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## FINANCE DEPARTMENT

### NOTIFICATION

The 10th September 2008

**S.R.O. No. 462/2008**— In pursuance of article 243-I of the Constitution of India read with sections 3 and 8 of the Orissa Finance Commission (Miscellaneous Provisions) Act, 1993 (Orissa Act 28 of 1993) the Governor of Orissa do hereby constitute a Finance Commission consisting of Prof. Sudhakar Panda, Former Professor, Applied Economics, Utkal University as the Chairman and the following other members, namely:—

- |   |  |    |                  |
|---|--|----|------------------|
| 1 | Shri Swapneswar Baya, IAS (Retired)<br>Plot No. S-28, Maitree Vihar, Phase-II,<br>Chandrasekharapur, Bhubaneswar | .. | Member           |
| 2 | Shri Bijaya Kumar Mohanty,<br>At/P.O.: -Bhatpura, Via:- Jamankira,<br>Dist:-Sambalpur                            | .. | Member           |
| 3 | Shri Durga Prasad Dash, IAS<br>Special Secretary to Government,<br>Finance Department.                           | .. | Member-Secretary |

2. The Chairman and other Members of the Commission including Member-Secretary shall hold office from the date on which they, respectively, assume office up to 31st December, 2008.

3. The Chairman and the other Members (except the Member-Secretary) shall render part time service to the Commission. The Member-Secretary shall render whole time service to the Commission in addition to his own duty.

4. The Commission shall make recommendations relating to the following matters:—

(i) The Principles which should govern –

- (a) the distribution between State and Panchayati Raj Institutions and the Municipalities of the net proceeds of taxes, duties, tolls

and fees leviable by the State which may be divided amongst them under Part-IX and Part-IXA of the Constitution and the allocation between the Panchayats at all levels and the Municipalities of their respective shares of such proceeds;

(b) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by Grama Panchayats, Panchayat Samities and Zilla Parishads or, as the case may be, Municipalities; and

(c) the Grants-in-aid to the Grama Panchayats, Panchayat Samities, Zilla Parishads or, as the case may be, Municipalities from the Consolidated Fund of the State;

(ii) the measures needed to improve the financial position of the Grama Panchayats, Panchayat Samities, Zilla Parishads and Municipalities;

(iii) any other matters, which the Governor may refer to the Commission in the interest of sound finance of Grama Panchayats, Panchayat Samities, Zilla Parishads and Municipalities.

**5.** In making its recommendations, the Commission shall have regard, among other considerations, to –

(a) the revenue proceeds of the State Government and the demands thereon, on account of expenditure on Civil Administration, Police and Judicial Administration, Education, Maintenance of Capital assets, Social Welfare, Debt Servicing and other committed expenditures and liabilities;

(b) the functions and liabilities of Panchayati Raj Institutions and Municipalities in respect of discharging and implementing the schemes entrusted to them under articles 243G and 243W of the Constitution;

(c) the revenue resources of Panchayati Raj Institutions and Municipalities at all levels of five years, commencing from 1st April, 2010 on the basis of levels of taxation reached in 2006-07, target set for additional resource mobilization and potential for mobilizing additional resources;

(d) the scope for better fiscal management consistent with the need for speed, efficiency and cost effectiveness of delivery of services; and

(e) the need for providing adequate incentive for better resource mobilization as well as closely linking expenditure and revenue raising decisions.

6. The report of the Commission shall contain specific chapters, narrating –
- (i) the approach adopted by it;
  - (ii) an analysis of the resources of the State Government; and
  - (iii) an analysis of the resources of Panchayats at each level and also Municipalities at each level,
  - (iv) an estimation and analysis of the finances of the State Government as well as the Panchayati Raj Institutions and Municipalities at the pre and post transfer stages along with a quantification of the revenues that could be generated additionally by the Panchayati Raj Institutions and Municipalities by adopting the measures recommended therein.
7. For the purpose of assessment of supplementing the resources of the Panchayats and Municipalities by the Central Finance Commission, the Commission shall –
- (i) follow a normative approach in the assessment of revenues and expenditure rather than make forecasts based on historical trends;
  - (ii) take into account *per capita* norms for revenue generation, the data relating to the tax bases and avenues for raising non-tax income by the Municipalities and the Panchayats, assuming reasonable buoyancies and the scope for additional resource mobilization; and
  - (iii) take into account *per capita* expenditure norms on the basis of the average expenditure incurred by some of the best performing Municipalities and Panchayats in the provision of core services.
8. The Commission shall also review the implementation of the recommendations of the Second State Finance Commission.
9. On the matters aforesaid, the Commission shall make its report by 31st December, 2008 covering a period of five years commencing from 1st day of April, 2010.
10. The Commission shall indicate the basis on which it has arrived at its findings.

[No. 41424-BT-VI (SFC)-1/2007/F.]

By order of the Governor

R. N. SENAPATI

Principal Secretary to Government