across the districts. Among the various non-tax sources the important ones are the income from lease and auctions of ponds, markets, and orchards, and rent from panchayat properties. In addition to these sources interest receipts form an important source of non-tax revenues. Taxes contribute very little across the districts in Orissa. Their

share in own revenue varies between 1.47 percent in the backward district of Kandhamal and 6.97 percent in the comparator district of Kendrapara.

The composition of own revenue sources of the middle and district tier panchayats is given in tables 4.8 and 4.9 respectively. These two tiers in Orissa are not assigned with any tax powers and do not raise any tax revenue as is evident from the survey in selected districts in the state. Among the various non-tax sources exploited by the JPs the important ones are income from lease and auction, and interest receipts. In Bargarh the non-tax revenue of JPs from other sources comprising of audit recovery, sale of property, training, sale of scrap etc constitute 25.76 percent of own revenues. The JPs in Kendrapara do not collect any non-tax revenue. The ZPs in the state do not raise any non-tax revenue, exception being Kendrapara where interest receipts are the only source of own revenue.

**Table 4.8: Composition of Own Revenue Sources of JPs by District**

|                 | (%)                  |            |            |                    |             |
|-----------------|----------------------|------------|------------|--------------------|-------------|
|                 | Comparator districts |            |            | Backward districts |             |
|                 | Bargarh              | Kendrapara | Malkangiri | Kandhamal          | Mayurbhanja |
| Taxes           | 0.00                 | 0.00       | 0.00       | 0.00               | 0.00        |
| Rent            | 1.51                 | 0.00       | 0.00       | 0.00               | 0.00        |
| Lease & auction | 0.00                 | 0.00       | 100.00     | 0.00               | 0.00        |
| Interest        | 72.73                | 0.00       | 0.00       | 100.00             | 100.00      |
| Other sources   | 25.76                | 0.00       | 0.00       | 0.00               | 0.00        |
| Total           | 100.00               | 0.00       | 100.00     | 100.00             | 100.00      |

**Source:** *Ibid*

**Note:** In Bargarh 'Other Sources' comprise of audit recovery, sale of property, training, sale of scrap etc.

**Table 4.9: Composition of Own Revenue Sources of ZPs by District**

|          | (%)                  |            |            |                    |             |
|----------|----------------------|------------|------------|--------------------|-------------|
|          | Comparator districts |            |            | Backward districts |             |
|          | Bargarh              | Kendrapara | Malkangiri | Kandhamal          | Mayurbhanja |
| Taxes    | 0.00                 | 0.00       | 0.00       | 0.00               | 0.00        |
| Interest |                      | 100.00     |            |                    |             |
| Total    | 0.00                 | 100.00     | 0.00       | 0.00               | 0.00        |

**Source:** *Ibid*

Per capita own revenues raised by the GPs in surveyed districts for the year 2005-06 are presented in table 4.10. The mean per capita own tax revenue is very low in both the district clusters. However, the per capita own tax revenue averaged over



the district clusters show a marginally higher amount in comparator districts. As regards own non-tax revenue the per capita figures vary across the districts. The mean per capita own non-tax revenue on an average is higher in the comparator districts vis-à-vis the backward districts.

**Table 4.10: Mean Per Capita Own Revenues Receipts of the GPs**  
(Rs.)

| <b>Comparator districts</b> |                |                   |                    |                |
|-----------------------------|----------------|-------------------|--------------------|----------------|
|                             | <b>Bargarh</b> | <b>Kendrapara</b> | <b>Malkangiri</b>  | <b>Average</b> |
| Own tax                     | 0.65           | 0.17              | 0.15               | 0.39           |
| Own non-tax                 | 7.24           | 2.74              | 7.78               | 5.78           |
| Own revenue                 | 7.89           | 2.91              | 7.93               | 6.17           |
| <b>Backward districts</b>   |                |                   |                    |                |
|                             |                | <b>Kandhamal</b>  | <b>Mayurbhanja</b> | <b>Average</b> |
| Own tax                     |                | 0.09              | 0.33               | 0.27           |
| Own non-tax                 |                | 4.83              | 5.08               | 5.02           |
| Own revenue                 |                | 4.92              | 5.40               | 5.29           |

**Source:** *Ibid*

The per capita own revenue raised at the three tiers averaged over comparator and backward districts are given in table 4.11.

**Table 4.11: Mean Per Capita Own Revenues Receipts of all the Tiers**  
(Rs.)

|             | <b>Comparator districts</b> |           |           | <b>Backward districts</b> |           |           |
|-------------|-----------------------------|-----------|-----------|---------------------------|-----------|-----------|
|             | <b>GP</b>                   | <b>JP</b> | <b>ZP</b> | <b>GP</b>                 | <b>JP</b> | <b>ZP</b> |
| Own tax     | 0.39                        | 0.00      | 0.00      | 0.27                      | 0.00      | 0.00      |
| Own non-tax | 5.78                        | 1.18      | 0.03      | 5.02                      | 3.37      | 0.00      |
| Own revenue | 6.17                        | 1.18      | 0.03      | 5.29                      | 3.37      | 0.00      |

**Source:** *Ibid*

A comparison across the three tiers of panchayats from table 4.11 reveals that the GPs collect more per capita tax and non-taxes as compared to the middle and district tier Panchayats. The GPs in comparator district collect more own revenues consisting of both tax and non-taxes as compared to the backward districts. These figures represent only the districts sampled, and do not yield state-level averages. However, the per capita own revenues figures derived from the TFC reports falls in the range reported by the survey of the sampled districts. The share of own tax and non-tax in total own revenues across the three tiers as given in table 4.12 shows that the GPs collect some taxes while in case of JPs and ZPs the own revenues consists only of non-taxes.

**Table 4.12: Own Tax and Non-tax Percent to Total Own Revenues**

|             | Comparator districts |        |        | Backward districts |        |      |
|-------------|----------------------|--------|--------|--------------------|--------|------|
|             | GP                   | JP     | ZP     | GP                 | JP     | ZP   |
| Own tax     | 5.89                 | 0.00   | 0.00   | 5.57               | 0.00   | 0.00 |
| Own non-tax | 94.11                | 100.00 | 100.00 | 94.43              | 100.00 | 0.00 |

**Source:** *Ibid*

Comparing the share of own revenues - both tax and non-tax in total receipts consisting of CSS funds, Central Finance Commission funds, state scheme funds and funds from the State Finance Commissions of the GPs in both the comparator and backward districts as shown in table 4.13 we see that, it is marginally higher in the backward districts vis-à-vis that in the comparator districts. At the JP level also the share of own revenue in total receipts is higher in backward districts. However, for ZPs the share is close to zero.

**Table 4.13: Share of Own Revenues of the PRIs in Total Funds Received**

| (%)                  |      |      |                    |      |      |
|----------------------|------|------|--------------------|------|------|
| Comparator districts |      |      | Backward districts |      |      |
| GP                   | JP   | ZP   | GP                 | JP   | ZP   |
| 2.62                 | 0.21 | 0.01 | 2.80               | 0.46 | 0.00 |

**Source:** *Ibid*

### **4.3 STATE TRANSFERS IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS - 2005-06**

The decision as to which taxes, duties and tolls should be assigned to the local bodies lies with the state legislature, although the SFCs can recommend transfer of any tax from the state list to local bodies. The assigned revenues are allocated to one or more tiers of panchayats and the criteria used for such allocations are population/collection/formula based. The assigned tax revenue to PRIs in Orissa consists of cess on land revenue and net profits from kendu leaf trade. The GPs and JPs receive only 50 percent of the cess on land revenues though it was originally designed to be transferred to them fully. Panchayats in Orissa also get a share in net profit of the kendu leaf trade. According to the rules half of the net profits form the pool out of which 90 percent is apportioned among the GPs and JPs in the ratio of 72:18 percent. The GPs also receive revenue from sairat and entertainment tax originating in their areas.

The first SFC has recommended for transfer of entire cess amount to the PRIs and to include the district level panchayats in the *inter se* distribution. In the case of net profits from kendu leaf grants, the first SFC recommended that the assigned amount to be distributed among the GPs, PS, and ZPs in the ratio 72:10:8.

State government grants to PRIs are given from both plan and non-plan accounts. The plan grants are given for various state schemes for improvement and development of basic services and rural infrastructure, prize competition scheme, construction of GP building and library. The Non-plan grants include establishment grants to meet expenses with regard to staff salary, daily allowances and sitting fees and honorarium for elected members, maintenance of PRI buildings and staff quarters.

The survey of selected gram panchayats in Orissa revealed that in the year 2005-06 about 98.5 percent in both the comparator and backward districts did not receive any State schemes funds. However, the gram panchayats have received funds under assigned tax revenues and grants based on SFC recommendations. Unlike the GPs, the PSs and ZPs in Orissa have in the year 2005-06 received some funds under state schemes. The matrix of JPs and ZPs by number and type of state schemes is illustrated in tables 4.14 and 4.15 respectively. The JPs and ZPs both in the poor and non-poor districts have received funds under state schemes such as pension schemes and balika samridhi. The other miscellaneous category given in the table includes mainly mid day meal scheme and other smaller schemes such as scholarship and relief funds.

Mean per capita state transfers that include transfers under different state schemes and devolutions and grants to the GPs is given in table 4.16. The per capita state scheme transfers to GPs in 2005-06 are negligible. The per capita devolutions and grants that include assigned taxes, transfers based on SFC recommendations and other grants vary in the range of Rs.7.47 in the backward district of Mayurbhanj to Rs.35.67 in Malkangiri in the comparator districts. On an average the per capita state transfers are higher in the comparator districts as compared to the backward districts.

**Table 4.14: Matrix of JPs by Number and Type of State Schemes**

|                             | All<br>pension<br>schemes | Balika<br>samridhi | Other    | Total | Percent |
|-----------------------------|---------------------------|--------------------|----------|-------|---------|
| <b>Comparator districts</b> |                           |                    |          |       |         |
| 2 schemes                   | 3                         | 0                  | 3        | 3     | 23.08   |
| 3 schemes                   | 10                        | 10                 | 10       | 10    | 76.92   |
| <b>Total</b>                | 13                        | 10                 | 13       | 13    |         |
|                             | (100.00)                  | (76.92)            | (100.00) |       |         |
| <b>Backward districts</b>   |                           |                    |          |       |         |
| 2 schemes                   | 6                         | 0                  | 6        | 6     | 35.29   |
| 3 schemes                   | 11                        | 11                 | 11       | 11    | 64.71   |
| <b>Total</b>                | 17                        | 11                 | 17       | 17    |         |
|                             | (100.00)                  | (64.71)            | (100.00) |       |         |

Source: *Ibid*

Notes: Figures in parenthesis refer to percent of JPs to total number of JPs.  
Percentages in the bottom row do not add up to 100.

**Table 4.15: Matrix of ZPs by Number and Type of State Schemes**

|                             | All<br>pension<br>schemes | Balika<br>samridhi | Other    | Total | Percent |
|-----------------------------|---------------------------|--------------------|----------|-------|---------|
| <b>Comparator districts</b> |                           |                    |          |       |         |
| 2 schemes                   | 1                         | 0                  | 1        | 1     | 33.33   |
| 3 schemes                   | 2                         | 2                  | 2        | 2     | 66.67   |
| <b>Total</b>                | 3                         | 2                  | 3        | 3     |         |
|                             | (100.00)                  | (66.67)            | (100.00) |       |         |
| <b>Backward districts</b>   |                           |                    |          |       |         |
| 2 schemes                   | 0                         | 0                  | 0        | 0     | 0.00    |
| 3 schemes                   | 2                         | 2                  | 2        | 2     | 100.00  |
| <b>Total</b>                | 2                         | 2                  | 2        | 2     |         |
|                             | (100.00)                  | (100.00)           | (100.00) |       |         |

Source: *Ibid*

Notes: Figures in parenthesis refer to percent of ZPs to total number of ZPs.  
Percentages in the bottom row do not add up to 100.

**Table 4.16: Mean Per Capita State Scheme and Devolution and Grants to GPs**

| (Rs.)                       |           |             |            |         |
|-----------------------------|-----------|-------------|------------|---------|
| <b>Comparator districts</b> |           |             |            |         |
|                             | Bargarh   | Kendrapara  | Malkangiri | Average |
| State scheme                | 0.67      |             |            | 0.32    |
| Devolution & Grants         | 33.32     | 16.35       | 35.67      | 27.85   |
| State funds                 | 33.99     | 16.35       | 35.67      | 28.17   |
| <b>Backward districts</b>   |           |             |            |         |
|                             | Kandhamal | Mayurbhanja | Average    |         |
| State scheme                |           |             | 0.07       | 0.06    |
| Devolution and grants       |           | 25.78       | 7.47       | 11.91   |
| State funds                 |           | 25.78       | 7.55       | 11.97   |

Source: *Ibid*

The mean per capita state transfers across the three tiers averaged over the comparator and backward districts clusters given in 4.17 reveal that per capita state transfers are highest for the JPs followed by the ZPs and GPs. Both the JPs and ZPs in backward districts receive higher per capita state scheme funds as compared to those in comparator district and reverse are the case in devolution grants. The share of state transfers in the total funds received by the three tiers as illustrated in table 4.18 show that the share is higher for JPs as compared to the other two tiers. This share for all the three tiers is higher in comparator districts than those in backward districts.

**Table 4.17: Mean Per Capita State Scheme and Devolution and Grants of All Tiers**

|                      | (Rs.)                |        |       |                    |        |       |
|----------------------|----------------------|--------|-------|--------------------|--------|-------|
|                      | Comparator districts |        |       | Backward districts |        |       |
|                      | GP                   | JP     | ZP    | GP                 | JP     | ZP    |
| State scheme         | 0.32                 | 91.62  | 75.45 | 0.06               | 107.70 | 76.94 |
| Devolutions & grants | 27.85                | 51.67  | 23.77 | 11.91              | 42.86  | 15.05 |
| State funds          | 28.17                | 143.30 | 99.21 | 11.97              | 150.56 | 91.99 |

Source: *Ibid*

**Table 4.18: Share of State Schemes and Devolution and Grants to Total Funds Received by the PRIs**

|  | (%)                  |       |       |                    |       |      |
|--|----------------------|-------|-------|--------------------|-------|------|
|  | Comparator districts |       |       | Backward districts |       |      |
|  | GP                   | JP    | ZP    | GP                 | JP    | ZP   |
|  | 10.93                | 27.30 | 14.39 | 5.54               | 24.14 | 8.30 |

Source: *Ibid*

#### 4.4 CONCLUSION

1. Revenue raising powers by the state PRI statutes are assigned only to GPs in Orissa. The taxes assigned are all optional. The house tax that forms the core element of local body taxation is not assigned to the PRIs despite recommendations by the successive SFCs.
2. The tax rights are not fully exploited by the GPs in both the categories of surveyed districts and per capita tax collection is not significant. The survey reported that only 7 percent of the GPs both in backward and comparator district cluster collect some taxes. The designation of all taxes as optional in the state does appear to have had an adverse impact on the tax effort.

3. Non-tax revenues are the dominant source of own revenues of GPs across the districts contributing about 94 percent of own revenues. Non-tax revenues are derived principally from lease and auction, property rental, and interest receipts. The interest receipts depend upon the unspent funds under different development schemes remaining with the banks and are not based on any revenue effort. The mean per capita own non-tax revenue on an average is marginally higher in the comparator districts vis-à-vis the backward districts.

4. At the JP level the entire own revenues consists of non-tax revenues which is principally derived from interest receipts. The ZPs in the surveyed districts do not raise any own revenue with the sole exception of Kendrapara which records some interest receipts.

5. The GPs in comparator district collect more own revenues that comprise mostly non-taxes as compared to the backward districts. These figures represent only the districts sampled, and do not yield state-level averages. However, the per capita own revenues figures derived from the TFC reports falls in the range reported by the survey of the sampled districts.

6. Across the three tiers in both the district clusters, the share of own revenue in total funds received is higher for GPs.

7. The survey of selected gram panchayats in Orissa revealed that in the year 2005-06 about 98.5 percent in both the comparator and backward districts did not receive any State schemes funds. It is mainly the JPs and ZPs that receive funds under state development schemes that include schemes such as pension, balika samridhi, mid day meal scheme and other smaller schemes such as scholarship and relief funds.

8. A comparison of the mean per capita state transfers across the three tiers of panchayats reveal that per capita state transfers are highest for the JPs followed by the ZPs and GPs.

9. The JPs and ZPs in backward districts receive higher state scheme funds per capita than those in the comparator districts. However, the per capita devolution and

grants from the state government are higher for JPs and ZPs in the comparator districts. For the GPs the per capita state transfers which includes assigned taxes and other grants is higher in comparator districts vis-à-vis those in the backward districts

## **5. ASSESSMENT OF INTERGOVERNMENTAL TRANSFERS FROM THE CENTRE**

### **5.1 CENTRAL FLOWS TO PRIS 2006-07 (ALL STATES)**

The number of CSS directed to the rural areas as identified from the Budget documents in 2006-07 is 165 of which 41 bypass the state budget and the remaining 124 are routed through the state budgets. The fund flows under these CSS and the Twelfth Finance Commission (TFC) annual provision for PRIs amounted to Rs.63236 crore, around 1.62 per cent of GDP.

The schemes bypassing the state budget are classified into those that flow directly to the PRIs and those that flow to other agencies, missions, corporations and district authorities categorised as “Others” (for details see annexes 8 and 9 of the overall report of the four states). Of these, 10 schemes go directly to the PRIs (Rs. 21408 crore). They are the Sampoorna Grameen Rozgar Yojana (SGRY), National Food for Work Programme (NFFWP), Swarnjayanti Gram Sworazgar Yojana (SGSY), Indira Awaas Yojana (IAY), National Rural Employment Guarantee Scheme (NREGS), Integrated Wastelands Development Programme (IWDP), Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Central Rural Sanitation Programme (CRSP) and Member of Parliament Local Area Development Scheme (MPLADS). Table 5.1 lists the ten schemes reaching the PRIs in 2005-06 and 2006-07. The remaining 31 schemes go to destinations other than PRIs (Rs. 15108 crore).



**Table 5.1: Centrally Sponsored Schemes Reaching the PRIs: 2006-07**

(Rs. Crore)

| Scheme   | Bypassing state budgets |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2005-06<br>BE           | 2005-06<br>RE   | 2006-07<br>BE   |
| Sampoorna Grameen Rozgar Yojana (SGRY)                     | 4000.00                 | 8500.00         | 3000.00         |
| National Food for Work Programme (NFFWP)                   | 6000.00                 | 4095.00         | 0.00            |
| Swarnjayanti Gram Swarozgar Yojana (SGSY)                  | 960.00                  | 1000.00         | 1200.00         |
| Indira Awaas Yojana (IAY)                                  | 2775.00                 | 2750.00         | 2920.00         |
| National Rural Employment Guarantee Scheme (NREGS)#        |                         |                 | 11300.00        |
| Integrated Wastelands Development Programme (IWDP)         | 445.00                  | 453.00          | 452.90          |
| Drought Prone Areas Programme (DPAP)                       | 353.00                  | 353.00          | 360.00          |
| Desert Development Programme (DDP)                         | 268.00                  | 268.00          | 270.00          |
| Central Rural Sanitation Programme (CRSP)                  | 630.00                  | 630.00          | 720.00          |
| Member of Parliament Local<br>Development Scheme (MPLADS)* | 1185.00                 | 1185.00         | 1185.00         |
| <b>Central Fund Flows Assigned to PRIs</b>                 | <b>16616.00</b>         | <b>19234.00</b> | <b>21407.90</b> |

**Sources:** 1. Expenditure Budget: 2006-07, Vols. 1&2, Ministry of Finance, 2006, Government of India.

2. Detailed Demand for Grants: 2006-07, Various Ministries, Government of India.

3. Garg, State Sector Plan Grants by Centre, (mimeo), 2006.

**Notes:** # we have assumed that the entire funds under NREGS go to PRIs. \* MPLADS is not a designated CSS, but is similar because it is a Central provision for constituency development expenditure by Members of Parliament. We have assumed that 75 percent of the funds under MPLADS go to the rural areas and PRIs as they are the preferred implementing agencies.

## 5.2 MAJOR CENTRAL SCHEME FLOWS TO PRIS: ORISSA

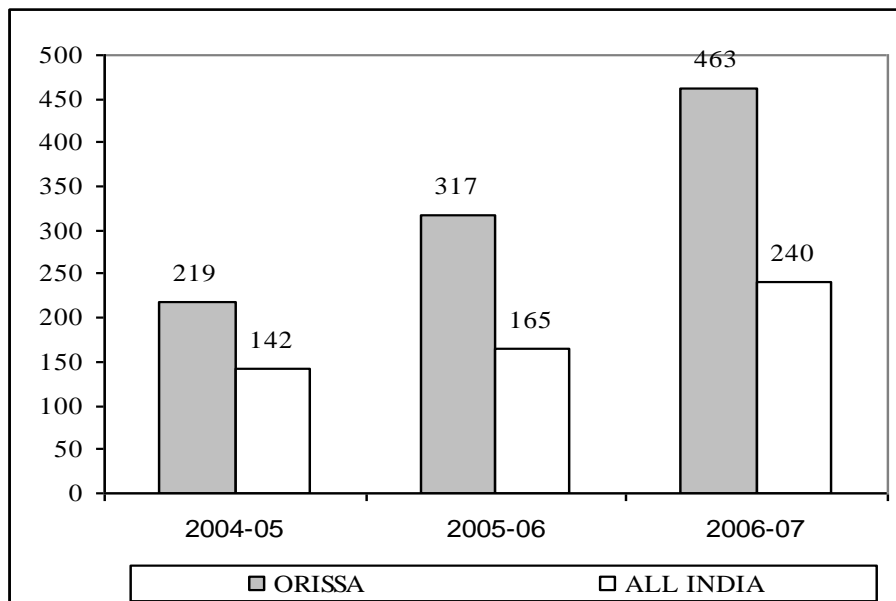
The CSS funds discussed in the earlier section capture the total amount going to all the states. There is no formula whereby each state's share in this total can be derived. However, in the case of the eight CSS of the Ministry of Rural Development, a state-wise break up is possible.<sup>1</sup>

The scheme-wise details of these eight CSS (only central transfers) for Orissa for the years 2004-05 and 2005-06 are given in annex 8. In 2005-06 these schemes accounted for 7.97 percent of the total flow to PRIs (all India, see table 5.2).

<sup>1</sup> The other two of the ten identified as directly reaching the PRIs, are MPLADS (Member of Parliament Local Area Development Scheme), which is problematic because the ultimate recipients could well be urban or non-PRI rural, and the Central Rural Sanitation Programme for which state-specific figure were not available.

The per capita receipts from these eight schemes for the two years 2004-05 to 2005-06 and budget estimates of 2006-07<sup>2</sup> are shown in chart 5.1. The budget estimates for 2006-07 are derived by using respective state shares of Central releases of these eight CSS from the aggregate of 2005-06 estimates.<sup>3</sup> In 2005-06 and 2006-07 the per capita provision of the eight Centrally Sponsored Schemes in Orissa is nearly twice (Rs. 463) that of the all India per capita figure of Rs. 240.

**Chart 5.1: Per Capita Flows under Eight CSS**



The latest poverty estimates available for the year 1999-00 shows that the rural poverty head count ratio for Orissa is 48.01. Thus, the per capita flow is directly related to the poverty head count ratio.

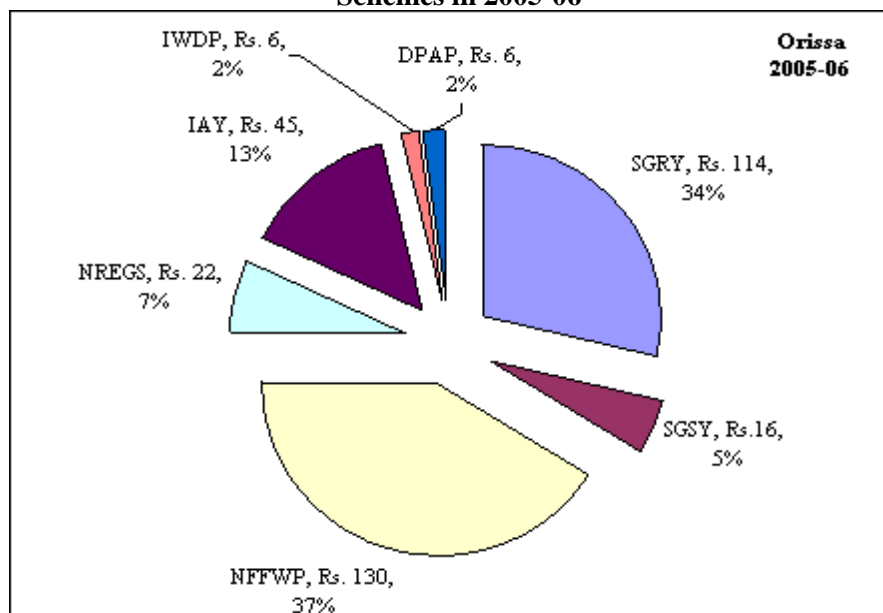
The details of the individual schemes (only central transfers) are available for the year 2005-06 (for details see annex 8). The per capita receipts for these eight schemes and their percentages are shown in chart 5.2. SGRY, NFFWP and IAY account for 84 percent of the total CSS expenditure in Orissa.

<sup>2</sup> Mid year projected rural population were used to fiscal year data (e.g. for 2005-06, population of 2005).

<sup>3</sup> Budgetary allocations are not provided by destination for an ongoing fiscal year. These figures so derived could overestimate the actual releases as schemes like NREGS are demand driven and the fund flow would depend upon utilisation by the state government.

The per capita budget estimates for eight CSS and MPLADS in Orissa for the year 2006-07 are given in table 5.2. The state specific budget estimates are derived by multiplying respective state shares in total central releases for the year 2005-06 (all India) with total budget estimates of 8 CSS for 2006-07. The fund flows to MPLADS are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to PRIs. The budgeted per capita fund flows so obtained for Orissa is Rs. 476.50 as compared to an all India per capita estimate of Rs. 254.59.

**Chart 5.2: Per Capita Flows of Eight Centrally Sponsored Schemes in 2005-06**



Note: DDP is not in operation in Orissa

**Table 5.2: Per Capita Budget Estimates for 2006-07 (Eight CSS and MPLADS)**

|                  | Central releases<br>(2005-06) |               | 2006-07(BE)          |                       | Total (9<br>schemes) | Per<br>capita<br>(Rs.) |
|------------------|-------------------------------|---------------|----------------------|-----------------------|----------------------|------------------------|
|                  | 8 CSS<br>(Rs. Crore)          | Share<br>(%)  | 8 CSS<br>(Rs. Crore) | MPLADS<br>(Rs. Crore) |                      |                        |
| Orissa           | 1053.17                       | 7.97          | 1554.55              | 46.50                 | 1601.05              | 476.50                 |
| <b>All India</b> | <b>13212.74</b>               | <b>100.00</b> | <b>19502.90</b>      | <b>1185.00</b>        | <b>20687.90</b>      | <b>254.59</b>          |

**Source:** Annual Report: 2005-06, Ministry of Rural Development, and Expenditure Budget: 2006-07, Ministry of Finance, Government of India.

### 5.3 ANALYSIS OF SURVEY RESULTS: ORISSA

The results of the field survey are analysed in this section for the three tiers, first for zilla panchayats (ZP), followed by janpad panchayats (JP), and gram panchayats (GP).

Table 5.3 shows the distribution of the 5 sample ZPs, 30 JPs and 138 GPs by number and type of the central schemes received by Orissa (for details see annex 9).

**Table 5.3: Major Centrally Sponsored Schemes in Operation in the PRIs: Orissa**

| Schemes        | ZP         |          | JP         |          | GP         |          |
|----------------|------------|----------|------------|----------|------------|----------|
|                | Comparator | Backward | Comparator | Backward | Comparator | Backward |
| ARWSP          | 1          | 1        |            |          |            |          |
| CRSP           | 3          | 1        |            |          |            |          |
| DPAP           | 2          | 1        | 2          | 1        |            |          |
| IAY            | 3          | 2        | 13         | 16       | 43         | 19       |
| NFFWP          | 1          | 2        | 3          | 17       | 12         | 14       |
| NREGS          |            |          |            |          |            | 11       |
| Pension Scheme |            |          |            |          |            | 1        |
| PMGSY          | 1          |          |            | 2        |            |          |
| RSVY           |            | 2        |            | 8        |            |          |
| SGRY           | 3          | 2        | 13         | 17       | 72         | 66       |
| SGSY           | 3          | 2        | 9          | 11       |            |          |

**Source:** Authors' calculation.

The survey shows RSVY funds, which is a backward district initiative, reach the backward ZPs and is operational in 8 out of the 17 backward districts. The SGRY (rural employment) on the other hand flows to all three tiers, universally in both the clusters. Other programmes with significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in one GP in the backward district. The schemes such as ARWSP, CRSP and DPAP are operating only in ZPs. The NREGS is found only in 11 GPs of the backward districts because it was begun in February, with only two months to go before the end of the 2005-06 reference year. PMGSY is in operation in ZP in the comparator districts and in two JP in the backward

districts. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator districts.

Tables 5.4 shows the per capita distribution of funds by district for centrally sponsored schemes and Central Finance Commission funds separately, for ZPs, JPs and GPs respectively. In comparator set Malkangiri receives higher per capita funds from CSS as compared to Bargarh and Kendrapara. In the backward district set Kandhamal receives higher flows than Mayurbhanj. On an average in ZPs and JPs in the backward districts are receiving higher funds as compared to the comparator set, while in GPs the reverse is true. In general there is evidence of CSS funds being distributed within the state in inverse proportion to economic status, in terms of both quantum of funds received, and number of programmes operating. Malkangiri, in the comparator set, receives more than Kandhamal and Mayurbhanj which are in the backward set, but this is because the selection of comparator districts in Orissa spans full range of the PCA ranking (see annex 6 of the overall report).

**Table 5.4: Mean Funds Received by PRIs Per Capita by District in Orissa**

| PRIs<br>Orissa             | Comparator Districts |               |                | Average       | Backward Districts |               | (Rupees)       |
|----------------------------|----------------------|---------------|----------------|---------------|--------------------|---------------|----------------|
|                            | Bargarh              | Kendrapara    | Malkangiri     |               | Kandhamal          | Mayurbhanj    | Average        |
| <b>No. of ZPs</b>          | <b>1</b>             | <b>1</b>      | <b>1</b>       |               | <b>1</b>           | <b>1</b>      |                |
| Centrally Sponsored Scheme | 297.74               | 291.51        | 1583.27        | 724.17        | 1249.63            | 671.34        | 960.48         |
| Central Finance Commission | 42.45                | 41.16         | 48.58          | 44.07         | 52.74              | 40.06         | 46.40          |
| <b>Total</b>               | <b>340.19</b>        | <b>332.68</b> | <b>1631.85</b> | <b>768.24</b> | <b>1302.37</b>     | <b>711.40</b> | <b>1006.88</b> |
| <b>No. of JPs</b>          | <b>6</b>             | <b>4</b>      | <b>3</b>       |               | <b>5</b>           | <b>12</b>     |                |
| Centrally Sponsored Scheme | 158.62               | 226.90        | 822.00         | 332.72        | 515.03             | 354.55        | 401.75         |
| Central Finance Commission | 0.14                 | 34.89         | 0.00           | 10.80         | 0.00               | 20.36         | 14.37          |
| <b>Total</b>               | <b>158.77</b>        | <b>261.78</b> | <b>822.00</b>  | <b>343.52</b> | <b>515.03</b>      | <b>374.92</b> | <b>416.13</b>  |
| <b>No. of GPs</b>          | <b>34</b>            | <b>25</b>     | <b>13</b>      |               | <b>16</b>          | <b>50</b>     |                |
| Centrally Sponsored Scheme | 122.65               | 71.55         | 496.07         | 172.33        | 180.76             | 146.90        | 155.10         |
| Central Finance Commission | 31.82                | 67.75         | 48.93          | 47.38         | 63.58              | 14.00         | 26.02          |
| <b>Total</b>               | <b>154.47</b>        | <b>139.30</b> | <b>545.00</b>  | <b>219.72</b> | <b>244.33</b>      | <b>160.89</b> | <b>181.12</b>  |

Source: *Ibid.*

The distribution of the Central FC fund flows, per capita, in ZPs within the state is roughly uniform. At JP level, Malkangiri in comparator district and Kandhamal in backward districts do not receive funds from Central FC while Bargarh in the comparator set receives a per capita flow of Re. 0.14. In GPs the flows exhibit no systematic pattern between the two sets of districts.

**Table 5.5: Share of Centrally Sponsored Schemes in Total Funds Received**

| <b>PRI</b> s | <b>Comparator districts</b> |                   |                   | <b>Total</b> |
|--------------|-----------------------------|-------------------|-------------------|--------------|
|              | <b>Bargarh</b>              | <b>Kendrapara</b> | <b>Malkangiri</b> |              |
| <b>ZP</b>    | 66.28                       | 65.41             | 89.74             | 76.10        |
| <b>JP</b>    | 44.39                       | 60.21             | 79.05             | 60.99        |
| <b>GP</b>    | 66.32                       | 45.70             | 84.18             | 66.68        |
| <b>PRI</b> s | <b>Backward Districts</b>   |                   | <b>Total</b>      |              |
|              | <b>Kandhamal</b>            | <b>Mayurbhanj</b> |                   |              |
| <b>ZP</b>    | 86.99                       | 81.47             | 83.33             |              |
| <b>JP</b>    | 65.41                       | 68.46             | 67.66             |              |
| <b>GP</b>    | 66.39                       | 84.27             | 79.36             |              |

Source: *Ibid.*

Table 5.5 shows the district wise share of CSS in the total funds received by Orissa for the year 2005-06. The share of CSS in total funds is higher in backward districts as compared to the comparator set at all three tiers. Among backward districts, the percentage contribution of CSS to total funds varies within the range 68-83 percent while among the comparator set it varies between 61 to 76 percent.

The SGRY is the most important scheme among the GPs, especially in the backward districts as is evident from the table 5.6. The share of SGRY funds in total funds received is 60 percent or more for 62 percent of the GPs in the backward districts compared to 14 percent in the comparator set.

**Table 5.6: Frequency Distribution of GPs by Percent of SGRY to Total Funds Received**

| Percent       | Comparator | Backward  | Cumulative Percentage |          |
|---------------|------------|-----------|-----------------------|----------|
|               |            |           | Comparator            | Backward |
| 080 ... <=100 | 1          | 22        | 1.39                  | 33.33    |
| 060 ... <=080 | 9          | 19        | 13.89                 | 62.12    |
| 040 ... <=060 | 41         | 17        | 70.83                 | 87.88    |
| 020 ... <=040 | 21         | 7         | 100.00                | 98.48    |
| 000 ... <=020 | 0          | 1         | 100.00                | 100.00   |
| <b>Total</b>  | <b>72</b>  | <b>66</b> |                       |          |

Source: *Ibid.*

## 5.4 CONCLUSIONS

1. In 2006-07 there are 165 schemes identified as going to the rural areas, of which 41 bypass the state budget and 124 are routed through the state budgets. The total flow of funds from the centre to rural areas (including the TFC grants) amounted to Rs. 63236 crore. Of the 41 schemes that bypass the state budget, 10 schemes go directly to the PRIs and the remaining 31 schemes go to destinations other than PRIs.

2. The per capita budget estimates of Rs. 463 for Orissa in 2006-07 is nearly twice that of the all India per capita figure of Rs. 240. The latest poverty estimates available for the year 1999-00 shows that the rural poverty head count ratio for Orissa is 48.01. Thus, the per capita flow is directly related to the poverty head count ratio.

3. The survey shows RSVY funds, which is a backward district initiative, reach the backward ZPs and is operational in 8 out of the 17 backward districts. The SGRY (rural employment) on the other hand flows to all three tiers, universally in both the clusters. Other programmes with a significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in one district of GPs. ARWSP; CRSP and DPAP are operating only in ZPs. The NREGS is found only 11 districts of GPs because it was begun in February, with only two months to go before the end of the 2005-06 reference year. PMGSY is in operation in one district of ZP in comparator and in two district of JP in the backward district. In general across all three

tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

4. The results of the field survey, excluding Malkangiri, show that CSS funds are distributed within the state in inverse proportion to economic status, in terms of both quantum of funds received, and incidence of operation, at all three tiers. Malkangiri, in the comparator set, receives more than Kandhamal and Mayurbang which are in the backward set, but this is because the selection of comparator districts in Orissa spans full range of the PFCA ranking (see Annex 6 of the overall report).

5. As for the Central FC fund flow, the distribution within ZPs is roughly uniform per capita. At JP level, Malkangiri in comparator district and Kandhamal in backward districts do not receive funds from Central FC while Bargarh in the backward set receives a per capita flow of Re. 0.14. In GPs the flows exhibit no systematic pattern between the two sets of districts.

6. The fund flow under SGRY is significant for GPs and especially in the backward districts as its share is more than 60 percent for 62 percent of the GPs in the backward districts.



## **6. FISCAL MONITORING**

### **6.1 AUDITING OF FUNDS AT THE THREE TIERS**

The 73 Constitutional amendment provides that each State Legislature may make provisions with respect to the audit of the panchayats accounts. Accordingly, all the states have incorporated this provision in their respective Acts. The state of Orissa has incorporated such provisions in its conformity Act. In Orissa, the responsibilities of audit of accounts of the PRIs have been entrusted principally to the Local Fund Audit organization of the state government. At the centre, Comptroller and Auditor General, as per their Act, 1971, have the power to audit all expenditure from the Consolidated Fund of India and of each state,<sup>1</sup> through the state officers of Accountant General.

With respect to auditing of panchayats accounts, the Eleventh Finance Commission (EFC) in its report<sup>2</sup> has recommended that the responsibility of exercising control and supervision over the maintenance of panchayats accounts and their audit should be entrusted to the C&AG who may get it done through C&AG's own staff or by engaging an outside agency. The Director of Local Fund Audit, or any other agency assigned the task of auditing of panchayats' accounts is to work under the technical and administrative supervision of the C&AG. For the purpose of maintenance of accounts the EFC has also recommended on an average an amount of Rs 4000 per panchayat per

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<sup>1</sup> Section 13 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 (56 of 1971) states that it shall be the duty of the C&AG to audit all expenditure from the Consolidated Fund of India and of each state. Therefore, to the extent the local bodies are performing agency functions on behalf of the Central or state governments, the duty of C&AG would include the audit of expenditure incurred by the local bodies too. As per Section 14 (1), where any body or authority receives grant or loan from the Consolidated Fund of India or of any state amounting to not less than rupees twenty-five lakh and the amount of such grant or loan is not less than seventy-five percent of the total expenditure of that body or authority, the C&AG shall, subject to the provision of any law for the time being in force, applicable to such body or authority, audit all receipts and expenditure of that body or authority and report on the receipts and expenditure so audited by him. Further, since Section 14 (2) waives the limit of 'seventy-five percent', if the amount exceeds rupees one crore, most of the panchayats at district level will invariably fall in the purview of audit by C&AG. Section 15 states that when any grant or loan is given for a specific purpose from the Consolidated Fund of India or of any State to any body or authority, the C&AG shall scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillments of the conditions subject to which such grants were given.

<sup>2</sup> The Twelfth Finance Commission has not given any particular recommendation in this regard.

annum. The details of allocation by EFC and its utilisation are shown in table 6.1. The utilisation in case of Orissa far exceeds 100 percent, because of the states' contributions which have also been added under this head.

**Table 6.1: Provision and Utilisation of Grants for Maintenance of Accounts and Auditing**

| (Rs. lakh)                      |                             |                            |
|---------------------------------|-----------------------------|----------------------------|
| <b>Annual allocation by EFC</b> | <b>Utilisation reported</b> | <b>Percent utilisation</b> |
| 222.76                          | 1392.25                     | 625.00                     |

**Source:** Finance Commission Division, 2006, Ministry of Finance, Government of India.

The status of process of audit at all the tiers of PRIs, (ZP, JP and GP) based on the field survey in the selected districts of Orissa is presented in table 6.2.

**Table 6.2: Frequency Distribution of PRIs by Year Accounts Last Audited**

| Year    | Cumulative Percentage |          |            |          |            |          |
|---------|-----------------------|----------|------------|----------|------------|----------|
|         | ZP                    |          | JP         |          | GP         |          |
|         | Comparator            | Backward | Comparator | Backward | Comparator | Backward |
| 2006-07 | 0.00                  | 0.00     | 23.08      | 23.53    | 27.78      | 15.15    |
| 2005-06 | 100.00                | 100.00   | 92.31      | 100.00   | 70.83      | 81.82    |
| 2004-05 |                       |          | 100.00     |          | 93.06      | 89.39    |
| 2003-04 |                       |          |            |          | 94.44      | 92.42    |
| 2002-03 |                       |          |            |          | 98.61      | 95.45    |
| 2001-02 |                       |          |            |          | 98.61      | 95.45    |
| 2000-01 |                       |          |            |          | 98.61      | 95.45    |
| NR/NA   |                       |          |            |          | 100.00     | 100.00   |

**Source:** Authors' calculations.

In the state of Orissa the process of audit of accounts at the ZP level is about the same as at JP level, except in the case of the JPs in the comparator districts where it is slightly delayed. At GP level audits are the most delayed of all the three tiers. Between the district clusters, the GPs in the backward set show poor performance. At the GP level where most of the major schemes such as SGRY and NREGS are targeted, delayed audit is a matter of serious concern. At GP level, comparatively, auditing is somewhat more delayed in the backward districts than in the comparator districts.

## 6.2 UTILISATION OF CENTRAL FUNDS: BACKWARD AND COMPARATOR DISTRICTS

The details regarding the utilisation of major Centrally Sponsored Scheme (CSS) funds at ZP and JP levels based on the field survey results are shown in table 6.3.

**Table 6.3: Frequency Distribution of ZPs and JPs by Percent Utilisation of Major CSS Funds Received During the Year**

| Percentage   | Cumulative Percentage |          |            |          |
|--------------|-----------------------|----------|------------|----------|
|              | ZP                    |          | JP         |          |
|              | Comparator            | Backward | Comparator | Backward |
| 100 +        | 35.71                 | 40.00    | 35.29      | 48.75    |
| 80 ... <=100 | 85.71                 | 90.00    | 76.47      | 86.25    |
| 60 ... <=80  | 92.86                 | 100.00   | 88.24      | 92.50    |
| 40 ... <=60  | 100.00                |          | 96.08      | 96.25    |
| 20 ... <=40  |                       |          | 98.04      | 100.00   |
| 00 ... <=20  |                       |          | 100.00     |          |
| 00           |                       |          |            |          |

**Source:** *Ibid.*

**Note:** In Orissa major CSS are SGRY, NFFWP, PMGSY, IAY and SGSY.

In aggregate between the tiers, the utilisation rate at ZP level is reported to be higher than that in JP level. Between the district clusters, at ZP level, utilisation in backward districts is higher than that in the comparator districts. At JP level, it is largely the same in both the clusters of districts. However, the backward cluster showed marginally better utilisation than the comparator set.

### 6.2.1 Utilisation of SGRY Funds with Gram Panchayat/State Government Appointed Record Keeper

At GP level, amongst the major CSS, the SGRY is the most important scheme. The utilisation of SGRY funds separately by type of record keeper (GP/state appointed) is discussed in table 6.4. Around 71 percent GPs in the comparator district set and 74 percent in backward district set have reported an utilisation rate of 80 percent or more.

**Table 6.4: Matrix of GPs by type of Record Keeper and Percent Utilisation of SGRY Funds Received During the Year**

| Percentage    | Cumulative percentage of GP |                |               |              |                |               |
|---------------|-----------------------------|----------------|---------------|--------------|----------------|---------------|
|               | Comparator                  |                |               | Backward     |                |               |
|               | Appointed by                |                |               |              |                |               |
|               | GP                          | State<br>govt. | Total         | GP           | State<br>govt. | Total         |
| 100 +         | 47.83                       | 19.23          | 37.50         | 47.62        | 41.67          | 45.45         |
| 080 ... <=100 | 73.91                       | 65.38          | 70.83         | 73.81        | 75.00          | 74.24         |
| 060 ... <=080 | 82.61                       | 80.77          | 81.94         | 85.71        | 87.50          | 86.36         |
| 040 ... <=060 | 86.96                       | 84.62          | 86.11         | 97.62        | 100.00         | 98.48         |
| 020 ... <=040 | 91.30                       | 92.31          | 91.67         | 100.00       |                | 100.00        |
| 000 ... <=020 | 95.65                       | 96.15          | 95.83         |              |                |               |
| 000           | 100.00                      | 100.00         | 100.00        |              |                |               |
| <b>Total</b>  | <b>63.89</b>                | <b>36.11</b>   | <b>100.00</b> | <b>63.64</b> | <b>36.36</b>   | <b>100.00</b> |

Source: *Ibid.*

As per the survey results, in aggregate, around two-thirds of record-keepers are GP-appointed and one-third state appointed. The pattern of appointment of record keepers in terms of state appointed and GP appointed, is uniform between the comparator and backward district sets. Of the total, in both the comparator and backward districts, about 64 percent GPs have GP appointed record-keeper and 36 percent state appointed record keeper.

In aggregate the rate of utilisation is somewhat higher in backward districts than that in the comparator set. However, a systematic pattern of utilisation of SGRY funds was not funds across the district clusters on the basis appointment of record keepers.

### 6.2.2 Nature of Utilisation of SGRY Funds by Gender of Sarpanch

The details regarding the nature of utilisation of SGRY funds by gender of sarpanch is presented in table 6.5. As showed in table, construction and maintenance of roads and culverts are the dominant choice followed by building construction and construction and maintenance of water works. In aggregate, there is no difference in choice for the roads and culverts by gender (male/female headed GPs) of sarpanch. Female group preferred more for construction and maintenance of buildings, whereas male opted more for water works. Between the two district clusters, in comparator set,

male headed GPs revealed their choice for roads and culverts whereas female headed GPs preferred more for construction and maintenance of buildings. On the other hand, in backward cluster, female indicted its choice for roads and culverts whereas male group preferred more for water works.

**Table 6.5: Matrix of GPs by Total Constituents of Nature of Utilisation of SGRY Funds by Gender of Sarpanch**

| Percent<br>Constituent                              | Gender of sarpanch |               |               |               |               |               |               |               |               |
|---|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Comparator         |               |               | Backward      |               |               | Aggregate     |               |               |
|   | Female             | Male          | Total         | Female        | Male          | Total         | Female        | Male          | Total         |
| Construction/main-<br>tenance Roads and<br>culverts | 62.57              | 78.34         | 71.55         | 74.38         | 62.05         | 74.49         | 68.61         | 68.45         | 73.23         |
| Construction/main-<br>tenance of buildings          | 32.60              | 18.71         | 24.69         | 14.38         | 15.86         | 15.36         | 23.27         | 16.98         | 19.36         |
| Construction/<br>maintenance of<br>water works      | 4.46               | 2.27          | 3.21          | 9.38          | 20.61         | 16.80         | 6.98          | 13.41         | 10.98         |
| Plantation  | 0.00               | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Administrative                                      | 0.00               | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Others  | 0.37               | 0.68          | 0.55          | 1.86          | 1.48          | 1.61          | 1.13          | 1.17          | 1.15          |
| <b>Total</b>  | <b>100.00</b>      | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> |

Source: *Ibid.*

The gender wise preference for work done through SGRY funds thus obtained for both the district clusters in each of the four states is now statistically tested for statistical significance. We test for the null hypothesis  $H_0: (\rho_1 = \rho_2)$  i.e., there is no gender difference in preferences for the type of work done against the alternative hypothesis  $H_0: (\rho_1 \neq \rho_2)$  i.e., there exist gender differences in preferences. Here  $\rho_1$  is the proportion of total funds utilised by female-headed GP for a particular type of work and  $\rho_2$  represents the funds utilised by the male-headed GP for the same type of work. The type of work considered are a) construction and maintenance of roads and culverts, b) construction and maintenance of buildings and c) construction and maintenance of water works in the GP. The results are tabulated in table 6.6. From the table it is observed that the null hypothesis of no gender difference in preferences cannot be rejected in both the district clusters in Orissa.

**Table 6.6: Test for Differences in Preferences Between Female and Male Sarpanch in Utilization of SGRY Funds**

| Type of SGRY works                             | Comparator districts | Backward districts |
|--|----------------------|--------------------|
| Construction & maintenance of roads & culverts | -1.4270              | 1.0307             |
| Construction & maintenance of buildings        | 1.3066               | -0.1577            |
| Construction & maintenance of water works      | 0.4852               | -1.2805            |

**Source:** Authors' calculations based on data in table 5.5.

**Note:** # Null hypothesis is rejected at 5 percent level of significance.

### 6.2.3 Utilisation of Central Finance Commission Funds

The utilisation of Central Finance Commission funds at GP level received during the year is discussed in table 6.7. As observed from the table, between two district clusters backward districts show better utilisation than the comparator set. About 48 percent backward class of GPs shows 80 percent or more utilisation whereas in comparator set only 40 GPs fall in this group. The data show non-receipt of FC funds to the extent of 34.85 percent in backward districts GPs. However, as chapter 4 (overall report) shows, FC funds are mostly targeted at the upper two tiers.

**Table 6.7: Frequency Distribution of GPs by Percent Utilisation of Central FC Funds Received During the Year**

| Percentage    | Cumulative percentage |          |
|---------------|-----------------------|----------|
|               | Comparator            | Backward |
| NR/NA*        | 0.00                  | 34.85    |
| 100 and above | 11.11                 | 37.88    |
| 080 ... <=100 | 40.28                 | 48.48    |
| 060 ... <=080 | 47.22                 | 50.00    |
| 040 ... <=060 | 56.94                 | 56.06    |
| 020 ... <=040 | 65.28                 | 56.06    |
| 000 ... <=020 | 70.83                 | 56.06    |
| 000           | 100.00                | 100.00   |

**Source:** *Ibid.*

**Note:** \* No funds received.

## 6.3 UTILISATION OF STATE FUNDS: BACKWARD AND COMPARATOR DISTRICTS

### 6.3.1 Utilisation of State Scheme Funds

The survey results with respect to utilisation of state scheme funds at the three tiers of PRIs are shown in table 6.8. The state schemes applies to funds entirely originating in state-level schemes, which as shown in chapter 4 (overall report), are not a major source of fund flow to PRIs.

The survey results show that the utilisation of state scheme funds is in general higher at ZP level than JP level and the lowest at GP level. At both the levels of ZP and JP, between classes of districts, there is no difference in utilisation between comparator and backward clusters. However, at JP level the rate of utilisation in backward cluster is slightly higher than comparator ones. At GP level, there is a marginal difference in utilisation between comparator and backward clusters of GPs.

**Table 6.8: Frequency Distribution of ZPs by Percent Utilisation of State Scheme Funds Received During the Year**

| Percentage    | Cumulative Percentage |          |            |          |            |          |
|---------------|-----------------------|----------|------------|----------|------------|----------|
|               | ZP                    |          | JP         |          | GP         |          |
|               | Comparator            | Backward | Comparator | Backward | Comparator | Backward |
| NR/NA*        | 0.00                  | 0.00     | 0.00       | 0.00     | 98.61      | 98.48    |
| 100 and above | 33.33                 | 0.00     | 15.38      | 29.41    | 98.61      | 100.00   |
| 080 ... <=100 | 100.00                | 100.00   | 76.92      | 82.35    | 98.61      |          |
| 060 ... <=080 |                       |          | 92.31      | 88.24    | 98.61      |          |
| 040 ... <=060 |                       |          | 92.31      | 94.12    | 98.61      |          |
| 020 ... <=040 |                       |          | 100.00     | 100.00   | 98.61      |          |
| 000 ... <=020 |                       |          |            |          | 98.61      |          |
| 000           |                       |          |            |          | 100.00     |          |

**Source:** *Ibid.*

**Note:** \* No Funds Received.

## 6.4 UTILISATION OF NREGS FUNDS IN 2006-07

### 6.4.1 NREGS in Orissa

The number of NREGS districts in the state of Orissa is listed in table 6.9. Amongst the four states under consideration, the highest number of districts covered under NREGS fall in the jurisdiction Orissa (19 districts). Of this, three NREGS districts of Kandhamal, Malkangiri and Mayurbhanj are covered in this study.

**Table 6.9: Coverage of NREGS Districts in Orissa**

| S. No. | District         | S. No. | District          |
|--------|------------------|--------|-------------------|
| 1      | Balangir         | 11     | Koraput           |
| 2      | Boudh            | 12     | <b>Malkangiri</b> |
| 3      | Deogarh          | 13     | <b>Mayurbhanj</b> |
| 4      | Dhenkanal        | 14     | Nabarangapur      |
| 5      | Gajapati         | 15     | Nuapada           |
| 6      | Ganjam           | 16     | Rayagada          |
| 7      | Jharsuguda       | 17     | Sambalpur         |
| 8      | Kalahandi        | 18     | Sonepur           |
| 9      | <b>Kandhamal</b> | 19     | Sundargarh        |
| 10     | Kendujhar        |        |                   |

**Source:** Government of India, Ministry of Rural Development, 2006.

**Note:** Highlighted districts are covered in this study.

### 6.4.2 Progress of Utilisation

The details regarding the issue of job cards, employment demanded and provided, fund released and the expenditure incurred on the works under taken is presented in table 6.10. The percent expenditure incurred on these works from the total release is indicated in the last column of the table 6.10.



**Table 6.10: Progress of NREGS: Funds Released and Expenditure on Works Undertaken (as on 21.8.06)**

(Rs. lakh)

| State                                    | No of dist.. | Total rural households | Job cards       | Employment demanded | Employment provided | No. of works  |
|--|--------------|------------------------|-----------------|---------------------|---------------------|---------------|
| 1  | 2            | 3                      | 4               | 5                   | 6                   | 7             |
| <b>More than 5 percent of total exp.</b> |              |                        |                 |                     |                     |               |
| Orissa                                   | 19           | 3503354                | 2094958         | 713551              | 563681              | 26686         |
| <b>Total (4 states)</b>                  | <b>54</b>    | <b>10647831</b>        | <b>9197020</b>  | <b>3644990</b>      | <b>3377377</b>      | <b>119949</b> |
| <b>Total (27 states)</b>                 | <b>200</b>   | <b>57541426</b>        | <b>24230592</b> | <b>9558234</b>      | <b>8824994</b>      | <b>242438</b> |

| State                                    | Funds released | Exp.          | Released per dist. | Exp. per dist. | Exp. (col. 10) as % of total exp. | Rank based on % exp. | Exp. as % of release per dist. |
|--|----------------|---------------|--------------------|----------------|-----------------------------------|----------------------|--------------------------------|
| 8  | 9              | 10            | 11                 | 12             | 13                                | 14                   | 15                             |
| <b>More than 5 percent of total exp.</b> |                |               |                    |                |                                   |                      |                                |
| Orissa                                   | 31517          | 19778         | 1659               | 1041           | 14.56                             | 3                    | 62.8                           |
| <b>Total (4 states)</b>                  | <b>222322</b>  | <b>92259</b>  | <b>4117</b>        | <b>1709</b>    | <b>67.9</b>                       |                      | <b>41.5</b>                    |
| <b>Total (27 states)</b>                 | <b>438642</b>  | <b>135799</b> | <b>1990</b>        | <b>679</b>     | <b>100</b>                        |                      |                                |
| <b>Average</b>                           | <b>397936</b>  | <b>135799</b> |                    |                |                                   |                      | <b>34.1</b>                    |

**Source:** *Ibid.*

**Notes:** NREGS does not extend to Goa. Funds released pertain to April-August 2006-07. Only 23 states report figures for expenditure.

Among the four states covered in this study, the maximum utilisation was achieved by Orissa with 62.75 percent followed by Chhattisgarh with 56.77 percent utilisation rate.

The pattern of funds released and the expenditure incurred on the works undertaken in Orissa is shown in chart 6.1.

**Chart 6.1: Utilisation Pattern of Fund Released and Expenditure Incurred Under NREGS**

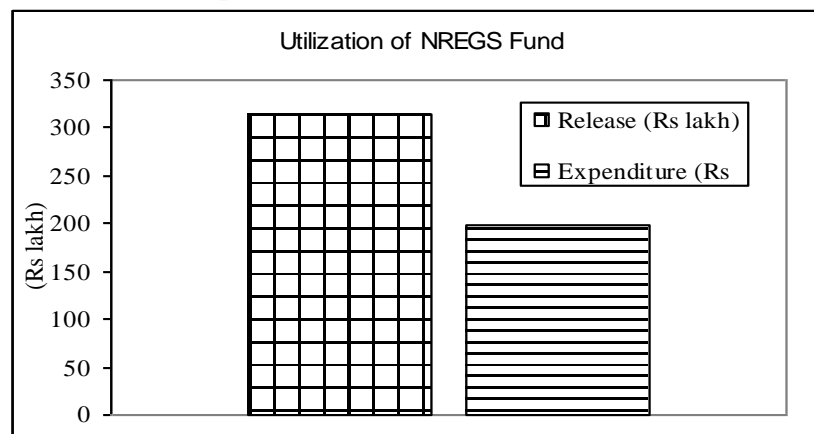
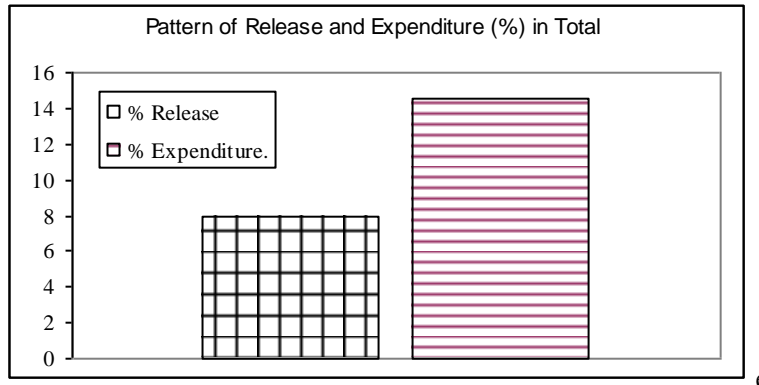


Chart 6.2 indicates the percent share of state in the total release and expenditure of NREGS funds.

**Chart 6.2: Percent Share of Fund Released and Expenditure Incurred Under NREGS**



## 6.5 CONCLUSIONS

1. In Orissa, the responsibilities of audit of accounts of the PRIs have been entrusted principally to the Local Fund Audit organization of the state government.
2. According to survey results the process of auditing is most delayed at GP level in comparison to ZP and JP level. At GP level major schemes such as SGRY and NREGS are largely targeted and implemented; delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat more delayed in backward districts GPs.
3. Regarding the utilisation rates of CSS funds at ZP and JP levels, between the two tiers, utilisation rates are distinctively reported higher at ZP level than at JP. Further, backward cluster showed higher utilisation as compared to comparator set.
4. At GP level, amongst the major CSS, the SGRY is the most important scheme. Around 71 percent GPs in the comparator district set and 74 percent in backward district set have reported an utilisation rate of 80 percent or more with regard to SGRY funds. On an average, the Utilisation at GP level is somewhat higher in backward districts as compared to the comparator set.

5. With respect to appointment of record keeper, in aggregate, around two-thirds of record-keepers are GP-appointed and one-third state appointed. However, a systematic pattern of utilisation of SGRY funds was not funds across the district clusters on the basis appointment of record keepers.

6. The fund utilisation of SGRY scheme shows that roads and culverts are the dominant choice in Orissa, followed by building construction and construction and maintenance of water works. Tests for gender wise preferences of works done through SGRY funds reveal that the null hypothesis of no gender difference in preferences cannot be rejected in both the district clusters in Orissa.

7. Utilisation of the Central Finance Commission funds at GP level indicates higher utilisation by the backward district set than the comparator district set. The survey results reveal non-receipt of FC funds to the extent of 35 percent in backward districts.

8. The state scheme applies to funds entirely originating in state-level schemes. The utilisation of state scheme funds is, in general, higher at ZP level than JP level and lowest at GP level. Between classes of districts not much difference in utilisation rate was witnessed.

9. National level data on state-wise utilisation of NREGS fund shows a high utilisation of 62.75 percent for Orissa. The average utilisation across all the reporting state is 34.1 percent.

## **7. CONCLUSIONS**

### **7.1 THE FORMAL STATUS OF RURAL DECENTRALISATION**

The state governments are assigned with exclusive legislative domain over local governments following the 73<sup>rd</sup> amendments to the Constitution and are required to pass conformity acts either through introduction of new legislation or amending the existing acts. The state of Orissa is fully in conformity with the provisions of 73<sup>rd</sup> amendments to the Constitution. Before the amendment, Orissa had a two tier panchayati raj system. The third tier at district level, the zilla parishad, was introduced in 1997 under the conformity act. There are 6234 Gram Panchayats, 314 middle-level panchayats samities, and 30 zilla parishads in the state.

Post amendment, three rounds of elections for rural local bodies have been held in Orissa. Finance Commissions at quinquennial intervals are among the mandated requirements to review the finances of local bodies and recommend the principles that should govern the allocation of funds and taxation authority to local bodies. Two state finance commissions have already given their reports in Orissa and third one is yet to be constituted. The recommendation of the second finance commission covers the horizon 2005 to 2010.

The revenue assignment to the PRIs in Orissa comprises sharing of a few individual state taxes (rather than a share of consolidated revenues, as in other states), establishment grants and plan grants under state schemes for development activities. The sharing of individual state taxes was practiced even before the first SFC gave their report. The first SFC (1998-2005) did not make changes in the broad pattern of tax sharing except that of recommending changes in the tax shares and extending a portion of shared taxes to the ZPs that are new entrants to the PRI in the state. The commission also recommended for payments of arrears due to the PRIs under the assigned revenues. The second SFC (2005-10) departed from the individual tax sharing approach and recommended for giving the PRIs a share of 7.61 percent of gross own revenue pegged at the absolute figures of 2002-03. The second SFC set down absolute year wise tax devolution and grants to PRIs and recommended the use of such funds by the PRIs in various activities. However, the state government has worked out a

year wise absolute amount to be transferred to the PRIs that includes transfers from the Twelfth Finance Commission (TFC) and state compensation and assignment to local bodies (non-plan revenue expenditures) as assessed by the TFC. The existing taxes that are shared with the PRIs feed to the state compensation and assignment portion. The dependence on TFC funds will considerably dilute the specific purposes recommended by the SFC regarding the use of the state funds by the PRIs as the TFC transfers are also specific transfers.

Own tax rights are assigned exclusively to GP level in Orissa. The GPs have limited autonomy with regard to tax right, base and rates as these are decided by the state government. The house and building tax which is the core element in the PRI fiscal domain has not been assigned to the GPs in Orissa despite recommendations by successive SFCs. The second SFC recommended further expansion of the tax domain of PRIs on which the state government has not taken any concrete decision as yet. The survey in the selected districts for 2005-06 reveals that the GPs have mostly avoided exercising their tax rights. The GPs collect non-tax revenues from the assigned sources which is the mainstay of their own revenues as is evident from the TFC data up to 2002-03 and the survey results.

The state governments have the authority to devolve functional and financial power to rural local bodies to enable them to function as institutions of self government. The eleventh schedule of the Constitution provides a comprehensive list of functional heads that the states are expected to devolve along with funds and functionaries. A quantitative analysis of functional devolution through budgetary expenditure assignment is presented in chapter 2 of the overall report.

## **7.2 SUMMARY OF FLOWS TO PRIs FROM CENTER AND STATES AND OWN REVENUES**

Per capita fund flows to PRIs from center and state and their per capita own revenue collection based on the field survey in the selected districts of Orissa is summarized in table 7.1. Central flows comprise flows under the various CSS and TFC annual provision for the states. The fund flows from the state government consists of flows under the various state schemes and assigned revenues and grants.

Because of the manner in which these flows are defined, Central flows would include all receipts from Central schemes including the funding from the state government flows into these schemes. So defined, Central transfers are the dominant source of fund flows to the PRIs in the state followed by state transfers and own revenues. Per capita own revenues raised by the PRIs comprise of mainly non-taxes. The distribution of fund flows shows that JPs receive highest state transfers and the ZPs are the highest recipients of central transfers in per capita terms. The per capita fund flows to GPs is the least. The per capita own revenue collection by the GPs, however, is the highest, across the three tiers.

**Table 7.1 Per Capita Flows to PRIs and Own Revenues**

Rs (% to total)

|                   | Comparator districts |                   |                   | Backward districts |                   |                    |
|-------------------|----------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
|                   | GP                   | JP                | ZP                | GP                 | JP                | ZP                 |
| Central transfers | 219.72<br>(86.48)    | 343.52<br>(70.39) | 768.24<br>(88.56) | 181.12<br>(91.30)  | 416.13<br>(73.00) | 1006.88<br>(91.63) |
| State transfers   | 28.17<br>(11.09)     | 143.3<br>(29.36)  | 99.21<br>(11.44)  | 11.97<br>(6.03)    | 150.56<br>(26.41) | 91.99<br>(8.37)    |
| Own revenue       | 6.17<br>(2.43)       | 1.18<br>(0.24)    | 0.03<br>(0)       | 5.29<br>(2.67)     | 3.37<br>(0.59)    | 0                  |
| Own tax           | 0.39                 | 0                 | 0                 | 0.27               | 0                 | 0                  |
| Own non-tax       | 5.78                 | 1.18              | 0.03              | 5.02               | 3.37              | 0                  |
| Total             | 254.06               | 488               | 867.48            | 198.38             | 570.06            | 1098.87            |

### 7.3 FUND FLOWS FROM THE CENTER

From the budgetary provisions for the year 2006-07, 165 CSS are identified as flowing from the Centre to states of which 41 bypass the state budget and the remaining 124 are routed through the state budgets. The fund flows under these CSS and the Twelfth Finance Commission (TFC) annual provision for PRIs amounted to Rs.63236 crore. Of the 41 schemes bypassing the state budget, ten schemes accounting for 21408 crore reach PRIs directly. In this set of ten schemes the Member of Parliament Local Area Development Scheme (MPLADS) is included although it is not a designated CSS.

Of the ten schemes flowing directly to PRIs, eight are administered by the Ministry of the Rural Development and a state-wise break-up is possible for these schemes for 2005-06. The per capita budget estimates of eight schemes at Rs. 463 for Orissa in 2006-07 is nearly twice that of the all India per capita figure of Rs. 240. If the MPLADS is added on the per capita flow goes up to Rs. 477. Given the high rural poverty in Orissa with a head count ratio of 48.01, the CSS flows show evidence of equity in the allocation to the state.

The field survey, which collected figures for PRI receipts from all sources for the fiscal year 2005-06, does not yield state-level estimates. As already stated in chapter 2 of the report the limitations imposed by the design of the UNDP study meant that the field survey results could only be presented in the form of separate findings for the set of pre-selected backward districts in the states, juxtaposed against those for a comparator set, purposively chosen through principal component analysis so as to represent areas with higher developmental indicators.

The SGRY (rural employment) is the most important central scheme that flows to all three tiers, universally in both the clusters. The fund flows under RSVY, which is a backward district initiative, reach the backward ZPs and is operational in 8 out of the 17 backward districts. Other programmes with a significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The presence of NREGS in the backward districts is small as it was initiated in February 2006.

It should be reiterated once again that the field survey records scheme specific data after merger of the contributory share of the Centre and states while the budget estimates for eight CSS and MPLADS for Orissa only includes Centre's share. Keeping this limitation in mind the per capita estimates of central flows of Rs.1331.48 for comparator districts and Rs.1604.13 for backward districts given in table 7.1 cannot be compared with the per capita budget estimates of Rs.477 obtained from eight CSS and MPLADS for Orissa.

The per capita receipt of CSS funds is higher in the backward districts than that in the comparator districts. However, Malkangiri, a comparator district is an exception to the above pattern as it receives the highest per capita central funds.

Malkangiri which falls in the comparator set is actually ranked lower than the backward districts and was selected to span the full range of the PCA ranking for Orissa.

As for the Central FC fund flow, the distribution in per capita terms across the ZPs is almost uniform. The per capita Central FC flow at JP level is extremely uneven, and at GP level, the average receipt is higher for comparator districts than that of the backward districts. The survey does not show any equity promoting evidence in the central FC fund flows.

#### **7.4 FUND FLOWS FROM STATE GOVERNMENT**

The fund flows from the state government to PRIs take the form of flows under the various state schemes, assigned revenues and grants-in-aid. The assigned revenues primarily comprise assignment of a specific or a predetermined proportion of the principal state tax or the proceeds of a surcharge or cess levied by the state government on its principal tax for the exclusive use of the PRIs on the basis of recommendations of SFC. The assigned revenues are allocated to one or more tiers of panchayats. The grants-in-aid broadly cover establishment costs, honorariums of the elected members, some construction and repairing of panchayat establishments, incentive grants, and grants for specific schemes.

The survey of selected gram panchayats in Orissa revealed that in the year 2005-06 about 98.5 percent in both the comparator and backward districts did not receive any State scheme funds. It is mainly the JPs and ZPs that receive funds under state development schemes that include schemes such as pension, balika samridhi, mid day meal scheme and other smaller schemes such as scholarship and relief funds. The JPs receive highest per capita state transfers followed by the ZPs and the GPs

The JPs and ZPs in backward districts receive higher state scheme funds per capita than those in the comparator districts. However, the per capita devolution and grants from the state government are higher for JPs and ZPs in the comparator districts. For the GPs the per capita state transfers which includes assigned taxes and other grants is higher in comparator districts vis-à-vis those in the backward districts.



## 7.5 OWN REVENUES

This section presents the survey results of own revenue collection by the PRIs. The own revenue data collected from the field survey in the sample backward and comparator district set does not yield a state level average due to the sampling design inherent in the study, which has been discussed in chapter 2 of this report.

Non-tax revenues are the dominant source of own revenues of GPs across the districts contributing about 94 percent of own revenues. Non-tax revenues are derived principally from lease and auction vested properties, property rental, and interest receipts on unspent bank balances. From the survey it was also found that some of the GPs raise non-tax revenues from sources such as fees and fines. On an average the per capita own non-tax revenue raised by the GPs in the comparator districts at Rs.5.78 is marginally higher than that in the backward districts at Rs.5.02.

The statutory tax rights are exclusively vested at the gram panchayat level in Orissa, the levy of which is optional. The number of taxes exploited by the GPs and its contribution to own revenues is not significant. The survey results reveal that only 7 percent of the GPs both in backward and comparator district cluster collect some taxes. The per capita tax raised by the GPs in both the district sets varies in the range of Re.0.27 to Re.0.39. The designation of all taxes as optional in the state does appear to have had an adverse impact on the tax efforts.

The own revenues of the JPs and ZPs in Orissa comprise non-taxes only as these tiers are not assigned with any tax rights. From the survey results it was found that at the JP level the principal contributor to own revenues is the interest receipts. The ZPs in the surveyed districts do not raise any own revenue with the sole exception of Kendrapara, which records some interest receipts from unspent funds under different schemes remaining with the banks and not based on any revenue effort. Interest income from low utilization of CSS funds at the upper two tiers is a matter of concern. This is a result of non-lapsability of these funds and carries an implicit incentive for not spending. Introducing the lapsability clause would act as incentive to encourage higher utilization of these CSS funds meant for developmental activities and poverty alleviation.

Across the three tiers in both the district clusters, the share of own revenue in total funds received is higher for GPs, partly due to receipts of higher central and state scheme funds at middle and district tiers and non-assignment of tax rights to these tiers.

As mentioned the own revenue figures derived from the field survey do not yield state-level averages. However, the per capita own revenues figures from the TFC report for the year 2002-03 falls in the range reported by the survey.

## **7.6 MONITORING AND UTILISATION**

Under the 73<sup>rd</sup> Constitutional amendment, the responsibility of providing for audit of panchayat accounts is assigned squarely to the respective State Legislatures. Accordingly, the conformity Acts in the state of Orissa which is fully compliant with the Constitutional amendment, provide for annual audits by an independent audit organization, the Local Fund Audit under the control of the Finance Department. Such audit, however, will not be affected by any other audit ordered by the Accountant General of the state. Simultaneous test audits are also permissible, under the over-riding powers of the C&AG.

The survey results show that auditing is most delayed at GP level, relative to the higher two tiers. Since the GP is the level at which major schemes like SGRY and NREGS are largely (though not exclusively) targeted and implemented, delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat tardier in the backward districts.

AT ZP and JP level, the utilisation rates of CSS funds are distinctly higher at the ZP level. In this the backward district set show higher utilisation as compared to the comparator district set.

Utilisation of CSS funds at GP level is confined to the SGRY scheme alone because of its universal coverage. About 65-75 percent of GPs have reported an utilisation rate of 80 percent or more in this. Utilisation of SGRY funds was some

what higher for GPs in the backward district in the state compared to those in the comparator districts.

In Orissa around two-thirds of record-keepers are GP-appointed and one-third are state appointed. No systematic pattern in the utilisation of SGRY funds was witnessed due to differences between GPs with state-appointed record-keepers, and those where the record-keeper is GP appointed.

Under the SGRY fund, the construction and maintenance of roads and culverts are the dominant choice in Orissa, followed by building construction and construction and maintenance of water works. Tests for gender wise preferences of works done through SGRY funds reveal that the null hypothesis of no gender difference in preferences cannot be rejected in both the district clusters in Orissa.

The utilisation of NREGS funds released up to August 2006 is very high for Orissa at 62.75 percent among all the reporting states. The average utilisation across all the reporting state is 34.1 percent.

Utilisation of the Central Finance Commission funds at GP level indicates higher utilisation by the backward district set than the comparator district set. The survey results reveal non-receipt of FC funds to the extent of 35 percent in backward districts.

A Comparison of the rate of utilisation of state scheme funds across the three tiers of panchayats in the state reveal higher utilisation by the ZPs followed by the JP and GPs. Between classes of districts, there is no difference in utilisation between comparator and backward districts.

### Principal Components Analysis (PCA)

The aim of the method of Principal Components is the construction out of a set of variables,  $X_j$ 's ( $j = 1, 2, \dots, k$ ) of new variables ( $P_i$ ) called the *principal components*, which are linear combination of the  $X$ 's.

$$\begin{aligned} P_1 &= a_{11}X_1 + a_{12}X_2 + \dots + a_{1k}X_k \\ P_2 &= a_{21}X_1 + a_{22}X_2 + \dots + a_{2k}X_k \\ &\cdot \quad \cdot \quad \cdot \quad \cdot \quad \cdot \\ &\cdot \quad \cdot \quad \cdot \quad \cdot \quad \cdot \\ P_k &= a_{k1}X_1 + a_{k2}X_2 + \dots + a_{kk}X_k \end{aligned}$$

The  $a$ 's, called the *loadings*, are chosen so that the constructed principal components satisfy the following two conditions:

- i. the principal components are uncorrelated (i.e., orthogonal), and
- ii. the first principal component  $P_1$  absorbs and accounts for the maximum possible proportion of the total variation in the set of all  $X$ 's, the second principal component absorbs the maximum of the remaining variation in the  $X$ 's (after allowing for the variation accounted for by the first principal component), and so on.

The first step is to get the estimates of the loadings (i.e., the  $a$ 's) which will help transform the  $X$ 's into orthogonal artificial variables called the principal components (for details relating to the estimation of the  $a$ 's and testing of its significance refer to Koutsoyiannis, 1977). Having estimated the  $a$ 's we must finally decide upon some rule of decision, some criterion, on the basis of which to decide how many of the principal components to retain in the analysis.

The maximum number of principal components is equal to the number of  $X$ 's. However, only a small number of  $P$ 's is usually retained in the analysis. There are various criteria which have been suggested while deciding how many principal components to retain in any particular study. The most common are the *Kaiser's criterion*, *Cattell's 'Scree test'*, and the *Bartlett's criterion*. We have, in our analysis, used the *Kaiser's criterion* which suggests that only those principal components having latent root<sup>1</sup> greater than one are considered essential and should be retained for the analysis.

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<sup>1</sup> Also known as the Eigen value. The Eigen vector of a transformation is a vector whose direction is unchanged by that transformation. The factor by which the magnitude is scaled is called the Eigen value (or latent root) of the vector.

## Ranking of Districts in Orissa

| District       | Ranking   |           |           | District          | Ranking   |           |           |
|----------------|-----------|-----------|-----------|-------------------|-----------|-----------|-----------|
|                | PCA       | PCY       | HDI       |                   | PCA       | PCY       | HDI       |
| Angul          | 20        | 2         | 6         | <i>Kandhamal</i>  | <i>25</i> | <i>18</i> | <i>29</i> |
| Balangir       | 14        | 17        | 21        | <i>Kendrapada</i> | <i>5</i>  | <i>25</i> | <i>10</i> |
| Balasore       | 8         | 28        | 18        | Keonjhar          | 17        | 9         | 24        |
| <i>Bargarh</i> | <i>13</i> | <i>15</i> | <i>17</i> | Khurda            | 1         | 3         | 1         |
| Bhadrak        | 2         | 30        | 8         | Koraput           | 26        | 12        | 27        |
| Boudh          | 15        | 22        | 23        | <i>Malkangiri</i> | <i>30</i> | <i>19</i> | <i>30</i> |
| Cuttack        | 7         | 7         | 3         | <i>Mayurbhanj</i> | <i>18</i> | <i>24</i> | <i>9</i>  |
| Deogarh        | 19        | 14        | 5         | Nawarangpur       | 27        | 29        | 26        |
| Dhenkanal      | 10        | 11        | 12        | Nayagarh          | 6         | 23        | 15        |
| Gajpati        | 29        | 8         | 28        | Nuapada           | 16        | 26        | 14        |
| Ganjam         | 11        | 13        | 20        | Puri              | 4         | 16        | 7         |
| Jagatsinghpur  | 9         | 5         | 19        | Rayagada          | 28        | 10        | 25        |
| Jajpur         | 3         | 20        | 22        | Sambalpur         | 23        | 6         | 13        |
| Jharsuguda     | 24        | 1         | 2         | Sonepur           | 12        | 21        | 16        |
| Kalahandi      | 22        | 27        | 11        | Sundargarh        | 21        | 4         | 4         |

## Selected ZPs, JPs and GPs in Orissa

| ZP              | JP                | GP                  |                  |
|-----------------|-------------------|---------------------|------------------|
| 1               | 2                 | 3                   |                  |
| Mayurbhanja (B) | 1. Rairangpur     | 1. Sudarsanpur      | 3. Purunapani    |
|                 |                   | 2. Bhalubasa        |                  |
|                 | 2. Bijatala       | 1. Manikpur         | 3. Bankati       |
|                 |                   | 2. Madheikacha      |                  |
|                 | 3. Tringi         | 1. Naranpur         | 3. Sanbhundu     |
|                 |                   | 2. Tiring           |                  |
|                 | 4. Udala          | 1. Bhimatali        | 3. Patsanipur    |
|                 |                   | 2. Sridanchandrapur |                  |
|                 | 5. Kusumi         | 1. Jhipabandh       | 3. Chuapani      |
|                 |                   | 2. Tolapokhari      |                  |
|                 | 6. Karanjia       | 1. Batpalsa         | 3. Badgaon       |
|                 |                   | 2. Boddeuli         | 4. Kerkapa       |
|                 | 7. Rasagobindapur | 1. Sanmanida        | 3. Badampur      |
|                 |                   | 2. Raghampur        | 4. Jhatiada      |
|                 | 8. Shamakhunta    | 1. Gundihudi        | 3. Balidiha      |
|                 |                   | 2. Rangamatia       | 4. Sindurgoura   |
|                 | 9. Thakurmunda    | 1. Saleibeda        | 3. Padiabeda     |
|                 |                   | 2. Hatigoda         | 4. Champajhar    |
|                 | 10. Bangriposi    | 1. Nafri            | 4. Bhuasuni      |
|                 |                   | 2. Kumbharmundakat  | 5. Budhikhamari  |
|                 |                   | 3. Dhobanisole      |                  |
|                 | 11. Jashipur      | 1. Barheipani       | 4. Beguniya      |
|                 |                   | 2. Pantho           | 5. Chakidi       |
|                 |                   | 3. Manda            | 6. Dhalabani     |
|                 | 12. Badasahi      | 1. Jarkani          | 5. Gudialbandh   |
|                 |                   | 2. Paunsia          | 6. Balabhadrapur |
|                 |                   | 3. Purnaa Ch. Pur   | 7. Bireshwarpur  |
|                 |                   | 4. Khanua           | 8. Durgapur      |

| <b>ZP</b>      | <b>JP</b>       |           | <b>GP</b>       |               |              |
|----------------|-----------------|-----------|-----------------|---------------|--------------|
| <b>1</b>       | <b>2</b>        |           | <b>3</b>        |               |              |
| Malkangiri (C) | 1. Podia        | 1.        | Niliguda        | 3.            | Tandabai     |
|                |                 | 2.        | Bapanpali       |               |              |
|                | 2. Malkangiri   | 1.        | Biralakhamanpur | 3.            | Gongola      |
|                |                 | 2.        | Pandripani      | 4.            | Gaudaguda    |
|                | 3. Kalimela     | 1.        | Populur         | 4.            | Maharajpalli |
|                |                 | 2.        | Bodigeta        | 5.            | Undru Konda  |
| 3.             |                 | Kurmanur  | 6.              | Chitrangpalli |              |
| Kandhamal (B)  | 1. G. Udayagiri | 1.        | Talarimaha      | 3.            | Mallikpadi   |
|                |                 | 2.        | Kalinga         |               |              |
|                | 2. Chakapada    | 1.        | Bapalmendi (B)  | 3.            | Kusumendi    |
|                |                 | 2.        | Bapalmendi (LA) |               |              |
|                | 3. Kotagarh     | 1.        | Parigarh        | 3.            | Madaguda     |
|                |                 | 2.        | Gugusumaha      |               |              |
|                | 4. Tikabali     | 1.        | Beheragaon      | 3.            | Tikabali     |
|                |                 | 2.        | Kainjhar        |               |              |
|                | 5. Baliguda     | 1.        | Madiakia        | 3.            | Landagaon    |
|                |                 | 2.        | Khamankhol      | 4.            | Sudra        |
| Bargarh (C)    | 1. Ambabhona    | 1.        | Kapasira        | 3.            | Bhukta       |
|                |                 | 2.        | Ambabhona       |               |              |
|                | 2. Bhatli       | 1.        | Urduma          | 4.            | Mulbar       |
|                |                 | 2.        | Kharmunda       | 5.            | Kamgaon      |
|                |                 | 3.        | Dumalpali       |               |              |
|                | 3. Rajborasmbar | 1.        | Gyan            | 4.            | Kansar       |
|                |                 | 2.        | Dhaigaon        | 5.            | Sargibahal   |
|                |                 | 3.        | Purena          | 6.            | Palsapali    |
|                | 4. Paikmal      | 1.        | Paikmal         | 4.            | Kansada      |
|                |                 | 2.        | Chhindekela     | 5.            | Mandosil     |
|                |                 | 3.        | Jamseth         | 6.            | Jhitiki      |
|                | 5. Bijepur      | 1.        | Jokhipali       | 5.            | Talpadar     |
|                |                 | 2.        | Saipali         | 6.            | Bhatigaon    |
|                |                 | 3.        | Bairakhpali     | 7.            | Laumunda     |
|                |                 | 4.        | Badbrahmani     |               |              |
|                | 6. Attabira     | 1.        | Chakuli         | 5.            | Kulunda      |
|                |                 | 2.        | Lederpali       | 6.            | Janhapada    |
|                |                 | 3.        | Godbhaga        | 7.            | Jhiliminda   |
| 4.             |                 | Kadobahal |                 |               |              |

| <b>ZP</b>      | <b>JP</b>      | <b>GP</b>   |
|----------------|----------------|---|
| <b>1</b>       | <b>2</b>       | <b>3</b>  |
| Kendrapara (C) | 1. Rajanagar   | 1. Sanabadagopalpur<br>2. Chandibaunsamula  |
|                | 2. Marshaghai  | 1. Beruhan<br>2. Aitipur<br>3. Dasipur  |
|                | 3. Derabish    | 1. Mukundapur<br>2. Chhoti<br>3. Harianka<br>4. Ratadiakhandasah  |
|                | 4. Pattamundai | 1. Dosia<br>2. Khanata<br>3. Badapada<br>4. Damarpur  |
|                |                | 3. Gupti<br>4. Rajanagar<br>4. Bachharai<br>5. Kuhudi<br>6. Garajanga<br>5. Khamala<br>6. Palei<br>7. Chandol<br>5. Oupada<br>6. Srirampur<br>7. Narasinghpur<br>8. Sanjharia |

**Notes:** ZP = Zilla Panchayat, JP = Janpad Panchayat, and GP = Gram Panchayat  
C = Comparator B = Backward



## Annex 4

### Poverty Head Count Ratio at the State Level

(In Percentage)

| Sl. No | States/Union Territories | Rural        |              |              | Urban        |              |              | Combined     |              |              |
|--------|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|        |                          | 1973-74      | 1993-94      | 1999-00      | 1973-74      | 1993-94      | 1999-00      | 1973-74      | 1993-94      | 1999-00      |
| 12     | Madhya Pradesh           | 62.66        | 40.64        | 37.06        | 57.65        | 48.38        | 38.44        | 61.78        | 46.52        | 37.43        |
| 18     | Orissa                   | 67.28        | 49.72        | 48.01        | 55.62        | 41.64        | 42.83        | 66.18        | 48.56        | 47.15        |
| 20     | Rajasthan                | 44.76        | 26.46        | 13.74        | 52.13        | 30.49        | 19.85        | 46.14        | 27.41        | 15.28        |
|        | <b>All India</b>         | <b>56.44</b> | <b>37.27</b> | <b>27.09</b> | <b>49.01</b> | <b>32.36</b> | <b>23.62</b> | <b>54.88</b> | <b>35.97</b> | <b>26.10</b> |

**Source:** Economic Survey, 2002, Ministry of Finance, Government of India.

## Indicators and Scoring Scheme used in 2002 BPL Census

| SI No. | Characteristic   | Scores   |   |  |  |  |
|--------|--|--|---|--|--|--|
|        |  | 0  | 1   | 2  | 3  | 4  |
| 1      | Size Group of Operational holding of land  | Nil  | Less than 1 ha of un-irrigated land (or less than 0.5 ha of irrigated land) | 1 ha - 2 ha of un-irrigated land (or 0.5 - 1 ha of irrigated land)     | 2 ha - 5 ha of un-irrigated land (or 1 - 2.5 ha of irrigated land) | 2.5 ha of irrigated land   |
| 2      | Type of house  | Houseless  | Kutchha   | Semi-pucca   | Pucca  | Urban type   |
| 3      | Average availability of normal wear clothing (per person in prices)  | Less than 2  | 2 or more, but less than 4  | 4 or more, but less than 6   | 6 or more, but less than 10  | 10 or more   |
| 4      | Food security  | Less than 1 square meal per day for major part of the year | 1 square meal per day, but less than 1 square meal throughout the year      | Normally, 1 square meal per day, but 2 square meal throughout the year | 2 square meal per day, with occasional shortage                    | Enough food throughout the year  |
| 5      | Sanitation   | Open defecation  | Group latrine with irregular water supply                                   | Clean group latrine with regular water supply                          | Group latrine with regular supply and regular water supply         | Private latrine  |
| 6      | Ownership of consumer durables: Do you own? -TV, electric fan, kitchen appliances like pressure cooker, radio etc. | Nil  | Any one   | Two items only   | Any three or all items   | All items and/or ownership of any one of the following: - Computer, Telephone, Refrigerator, colour TV, electric kitchen appliances, expensive furniture, LMV/LCV, tractor, mechanized two wheeler/three wheeler, power tiller, combined thresher/harvester (4 wheeled mechanized vehicle) |
| 7      | Literacy status of the highest literate adult  | illiterate   | Upto primary class (Class V)  | Completed secondary Only adult females and child                       | Graduate/Professional Diploma                                      | Post Graduate/Professional Graduate  |
| 8      | Status of household labour force   | Bonded labour  | Female and child labour   | and no labour  | Adult males only   | Others   |
| 9      | Means of livelihood  | Casual labour  | Subsistence cultivation   | Artisan  | Salary   | Others   |
| 10     | Status of children (5-14 years) [any child]  | Not going to school working@                               | to school and working @   | to school and working @  |  | Going to school and not working @  |

|    |                                     |  |                     |                                |  |  |
|----|-------------------------------------|--|---------------------|--------------------------------|--|--|
|    |                                     |  | For                 |                                |  |  |
|    |                                     | For daily con-   | production          | For other                      |  |  |
|    |                                     | sumption purposes  | purpose from        | purpose from                   |  |  |
| 11 | Type of indebtedness                | of from sources  | informal sources    | informal sources               | Borrowing only from institutional Agencies | No indebtedness and possess assets                         |
|    | Reason for migration from household | Casual work  | Seasonal employment | Other forms of livelihood      | Non-migrant                                | Other purposes   |
|    |                                     | Wage employment/TPDS (Targeted Public Distribution System) | Self Employment     | Training and Skill Upgradation | Housing                                    | Loan/Subsidy more than Rs one lakh or no assistance needed |
| 13 | Preference of Assistance            |  |                     |                                |  |  |

**Source:** Ministry of Rural Development, Government of India.

**Notes:** The Total Score of a Household will vary between 0 and 52.

@ Indicates Non-Formal Education.

## State Finance Commission Recommendations and Action Taken Reports

| Areas                 | Issues   | Recommendations  | Action taken   |
|-----------------------|--|--|--|
| <b>First SFC</b>      |  |  |  |
| Assigned taxes        | <i>Cess on land Revenue</i><br>No clarity in rule provisions regarding distribution of cess between GPs and PSs<br>PRIs receive half of the revenues from this cess<br>Due share of PRIs have not been transferred by the Government<br>After 1994-95, full amount to be devolved<br>No Share of ZPs | Past arrears to be paid in five installments<br>Entire cess to be devolved<br>Inter se distribution - GP:PS:ZP = 60:20:20  | Accepted<br>Amendment has not been made to include ZPs as a claimant                                     |
|                       | <i>Profit from Kendu Leaf Trade</i><br>Abnormal delay in finalizing accounts<br>Due share of PRIs have not been transferred by the Government<br>Out of the distributable amount 2% is earmarked for forest department   | The accounts should be finalized within 2 years<br>Arrears to be paid in five installments<br>2% for forest department to be discontinued<br>Inter se distribution- GP:PS:ZP = 72:18:10    | Accepted<br>KL trade act has not been amended to include ZPs as a claimant                               |
|                       | <i>Surcharge on Entertainment Tax</i><br>Surcharge of 25 paise on entertainment tax in local areas is very low   | The rate of surcharge to increase to 50 paise<br>The proceeds should be assigned in favour of GPs on the basis of origin   | Accepted<br>Entertainment Act has not been amended to increase the rate                                  |
|                       | <i>Surcharge on Stamp Duty</i><br>No surcharge in rural areas  | Surcharge should be levied in all areas<br>Uniform rate at 3%<br>Incidental expenses to be fixed at 2%   | Accepted<br>Necessary acts have not been amended   |
| Grants                | There are only specific purpose grants<br>Non-plan grants cover the remuneration<br>Plan grants for construction activities<br>Declining trend in amount of grants to PRI  | Entire untied grants should be placed at the disposal of ZPs for developmental purpose<br>Salary and other staff expenditures transferred to PSs should be treated as devolved grants      | Recommendation regarding untied grant not accepted<br>Recommendations regarding salary expenses accepted |
| New taxes             | Tax assignment is not sufficient   | House tax to be levied by GPs<br>Housing tax should be followed by lighting tax, drainage tax, at the rate of 5% of house tax wherever such services are available                         | Under consideration  |
| Other revenue sources |  | Assignment of revenue from sariat sources<br>Assignment of royalty from minor forest products<br>Creation of assets such - pisciculture to augment revenue<br>Power of no-dues certificate | Accepted<br>Accepted<br>Under consideration<br>Under consideration                                       |
| TFC award             | TFC awarded a total amount of Rs.200.99 crore from 1996-97 to 1999-  | The inter se distribution of TFC award will be based on assigning  | Inter se distribution  |

|                           |   |  |  |
|---------------------------|---|--|--|
|                           | 00 to PRI<br>The first year's distribution of TFC award seems arbitrary<br>The RLBs are not capable to raise the matching contribution to TFC award                   | weightage : area of the district– 50%, rural population – 25%, and lack of rural connectivity – 25%<br>Regarding matching grant – 30% of JRY fund should be treated as matching grant  | accepted<br>Entire matching grant to be borne by government            |
| Concurrent functions      | The local bodies should discharge some concurrent functions in the area of health, education, agriculture, sanitation, social security, public distribution and so on | Government should issue clear direction specifying activities<br>Maintenance of roads<br>Drinking water facilities<br>Entire primary education should be managed by PRI  | Accepted<br>Under consideration<br>Under consideration<br>Not accepted |
| Others                    |   | Creation of data bank<br>Funds should be transferred for training<br>The DRDA should function as secretariat of ZPs<br>Functions like JRY, EAS should be channelised through ZPs<br>Panchayats should explore avenues to raise resource from the existing tax and non-tax sources  | Under consideration<br>Under consideration<br>Accepted<br>Accepted     |
| <b>Second SFC</b>         |   |  |  |
| Functions & functionaries | Devolution of power to PRIs<br>DRDAs  | On the basis of activity mapping functions and functionaries should be placed at the disposal of PRIs.<br><br>Merger of DRDA with ZPs  | ATR not available  |
| New Taxes                 | Own resources of PRIs   | 17 new taxes/cesses identified for the PRIs<br>(i) Panchayat Tax' (ii) Turnover tax on commercial agricultural farms<br>(iii) Livestock registration and development fee<br>(iv) Capital/property transaction fee<br>(v) Population welfare cess,<br>(vi) Pisciculture cess,<br>(vii) cess on industries,<br>(viii) Education, environment and healthcare cess<br>(ix) cess on ports<br>(x) cess on mines<br>(xi) cess on power plants<br>(xii) Parking fees<br>(xiii) License fees from shops<br>(xiv) Toll fees<br>(xv) Local body cess on forest corporation for KL collection<br>(xvi) Pilgrim fee<br>(xvii) Turnover tax on minor forest products |  |
| Other revenue sources     | Other fees  | Markets regulated by committees should be transferred to GPs<br>Sariat sources<br>Fee for birth and death certificates<br>Sharing internal resources by the three tiers  |  |

|                         |                                      |  |
|-------------------------|--------------------------------------|--|
| Devolution of resources | Lack of information on net resources | <p>10% of gross own revenues of 2002-03 to be transferred as devolution and grants to both ULB and RLBs</p> <p>10 % of average of 1999-00 to 2001-02 own tax revenues to be given as devolution</p> <p>Devolution linked to the specific purpose</p> <p>Skill development at grass root level</p> <p>Data Bank</p> <p>Disaster relief and management</p> <p>Strengthening functional literacy – in Primary &amp; Secondary school</p> <p>Primary schools – GPs: funds on the basis no. of schools</p> <p>Secondary schools – ZPs: Funds on the basis of no. of schools</p> <p>Health care – Mobile health units: PSs</p> <p>Drinking water : ZPs</p> <p>Watershed development and management: PSs, GP to monitor</p> <p>Women literacy in tribal areas: PSs</p> <p>Infrastructure for new GPs</p> <p>Boats for riverine GPs</p> <p>Library, reading room: Pss</p> <p>Incentives for performing GPs</p> <p>Untied fund to the PRIs – developmental activities: ZP:PS:GP – 50:30:20</p> <p>Similarly the grants are also distributed on the basis of defined functions</p> <p>Accounts and Audit</p> <p>Outsourcing of maintenance of accounts of the GPs</p> <p>Control and supervision over maintenance of accounts</p> <p>Computer compatible formats and networking</p> <p>Separation of audit functions</p> <p>Audit of accounts through outside agencies</p> <p>Quality improvement of audit and post-audit follow-up action</p> <p>Pre-audit and concurrent audit of accounts of PSs</p> <p>A forestation and plantation</p> <p>Herbal and medicinal plants</p> <p>Welfare of the physically and mentally retarded</p> <p>Employment Guarantee Scheme</p> |
| Others                  |                                      | <p>The synchronization of recommendations of SFC and national finance commission</p> <p>Placement of the report of the SFC along with ATR</p>  |

**Functional Devolution in Orissa**  
**Devolution of Power in Orissa as per the 2003 Scheme**

**Instruction by Chief Secretary in 2003 and further circulars by various departments regarding devolution of power:**

1. 21 subjects of 11 departments have been transferred to Panchayati Raj Institutions.
2. District level officers, block level officers and village level functionaries will **remain accountable** to respective levels of PRI for implementation of subject/schemes transferred to PRIs but they will continue as the employees of their respective Departments.
3. The district level, block level and gram panchayat level functionaries of different departments will attend the meeting of zilla parishad, panchayat samiti and gram panchayat respectively.
4. They shall place plan and schemes for discussion and approval in the meeting of the respective level of PRIs.
5. The President, Zilla Parishad, Chairman, Panchayat Samiti and Sarapanch of Grama Panchayat can supervise the work and function of government functionaries at respective level.
6. They can call for information and report from time to time.
7. They can submit proposal to appropriate level about indiscipline, irregularities and other shortcomings.
8. Heads of PRI have been delegated with the power to **sanction casual leave** of head of office/ institution of 11 Departments working at the respective level.

### Functions and Functionaries Devolved to the PRIs in Orissa

| Sl. No. | Name of Department<br>Subjects Transferred   | Designation of<br>functionaries who will be<br>accountable to PRIs  | Sanction of casual<br>leave  | Transfer  |
|---------|--|---|--|---|
| 1       | 2  | 3   | 4  | 5   |
| 1       | Agriculture<br>Department<br>1) Kharif, Rabi<br>2) Soil conservation,<br>horticulture<br>3) Water shed | I. District Agriculture<br>Officer<br>II. District Soil<br>Conservation Officer<br>III. District Horticulture<br>Officer<br>IV. Junior Agriculture<br>Officer<br>V. VAW | President Zilla Parisad<br><br><br><br><br>Chairman, Panchayati<br>Samiti  | --<br><br><br><br><br>--  |
| 2       | Co-operation<br>Department Credit<br>Plan  | Dy. Registrar<br>Asst. Registrar of Co-<br>operative Societies<br>Inspector of Co-operative<br>Societies  | President, Zilla Parisad<br><br>Chairman, Panchayat<br>Samiti  |   |
| 3       | School & Mass<br>Education Deptt.<br>4) Primary<br>Education<br>5) Non-Formal Edn<br>and Adult Edn.    | C.I./D.I. of School<br><br>Sub-Inspector of Schools<br>Primary School Teachers  | President Zilla Parisad<br>Chairman, PS<br>Sarpanch  | --<br><br>--<br><br>A Committee comprising<br>of Chairman, BDO and<br>DI of School will make<br>transfer of primary school<br>teachers within the<br>Panchayat Samiti and<br>limits of educational<br>district. Recommendation<br>of the Sarpanchs will be<br>given due weightage for<br>transfer within the<br>Panchayat Samiti.<br>If it is considered to<br>transfer a teacher from<br>one Panchayat Samiti to<br>another, the above<br>mentioned committee will<br>recommend the same to<br>the Zilla Parisad. A<br>committee comprising of<br>President, Zilla Parisad,<br>executive Officer, Zilla<br>Parisad & D.I of schools /<br>C.I. of schools will take<br>decision regarding Inter-<br>block transfer of primary<br>school teachers within<br>educational districts. |
| 4       | Food Supplies & C.W.<br>Deptt.<br>6) Public Distribution<br>System                                     | Civil Supplies Officer<br><br>Inspector of Civil Supplies<br>marketing Inspector  | President Zilla Parisad<br>Chairman, PS where in<br>charge of one Block<br>and President, ZP<br>where in charge of two<br>Blocks |   |



|    |   |  |  |                |
|----|---|--|--|----------------|
| 5  | ST & SC Dev. Deptt<br>7) Primary Edn.   | District welfare Officer<br>Welfare Extension officer<br>Teachers of Sevashram   | President Zilla Parisad<br>Chairman, PS where in<br>charge of one Block<br>and President, ZP<br>where in charge of two<br>Blocks<br>--   | --             |
| 6  | H & F.W. Deptt.<br>8) Health<br>9) Family welfare<br>Scheme   | Chief District Medical<br>Officer<br>Medical Officer in charge of<br>PHC/Hospitals<br>Village level Health Workers<br>/ANMs  | President, Zilla Parisad<br>Chairman Panchayat<br>Samiti<br>Sarpanch or naib<br>sarpanch whoever is a<br>women   | --<br>--<br>-- |
| 7  | W & C.D Deptt.<br>10) social Security<br>Schemes /Mid-day<br>Meal Programme   | District Social Welfare<br>Officer<br>CDPO, ICDS /Social<br>Education Organiser<br>Anganwadi Workers   | President Zilla Parisad<br>Chairman<br>/ViceChairman,<br>whosoever is a women<br>Sarpanch will report<br>attendance of<br>Livestock Inspector to<br>Chairman and<br>Veterinary assistant<br>Surgeon  | --<br>--<br>-- |
| 8  | F & A.R.D. Deptt.<br>11) Dairy<br>12) Fishery   | District Fisheries Officer<br>Asst. Director, Fisheries<br>Chief District Veterinary<br>Officer<br>Veterinary Asst. Surgeon<br>Live Stockman   | President Zilla Parisad<br>President Zilla Parisad<br>Chairman Panchayat<br>Samiti<br>Sarpanch will Report<br>attendance of Live<br>Stock Inspector to<br>Chairman &<br>Veterinary Asst.<br>Surgeon. | --<br>--<br>-- |
| 9  | R.D. Deptt.<br>13) Drinking Water &<br>Sanitation   | Executive Engineer RWSS<br>Jr. Engineer, RWSS  | President Zilla Parisad<br>Chairman, PS  | --             |
| 10 | P.R. Deptt.<br>14) Poverty<br>Alleviation,<br>15) Road, Culvert.<br>Bridges and Ferries<br>16) Minor forest<br>produce<br>17) Rural Housing<br>18) Markets<br>19) Non-Conventional<br>Energy<br>20) Maintenance of<br>Community assets. | Block Development officer,<br>Addl. Block Development<br>officer, Gram Panchayat<br>Extension officer / Progress<br>Assistant / assistant Engineer<br>/ Junior Engineer / Village<br>level workers | Chairman Panchayat<br>Samiti   | --             |
| 11 | Water Resources<br>21) minor irrigation<br>upto 100 acres   | Executive Engineer<br>Asst. Engineer<br>Junior Engineer  | President, Zilla Parisad   | --             |

**Fund Flows to PRIs through Eight Centrally Sponsored Schemes (Rs. Crore)**

|  | <b>Orissa</b>     | <b>All India</b>   |
|--|-------------------|--------------------|
| <i>Sampoorna Grameen Rozgar Yojana (SGRY)</i>              |                   |                    |
| 2004-05  | 269.40<br>(0.45)  | 4490.77<br>(0.14)  |
| 2005-06  | 304.92<br>(0.48)  | 4391.24<br>(0.11)  |
| <i>Swarnjayanti Gram Swarozgar Yojana (SGSY)#</i>          |                   |                    |
| 2004-05  | 58.66<br>(0.10)   | 898.73<br>(0.03)   |
| 2005-06  | 52.50<br>(0.08)   | 710.12<br>(0.02)   |
| <i>National Food For Work Programme (NFFWP)</i>            |                   |                    |
| 2004-05  | 222.84<br>(0.38)  | 2019.45<br>(0.06)  |
| 2005-06  | 432.21<br>(0.68)  | 2158.28<br>(0.06)  |
| <i>National Rural Employment Guarantee Scheme (NREGS)*</i> |                   |                    |
| 2004-05  | 0.00<br>(0.00)    | 1.00<br>(0.00)     |
| 2005-06  | 73.85<br>(0.12)   | 2292.57<br>(0.06)  |
| <i>Indira Awaas Yojana (IAY)</i>                           |                   |                    |
| 2004-05  | 139.55<br>(0.24)  | 2878.25<br>(0.09)  |
| 2005-06  | 150.48<br>(0.24)  | 2737.64<br>(0.07)  |
| <i>Integrated Waste Land Development Programme (IWDP)</i>  |                   |                    |
| 2004-05  | 14.57<br>(0.02)   | 334.42<br>(0.01)   |
| 2005-06  | 19.92<br>(0.03)   | 381.40<br>(0.01)   |
| <i>Drought Prone Areas Programme (DPAP)</i>                |                   |                    |
| 2004-05  | 11.41<br>(0.02)   | 300.18<br>(0.01)   |
| 2005-06  | 19.29<br>(0.03)   | 310.93<br>(0.01)   |
| <i>Desert Development Programme (DPP)</i>                  |                   |                    |
| 2004-05  | 0.00<br>(0.00)    | 215.19<br>(0.01)   |
| 2005-06  | 0.00<br>(0.00)    | 230.55<br>(0.01)   |
| <b>Total</b>   |                   |                    |
| 2004-05  | 716.43<br>(1.21)  | 11136.99<br>(0.36) |
| 2005-06  | 1053.17<br>(1.66) | 13212.74<br>(0.34) |

**Source:** Annual Report, various years, Ministry of Rural Development, Government of India. GSDP as released by CSO on 21.07.2006

**Notes:** # SGSY- 2005-06 central releases are as on 5.01.2006.

\* Funds released for preparation of NREGA from 2<sup>nd</sup> February to March 2006. The total amount released for all the states was Rs. 2292.57 crore. Figures in parenthesis refer to percent to GSDP.

**Frequency Distribution of ZPs, JPs and GPs in Orissa by Number and Type of Central Schemes Received**

| No. of Schemes | Comparator      |          |          |           |           |       |          |                |          |      |           |          |           |           | Cumulative %age |
|----------------|-----------------|----------|----------|-----------|-----------|-------|----------|----------------|----------|------|-----------|----------|-----------|-----------|-----------------|
|                | Central schemes |          |          |           |           |       |          |                |          |      |           |          |           |           |                 |
|                | ARWSP           | CRSP     | DPAP     | IAY       | NFFWP     | NREGA | MP Funds | Pension Scheme | PMGSY    | RSVY | SGRY      | SGSY     | Others    | Total     |                 |
| <b>ZPs</b>     |                 |          |          |           |           |       |          |                |          |      |           |          |           |           |                 |
| 6              | 0               | 2        | 1        | 2         | 1         |       |          |                | 0        |      | 2         | 2        | 2         | 2         | 66.67           |
| 7              | 0               | 0        | 0        | 0         | 0         |       |          |                | 0        |      | 0         | 0        | 0         | 0         | 66.67           |
| 8              | 1               | 1        | 1        | 1         | 0         |       |          |                | 1        |      | 1         | 1        | 1         | 1         | 100.00          |
| <b>Total</b>   | <b>1</b>        | <b>3</b> | <b>2</b> | <b>3</b>  | <b>1</b>  |       |          |                | <b>1</b> |      | <b>3</b>  | <b>3</b> | <b>3</b>  | <b>3</b>  |                 |
| <b>JPs</b>     |                 |          |          |           |           |       |          |                |          |      |           |          |           |           |                 |
| 3              |                 |          | 0        | 2         | 0         |       |          |                |          |      | 2         | 0        | 2         | 2         | 15.38           |
| 4              |                 |          | 1        | 8         | 0         |       |          |                |          |      | 8         | 7        | 8         | 8         | 76.92           |
| 5              |                 |          | 1        | 3         | 3         |       |          |                |          |      | 3         | 2        | 3         | 3         | 100.00          |
| 6              |                 |          | 0        | 0         | 0         |       |          |                |          |      | 0         | 0        | 0         | 0         |                 |
| <b>Total</b>   |                 |          | <b>2</b> | <b>13</b> | <b>3</b>  |       |          |                |          |      | <b>13</b> | <b>9</b> | <b>13</b> | <b>13</b> |                 |
| <b>GPs</b>     |                 |          |          |           |           |       |          |                |          |      |           |          |           |           |                 |
| 1              |                 |          |          | 0         | 0         |       |          |                |          |      | 26        |          | 0         | 26        | 36.11           |
| 2              |                 |          |          | 32        | 2         |       |          |                |          |      | 35        |          | 1         | 35        | 84.72           |
| 3              |                 |          |          | 11        | 10        |       |          |                |          |      | 11        |          | 1         | 11        | 100.00          |
| <b>Total</b>   |                 |          |          | <b>43</b> | <b>12</b> |       |          |                |          |      | <b>72</b> |          | <b>2</b>  | <b>72</b> |                 |

## Frequency Distribution of ZPs, JPs and GPs in Orissa by Number and Type of Central Schemes Received

| No. of Schemes | Backward        |          |          |           |           |           |          |                |          |          |           |           |           | Total     | Cumulative %age |
|----------------|-----------------|----------|----------|-----------|-----------|-----------|----------|----------------|----------|----------|-----------|-----------|-----------|-----------|-----------------|
|                | Central schemes |          |          |           |           |           |          |                |          |          |           |           |           |           |                 |
|                | ARWSP           | CRSP     | DPAP     | IAY       | NFFWP     | NREGA     | MP Funds | Pension Scheme | PMGSY    | RSVY     | SGRY      | SGSY      | Others    |           |                 |
| <b>ZPs</b>     |                 |          |          |           |           |           |          |                |          |          |           |           |           |           |                 |
| 7              | 0               | 0        | 1        | 1         | 1         |           |          |                |          | 1        | 1         | 1         | 1         | 1         | 50.00           |
| 8              | 1               | 1        | 0        | 1         | 1         |           |          |                |          | 1        | 1         | 1         | 1         | 1         | 100.00          |
| <b>Total</b>   | <b>1</b>        | <b>1</b> | <b>1</b> | <b>2</b>  | <b>2</b>  |           |          |                |          | <b>2</b> | <b>2</b>  | <b>2</b>  | <b>2</b>  | <b>2</b>  |                 |
| <b>JPs</b>     |                 |          |          |           |           |           |          |                |          |          |           |           |           |           |                 |
| 4              |                 |          | 0        | 3         | 4         |           |          |                | 0        | 1        | 4         | 0         | 4         | 4         | 23.53           |
| 5              |                 |          | 0        | 7         | 7         |           |          |                | 0        | 1        | 7         | 6         | 7         | 7         | 64.71           |
| 6              |                 |          | 0        | 4         | 4         |           |          |                | 0        | 4        | 4         | 4         | 4         | 4         | 88.24           |
| 7              |                 |          | 1        | 2         | 2         |           |          |                | 2        | 2        | 2         | 1         | 2         | 2         | 100.00          |
| <b>Total</b>   |                 |          | <b>1</b> | <b>16</b> | <b>17</b> |           |          |                | <b>2</b> | <b>8</b> | <b>17</b> | <b>11</b> | <b>17</b> | <b>17</b> |                 |
| <b>GPs</b>     |                 |          |          |           |           |           |          |                |          |          |           |           |           |           |                 |
| 1              |                 |          |          | 0         | 0         | 0         |          | 0              |          |          | 36        |           | 0         | 36        | 54.55           |
| 2              |                 |          |          | 16        | 1         | 0         |          | 0              |          |          | 17        |           | 0         | 17        | 80.30           |
| 3              |                 |          |          | 1         | 11        | 9         |          | 1              |          |          | 11        |           | 0         | 11        | 96.97           |
| 4              |                 |          |          | 2         | 2         | 2         |          | 0              |          |          | 2         |           | 0         | 2         | 100.00          |
| <b>Total</b>   |                 |          |          | <b>19</b> | <b>14</b> | <b>11</b> |          | <b>1</b>       |          |          | <b>66</b> |           | <b>0</b>  | <b>66</b> |                 |