CONFIDENTIAL

GOVERNMENT OF CHHATTISGARH

FINANCE DEPARTMENT

MEMORANDUM

SUBMITTED TO THE

THIRTEENTH FINANCE COMMISSION

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CHHATTISGARH AT A GLANCE

1	Area	1,35,191 Sq Km(10th Rank)
2	Population	2,07,96,956(17th Rank)
3	Population density	154(20th Rank)
4	Districts	18
5	Development Blocks	146
6	Tribal Development Blocks	85
7	No. of Villages	20,279
8	Municipal Corporations	10
9	Municipalities	28
10	Nagar Panchayats	124
11	GSDP (2006-07 P) @ 1999-2000 Constant Prices	41,50,584 Lakhs
12	Per capita income On GSDP (2006-07q)	17,968(1999-2000 Constant Price)
13	Net cropped area	47.7 Lakh Hect
14	Rice productivity	1,337 kg/ Hect
15	Fertilizer consumption	88 Kg/ Hect
16	Irrigated area % of net cropped area	28%
17	Installed capacity (power)	1,673 Mw
18	Literacy	64.7%

CHAPTER-1

General Introduction

1.01. The region, now comprising the State of Chhattisgarh was called Dakshin Kaushal in ancient times. Many ancient sites strewn across the State proclaim the civilizational advancement of the region from ancient times. However, the expression Chhattisgarh' is not of old coinage. It first finds mention in the records of Marathas who ruled this region in the second half of the 18th century from their seat of power at Nagpur. At the time of independence, a part of Chhattisgarh was under Central province and the rest was under 13 princely States. From 1956 to 2000, this region formed part of Madhya Pradesh. With the passing of Madhya Pradesh reorgansation Act, 2000 a new political entity in the name of Chhattisgarh came into being w.e.f. 1st Nov 2000.

1.02. Northwestern part of Chhattisgarh is covered by Maikal range, an offshoot of Satpura hills. To the north, the plains rise to Chottanagpur plateau. Middle portion of Chhattisgarh is plains. The Mahanadi river, originating in Sihava hills drains the central plains before entering Orissa and falling in Bay of Bengal. In the south the plains rise to Bastar plateau. The plateau is drained by Indravati river, which originating in Orissa and flowing westerly, bisects the plateau before taking turn in southernly direction for meeting Godavari.

1.03. As per the report of last census, the population of Chhattisgarh is 2.07 Crores. The density of population is 154 persons per square kilometers. Annual exponential rate of growth of population is 1.66 percent which is lower than the all India growth rate of 1.93 percent. **Population profile of the State**

has many unique features. It has very high percentage of the Schedule tribe population, which constitutes 32.5 percent of State's population. The Schedule castes population is 12.5 percent of the population. The sexratio is 989 per thousand male population. It is third highest after Kerela and Pondicherry.

1.04. GSDP profile of a State is reflection on the state of its economy. The GSDP profile in terms of primary, secondary and tertiary sectors and sub-sectors below them, may be seen below.

***Chhattisgarh: GSDP Profile (At 1999-2000 Constant Prices)**

In lakhs

Sector	**2003-04**	**2004-05**	**2005-06**	**2006-07(P)**
Agriculture(Incl anim husbandry)	7,06,048	5,66,370	7,68,120	8,11,660
Forestry & lodging	64,814	60,940	53,854	54,416
Fishing	41,110	44,449	48,773	50,995
Mining & quarrying	4,52,018	5,12,365	5,65,737	5,92,327
SUB-TOTAL(PRIMARY SECTOR)	**12,63,990**	**11,84,124**	**14,36,483**	**15,09,398**
Manufacturing	5,65,416	7,15,377	5,91,247	7,09,926
Manufacturing (Registered)	4,74,367	6,21,352	4,89,575	5,93,894
Manufacturing (unregistered)	91,049	94,025	1,01,672	1,16,032
Construction	1,53,950	1,55,089	1,94,746	1,97,460
Electric gas and water supply	1,16,770	1,32,868	1,36,055	1,35,270
SUB-TOTAL(SECONDARY SECTOR)	**8,36,136**	**10,03,334**	**9,22,047**	**10,42,656**
Transport,storage& communication	1,97,322	2,28,148	2,54,892	2,87,972

Railway	44,252	53,262	57,984	63,208
Transport	95,423	1,09,048	1,20,009	1,34,798
Storage	2,769	2,359	2,219	2,348
Communication	54,879	63,479	74,681	87,618
Trade, hotel & restaurant	3,81,315	4,05,345	4,30,061	4,58,501
Bank-insurance & real estate	2,81,764	2,93,298	3,11,261	3,42,682
Banking & insurance	86,873	88,703	96,896	1,18,221
Real estate & ownership of dwelling	1,94,891	2,04,595	2,14,365	2,24,461
Community and personal services Public administration	4,46,431 1,26,492	4,79,732 1,33,330	4,88,633 1,47,608	5,09,374 1,40,993
Other services	3,19,939	3,46,401	3,41,025	3,68,381
SUB-TOTAL(TERTIARY SECTOR)	**13,06,832**	**14,06,523**	**14,84,847**	**15,98,530**
Grand total (a + b +c) GSDP	**34,06,958**	**35,93,982**	**38,43,378**	**41,50,584**
Population (in lakhs)	218	223	227	231
Per capita income (in rupee) on GSDP	15,628	16,117	16,931	17,968
Per capita income (in rupee) on NSDP	13661	14076	14694	15660

* Economic Survey: 2008-09.

1.05. As may be seen in above table, in Chhattisgarh the primary sector provides substantially to the GSDP kitty of the State. In 2006-07 the GSDP (provisional estimates) at constant prices (base year- 1999-2000) was Rs 41, 50,584 lakhs. In this, the share of primary sector was 36.36%. In contrast to this, in GDP at the national level, the contribution of primary sector was 20.54%, in the same reference year. The contribution of services sector in GSDP is 38.51%, which leaves secondary sectors contribution to 25.12%.

As far as the profile of work force is concerned, 76% of the work force earns their livelihood from agriculture. While at national level this figure is 57%. As per the provisional GSDP estimates of 2006-07 (at 1999-2000 constant prices), the income from agriculture (including animal husbandry) and fishery was 8,62,655 lakh. Which was 20.78% of the GSDP (41, 50,584 lakhs). It may be noted that although Primary sector's contribution in Chhattisgarh's GSDP is 36.36% but considerable contribution to that comes from mining & quarrying activities. The fact that 76% of the work force is contributing to merely 21% of the GSDP accounts for low income levels of State's population.

1.06. Despite being one among the poor States of the country, it has potential to achieve rapid economic development, as it is richly endowed by nature in terms of natural resources such as minerals, forest, water and good agriculture soil. In fact, since its constitution as a new State, the region has shown rapid economic development. That may be seen below in GSDP figures of the State since the year 2000.

At constant (1999-2000) prices

Year	**GSDP (In lakh)**
1999 - 00	27,24,871
2000- 01	25,84,036
2001-02	29,25,046
2002-03	29,23,342
2003-04	34,06,958
2004-05	35,93,982
2005-06	38,43,378
2006-07(p)	41,50,584

From 1999-00 to 2007-08, the GSDP has shown a compound annual growth rate of 6.70%. The per capita income during the same period has risen from 13,292 to 20,400 at (1999-00) constant prices, showing an increase of 53.47%.

1.07. In Chhattisgarh, the net sown area is 47.70 lakh Hect. Of this only 28 % is irrigated. The rest is dependent on rains. Dependence on rains is reflected in the area sown under Kharif and Rabi crops these, being 47.69 lakh Hect and 17.83 lakh Hect. Among Kharif, paddy is main crop its sown area is 37.30 lakh Hect. There are 32.5 lakh holdings in the State. The average size of holding is 1.60 hectares. It is above the national average of 1.32 Hect. The productivity of rice at 1,476 kg/ Hect is below the national average of 2,619 Kg/ Hect. Nevertheless, Chhattisgarh is a rice surplus State and in terms of paddy procurement, with Punjab and Andhra Pradesh, it is among top three States.

1.08. On an average annually, the State receives 1400 mm of rain fall. It is estimated that there is an availability of 59,900 million cubic meter of surface water. Keeping in mind the requirement of riparian States, the State is entitled to use 41,719 mill cubic meter of surface water. However presently the State is able to utilize only 13,200 million cubic meter, which leaves scope for bringing more area under irrigation coverage. The soil structure of Chhattisgarh is highly porous. Due to this, the rainwater percolates very fast. Which effects the recharging of ground water. The runoff of the rainwater is also very fast due to plateau type geographical topography of Chhattisgarh. Since surface water is not fully utilized, any fluctuation in the rainfall, creates distress situation in the State. There has been an attempt towards diversification of agriculture in recent years but with annual precipitation of around 1,400 ml, paddy is the only major crop, which can be sustained during the kharif season. There is also a broad scope for diversification of upland paddy by Maize, Minor Millets and Kharif Pulses.

1.09. The State is richly endowed by nature in terms of forest coverage. The 44 per cent of the total area of the State is under forests. Reserved and protected forests constitute 40.22 percent of the total forest area, the remaining area is recorded as unclassified forest. The State Government is expected to keep the forest coverage at this level on account of the ecological services which they provide not only to the people in the State but also to national and international communities in terms of carbon storage, pollution control, biodiversity, recreational and spiritual values. In forest coverage, the State is made to hold a stick which is burning at both ends. On one side, it has to spend resources on the maintenance of forests and on the other end it is denied the right to bring the forest areas under other economic activities which would have led to development of the economy and increased revenue generation in the State. The cost of maintenance of forest is very high, if we keep in mind that forest covered areas have rich deposits of minerals which otherwise would have been developed industrially but for preservation of forests for larger good of the society. In other words, the State is bearing in disproportionate manner the cost of public good in which entire national community is stakeholder.

1.10. People of Chhattisgarh State are docile by nature and the State is known for its peaceful industrial and labour climate. Law & Order situation of the State has been extremely good. However, left wing naxal extremism (*LWE*) has become a major impediment to the growth of the State. *LWE* entered the State in 1980s from adjoining areas of Andra Pradesh and Jharkand and at present 12 police districts out of 20 are affected by this problem. State Government, after the formation of the State, has made serious and sincere efforts to contain this menace. Budgetary allocation for Police Department has increased from Rs. 248 crore in 2001-2002 to Rs. 942 crore in 2009-2010. Similarly, total strength of police has also been increased from 26,557 in 2003 to 45,425 in 2008. State Government in its efforts is getting genuine co-operation from the people of the affected areas.

1.11. Manufacturing sector contributes roughly 27% to the State's GSDP, which is more than the national average. Two large scale central public sector undertakings-Bharat Aluminium Company (BALCO) since privatised, and Bhilai Steel Plant are based on locally available mineral resources. There are 30 large and medium scale industrial units in the State. The numbers of small scale units in the State are 1,400. The industries are mainly concentrated in Durg and Raipur districts. In recent years, some major industries have come up in Raigarh distt also. Industries in Chhattisgarh are mainly in cement and iron & steel sectors. Most district of the State-Korea, Surguja, Jashpur, Dakshin Bastar Dantwada, Uttar Bastar Kanker, Bastar, Kabirdham, Janjgir-champa, Mahasamund hardly have any industrial units except rice milling and wood cutting.

1.12. Since the formation of new State, the State Government is making all out efforts to industrialize the State. It made 'Industrial investment promotion rules-2004'. To attract investment and to streamline the process of Government clearances for setting up industrial units, the Government has set up 'State investment promotion board'. Since its formation, the State has been able to catch attention of the investors, resulting in considerable investment between 2001 and 2008. Within this period, the State Government signed 73 MOUs with interested investors under which Rs 90,819 crores investment was to come in the State. Out of this 16,147 crores' investment has already materialised between the years 2004 and 2007.

1.13. This places Chhattisgarh at 8th place among States, in terms of attraction of investment during the same period The State can become more attractive destination if infrastructure in State in terms of roads and urban facilities could be improved.

1.14. The State is very rich in mineral resources. It has vast reserves of coal, iron ore, bauxite, dolomite, limestone, quartzite, and diamond. It has also reserves of tin, a rare mineral in the country. The iron ore of Bailadila mines in Dantewada district is exported to Japan because of its high ferrous content. It also provides support to Vizaq Steel Plant. The State is the largest producer of Tin and the second largest producer of coal in the country. State ranks third among Indian States in production of Iron Ore, Dolomite and Bauxite. Following is estimated deposits of minerals in Chhattisgarh.

Mineral Deposits in Chhattisgarh

As on 1.04.2005

Name of mineral	**Deposits(Million tones)**	**% of national deposits**
Bauxite	148	4.5
Coal*	41,442	16.36
Dolomite	847	11.24
Iron Ore	2,731	18.67
Lime Stone	9,038	5.15
Quartzite	26	2.27
Tin	32.62	37.69
Diamond	13 Lakh Carats	28.26
marble	83	4.63

* As on 1.1.2006

Source-State Planning Board

1.15. The Constitution of India, under entry 54 of the 7th schedule, confers the authority to regulate mining and mineral developmentin the central Government to the extent that it is declared to be expedient in public interest by a law voted by Parliament. In exercise of this power, the Union Government has enacted 'Mines and Mineral Development and regulation act'. The Union Government under this act, also lays down the rates of royalty to be charged on major minerals. Recently with the adoption of Hoda Committee report on National Mineral Policy, royalties, on ad valorem rates have been fixed for wide spectrum of minerals(replacing the long prevailing practice of specific royalties on volume of production) meeting long pending demand of mineral rich States

1.16. The establishment of mineral-based industries is dependent on the approval of the Union Government for award of mining leases for these minerals.The development of the industry, based on local availability of minerals and other raw materials, is thwarted by the stranglehold of the Union Government in this area. The State has suffered on three counts: firstly, grant of mining leases requires prior approval of the Union Government and therefore it restricts the initiatives of State Government for economic exploitations of its resources, secondly, in terms of loss of revenue from the exploitation of minerals due to non-revision of the rates of royalty in time; and thirdly, establishment of new industrial units based on minerals can generate economic activities leading to enhanced employment and income generation and consequential revenue earnings for Government as well.

1.17. Power is crucial infrastructure requirement for the development. After coming into being, the State Governments have taken right mix of policy decisions and actions. CSEB is one of the few SEBs making profit. Board's installed capacity of power generation is 1,673 MW. In this 1,536 MW is thermal and 137 is hydel. Out of total 19,744 villages in Chhattisgarh, 18,830 (95.62 %) are electrified. In 11th five year, the CSEB will install additional capacity of 5,340 MW. Besides this, 53 private companies have signed MOUs with State Government to install thermal power plants with installed capacity of 41,920 MW. According to the terms of MOU, the 5% the power generated would be given to CSEB at changeable rates. Besides this, the CSEB will be having first right to purchase 30% of the power generated. This can be said with confidence that in terms of power, Chhattisgarh stands in an advantageous position and if infrastructure in terms of road network improves, the State can emerge in a major way a preferred destination of investors.

1.18. The literacy rate has improved in State from 42 per cent in 1991 to 64.7 percent in 2001. While this is no mean achievement, the State ranks rather low at 17th among 28 States in terms of literacy rates and female literacy is still at 51%. Since coming into being, the State has made considerable investment in the education sector to make education accessible to every child. The revenue expenditure in education has gone up from 714 crores in 2002-03 to 1,968 crores in 2007-08. Which shows an increase of 175 % during this period. Per annum growth rate in education is 35%. Consequent to this, presently in the State there are 37,062 primary schools, 15,038 pre middle schools, 1,987 high schools and 2,100 higher secondary schools. In comparison to the year 2001, in these categories, there is an increase of 27%, 144%, 80% and 64%, respectively.

1.19. The coverage in terms of health services is poor which is reflected in vital health statistics given below:-

Indicator	**Chhattisgarh**	**National**
Infant Mortality Rate	59/ thousand(SRS oct.08)	58/thousand
MMR	379/ lakh births	301/ lakh births

% institutional deliveries	18.1 %(DLHS 3)	40.7 %
Child immunization	59.3 %(CES/DLHS 3)	43.5 %
life expectancy(male)	59.19	63.87
life expectancy (female)	58.01	66.91
death rate	7.4(SRS oct.08)	7.6

1.20. There are three medical colleges in the State. Out of these two have come up after the formation of State. Following is the position of Health sevices related establishments in the State

Medical colleges	3
Dental College	6(Pvt-5 & Govt-1)
Civil Hospital	17
Distt Hospital	16
Community health Centres	136
Primary centres	721
Sub health centres	4,741
Civil Dispensary	30
Family welfare centres	18

1.21. After formation of the State, the Government has increased considerably the budget allocation for health services. This has been increased from 242 crores in 2001-02 to 477 crores in 2007-08. It shows an increase of 97% during this duration with annual growth rate of more than 16%. However, despite this PHCs, CHCs and the Subsidiary Health Centres still lack in infrastructure in terms of building medical and para medical personnel and human resource development centre(training). There is also the problem of accessibility with a low level of communication and transport facilities, there has been difficulties in reaching to the rural vulnerable population. As a remedy to this the State is trying its best to reach through this areas through the community health volunteers (Mitanins) under Mitanin Programme through continuous training and drug supplies.

1.22. In terms of economic infrastructure, power, roads, communication and irrigation, the State ranks rather low in all facilities except power. The extent of road network, at 26.18 km per 100 sq. km of area, is well below the national average. The State does not figure in any of the high profile road projects currently being undertaken in the country: the Golden Quadrilateral, the East West Corridor and the North South Corridor. Poor infrastructure in roads is a point of concern because in terms of other vital infrastructure i.e power, the State stands in a comfortable position. If road infrastructure could be improved Chhattisgarh is capable of bringing considerable change in the present State of industrialization.

1.23 Chhattisgarh has small network of railways at 0.77 km per 100 sq. km of area. The basic rail corridor is Mumbai-Howrah, which links the State to two metropolises. Some district headquarters have rail links, but this is specifically due to their being on Bombay Howrah railway line. For the purpose of transporting essential raw material railway lines were laid as in the case of Bai1ladila Vizaq line or Dalli Rajhara. These have neither been intended to nor have been called for the general economic development of the State. The coverage of the State in terms of communication facilities: telephones and postal services too is poor, whether one considers the per capita figures or the per sq. km figures.

1.24. The State does not have any institution of national repute, either in research, training, or education. In contrast to newly established States of Uttranchal and Jharkhand which have national and regional institutions even before their bifurcation from their parent State, Chhattisgarh does not have a single such institution established or financed by the Union Government. Even though a predominantly tribal State, having a tribal population more than that of the entire North-East, it does not have a single institution located in the State to study their problems and develop strategies for their development. The area is rich in forests and has more than 44 per cent of its area under forest cover yet there is no national level research or training institution on forestry. National level institutions act as catalyst in development as they expose the area to outside activities, concepts and world view. Expenditure by the Central Government is one source of demand for goods and services in the economy. However, with negligible presence of the Union Government in Chhattisgarh, this expenditure is minimal. Consequently, there is increased responsibility on the State Government to provide goods and services and ensure means of livelihood for the people in the State.

1.25. The State has also decided not to setup many PSUs which existed in the erstwhile Madhya Pradesh. In respect to the liabilities of these PSUs coming to the share of Chhattisgarh, a decision was taken to payoff these liabilities. As a part of these liabilities, the State got some employees as well. For example, in the case of the Madhya Pradesh State Road Transport Corporation, where 2,100 employees were transferred to the State. While no State Transport Corporation has been set up in the State, these employees were offered VRS. The State incurred an expenditure of Rs 47 crores towards payment of VRS and still holds 1,300 employees on its rolls.

CHAPTER-2

Fiscal Balance and Debt Management

2.01. The 13th Finance Commission is mandated to review the State of the finances of the Union and the States, keeping in view, in particular, the operation of the States debt consideration and relief facility 2005-10 introduced by the Central Government on the basis of the recommendations of the 12th Finance Commission and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth.

2.02. In second half of 1980's and entire decade of 1990's, the State budgets and also Union budgets suffered from fiscal imbalance i.e. high fiscal deficit, high revenue deficits, growing bills of salary, pension, interest payments. It is an elementary and fundamental principle of sound finance that borrowed funds should be used for productive purpose which may generate income in future or in other words the borrowed funds should be used to meet the capital expenditure requirements. Borrowed funds should not be used to meet the requirement of current consumptions. However the rising revenue deficits both at the centre and at State level were indicating that Governments were not adhering to this golden rule.

2.03. Not surprisingly, the successive Finance Commissions have been showing concern over the growing debt and the need to consider the cost of debt, the use and the productivity of the borrowed fund and the arrangements for the amortisation of debt while resorting to borrowing and giving their recommendations to improve the fiscal situation.

2.04. Terms of reference for 12th Finance Commission also reflected concern of the time when finances of State Government were at their nadir thanks to implementation of 5th pay commission report for State Government employees.

2.05. 12th Finance Commission conscious of the paramount importance of fiscal balance and recommended that each State must enact a fiscal responsibility legislation, prescribing specific annual target with a view to eliminating the revenue deficit by 2008-09 and reducing fiscal deficit based on a path for reduction of borrowings and guarantee. The enactment of F.R.B.M was made necessary condition for availing debt relief. The fiscal situation in the country has shown a considerable turn around in the recent years after the fiscal restructuring plan was implemented in 2003-04.

2.06. The 12th Finance Commission had observed that in 2002-03 the aggregate debt-GSDP ratio for all States was 34.21%. All the States except Maharashtra and Jharkhand, had debt-GSDP ratio exceeding 25%. In the context of sustainable levels of debt, the E.F.C had recommended that the proportion of interest payments to revenue receipts, including tax devolution and grants should be reduced to about 18% compared to the then average of 22%. By applying this criteria 12th Finance Commission observed that 17 out of 28 States had unsustainable levels at the end of 2002-03.

Debt GSDP ratio of States in 2002-03	
State	**Debt-GSDP ratio**
Andhra Pradesh	28.85
Bihar	55.33
Chhattisgarh	**25.46**
Goa	28.15
Gujarat	33.93
Haryana	27.85
Jharkhand	24.28

Karnataka	25.12
Kerela	36.34
Madhya Pradesh	32.28
Maharashtra	21.56
Orissa	62.93
Punjab	48.51
Rajasthan	45.38
Tamil Nadu	26.80
Uttar Pradesh	39.08
West Bengal	41.15
Arunachal Pradesh	55.45
Assam	33.91
Himachal Pradesh	63.25
Jammu & Kashmir	53.80
Manipur	43.08
Meghalaya	32.17
Mizoram	81.56
Nagaland	52.10
Sikkim	60.27
Tripura	37.78
Uttaranchal	32.37

2.07. The ministry of finance has noted that instead of the conventional definition of sustainable debt based on Domar principle, the assessment of debt as a percentage of total revenue receipt has been found more appropriate as there is methodological problem in using State GSDP as a denominator. Since there is correspondence between GSDP growth and growth in State's revenues, anchoring of debt as a percentage of total revenue receipt was not in appropriate. The sustainable debt (including guarantees) to TRR ratio has been worked out as 300% for non special Category State and 200 to special category States.

2.08. To ensure debt sustainability, the 12th Finance Commission made following recommendations:-

(1) Each State must enact a fiscal responsibility legislation prescribing specific annual targets with a view to eliminating the revenue deficit by 2008-09.The enactment would be essential pre condition for debt relief.

(2) The central loans to States contracted till 31.03.04 and out standing on 31.03.05 may be consolidated and rescheduled for fresh terms of 20 years. An interest rate of 7.5% be charged on them.

(3) A debt write off scheme linked to the reduction of revenue deficit of States may be introduced. Under the scheme, the repayment due from 2005-06 to 2009-10 on central loans contracted up to 31.03.04 and recommended to be consolidated will be eligible for write off. The quantum of write-off of repayment will be linked to the absolute amount by which the revenue deficit is reduced in each successive year, during the award period. The total amount which would be written off if all State achieve revenue balance by 2008-09 is Rs 32,200 crores.

(4) As to the future landing policy, the Central Government should not act as an intermediary and allow the States to approach market directly. If however some fiscally weak States are unable to raise funds from the market, the centre could borrow for the purpose of lending to such States.

(5) External assistance may be passed on the some terms and conditions as attached to such assistance by external lending agencies.

(6) All States should set up sinking fund for amortisation of all loans, including loans from banks, liabilities on account of N.S.S.F etc. The fund should be maintained outside the consolidated fund of the State and the public account and should not be used for any other purpose except for redemption of loan.

(7) State should set up guarantee redemption fund through earmarked guarantee fees.

2.09. The fiscal situation in the country has shown a considerable turn around in the recent years after the fiscal restructuring plan was implemented in 2003-04. There has been remarkable improvement in reducing fiscal and revenue deficit at both central and State levels. At the central level, fiscal deficit as ratio of GDP declined from 6.2% in 2001-02 to 3.06% in 2007-08 RE and is budgeted to decline to 2.5% in 2008-09. Similarly center's revenue deficit relative to GDP declined from 4.4% in 2001-02 to 1.35% in 2007-08 and to about 1 % in 2008-09(BE). Fiscal condition at the State level has been ever more impressive. The aggregate fiscal deficit of the States relative to GDP declined from 4.2% in 2001-02 to 2.4% in 2007-08 and aggregate revenue deficit declined from 2.6% to a surplus of 0.4% of GDP during the period. Fiscal consolidation at the State level is more than the targets set in the fiscal restructuring plan of the 12th Finance Commission.

Fiscal indicators of Central and State Government (in%)

Year	**State**			**Centre**			**Consolidated**		
	Rev. def.	Prim. def.	Fis. def.	Rev. def.	Prim. def.	Fis. def.	Rev. def.	Prim. def.	Fis. def.
2003-04	2.21	1.49	4.45	3.56	0.00	4.50	5.76	2.05	8.48
2004-05	1.16	0.68	3.49	2.50	-0.10	4.00	3.67	1.36	7.51
2005-06	0.08	0.12	2.52	2.60	0.40	4.10	2.66	0.94	6.71

2006-07	0.03	0.40	2.77	1.90	-0.20	3.40	2.05	0.79	6.41
2007-08	-0.38	0.10	2.40	1.50	-0.20	3.00	1.18	0.11	5.64

2.10. State Government has made sincere and all-out efforts to keep all vital fiscal parameters within limit. The salary, Interest and pension expenditures which used to constitute more than 50% of the total revenue receipt in 2002-03 came down to 34% in the year 2006-07 as may be seen below:-

Salary, Pension and Interest Expenditures

In Crores

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09(RE)
Total Rev.Receipts	5,417.52	5,959.32	7,248.86	8,838.45	11,453.48	13,878	16777.82
Salary(P/NP)	1,840.80	1,937.28	1,949.49	2,126.65	2,308.18	2,726.00	3,891.69
Sal.% to TRR	33.98	32.51	26.89	24.06	20.15	19.64	23.15
Pension	390.57	456.01	534	461.59	624.69	684.50	846.12
Pen.% to TRR	7.21	7.65	7.37	5.22	5.45	4.93	5.04
Interest payment	809.86	1,053.8	1,151.91	961.54	1,025.53	1,140.17	1,093.61
Int.Pay.% to TRR	14.95	17.68	15.89	10.88	8.95	8.21	6.51
Total(sal +int.pay+ pen)% to TRR	56.14	57.84	50.15	40.16	34.56	32.79	34.75

2.11. The State Government has introduced a major change in the pension benefits for new recruits. The erstwhile-defined benefit pension scheme, has been replaced by contributory pension scheme w.e.f November,

2004. As on the date 38,590 new recruits, who joined service after November, 2004 have become member of C.P.F. The corpus of pension fund presently is 56.77 crores. This new initiative will help reducing pension burden of State in future years.

2.12. During last five years the State never had to resort to WMA (ways and means advance) or overdraft. Right from the first year of award period i.e. 2005-06 the State is having revenue surplus, the capital expenditure as percentage of total expenditure is around 18%. The State did not even resort to market borrowing during 2006-7, 2007-08 and 2008-09. Key fiscal indicators of State Government may be seen below:-

Fiscal Indicators	Periods			
	2004-05	2005-06	2006-07	2007-08
(1) Revenue receipts	7,248.86	8,838.45	11,453.48	13,878.65
(2) tax revenue	5,104.08	6,559.73	8,244.65	9,653.08
(a) State's own	3,227.86	4,052.03	5,045.88	5,618.08
(b) Share of central tax	1,876.22	2,507.70	3,198.77	4,035
(3) Non tax revenue	2,144.78	2,278.72	3,208.83	4,225.57
(a) State's own non tax revenue	1,243.93	1,229.50	1,451.38	2,020.45
(b)Transfer from centre	900.85	1,049.22	1,757.45	2,205.12
(4) Capital receipt	1,256.83	-39.84	196.53	479.9
(a) Receipt of loans	14.8	17.92	356.92	437.51
(b) other receipts	1,242.03	-57.76	-160.39	42.39
(5) Total receipts	8,505.69	8,798.61	11,650.01	14,358.55
(6) Revenue expenditure	7,103.03	7,457.03	8,802.08	10,839.86
(7) Capital expenditure	1,279.13	1,496.95	2,198.15	3,103.73
(8) Loans	113.04	337.48	772.85	500.27
(9) Total Expenditure	8,495.2	9,291.46	11,773.08	14,443.86
(10) Capital exp. % Total Exp.	15.06	16.11	18.67	21.49

(11) Revenue deficit	-145.83	-1,381.42	-2,651.40	-3,038.79
(12) Fiscal deficit	1,231.54	435.09	-37.32	127.70
(13) Primary deficit	-79.63	526.45	1,062.85	1,012.47
(14) Fiscal deficit % GSDP(Current)	2.75	0.79	-0.06	0.17
(15)Revenue deficit % GSDP(current)	-0.33	-2.51	-4.13	-3.97
(16) Own taxes % GSDP(const.)	8.74	9.95	11.36	11.76

Table-1

Debt position of State Government

Table-1

In Crores

Period					
S.N.	**types of loan**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
a.	Market loan	2,789	2,703	2,608	2,451.34
b.	Loans from bank etc.	486	501	591	588.42
c.	Loans from centre	2,230	2,230	2,272	2,105.75
d.	NSSF loans	3,077	4,058	4,794	4,833
e.	Provident Fund	1,754	1,750	1,731	1,752
f.	Others obligations	2,024	2,022	1,846	2,905.08
	Total	**12,363**	**13,267**	**13,845**	**14,511.23**

Table-2

SN		**2004-05**	**2005-06**	**2006-07**	**2007-08**
1.	Debt % GSDP	27.59	24.10	21.55	18.97
2.	fiscal deficit % GSDP(current)	2.75	0.79	-0.06	0.17

2.13. Suggestions of State Government

(1) Small savings collected in a State get allocated to that State, whether the State needs it or not. 12th Finance Commission had given considerable relief to interest expenditures on State Government's revenue account by consolidating the Central Government loans and reducing the interest rates there on. However NSSF loans was kept out of the per view. Presently NSSF loans constitute single largest portion of State Government's debt stock. In case of Chhattisgarh at the end of financial year 2006-07, NSSF share was 4,794 Crores in the total debt stock of **13,845** Cr. NSSF loans carry very high interest rates and implies considerable burden on revenue account.

13th Finance Commission may consider reducing the interest rates of NSSF loans as was done in case of central loans by 12th Finance Commission. In addition, the Commission may recommend that State government should not be bound to avail small Savings loans, if they do not require it. This will help State Government in achieving higher level of revenue surplus for capital expenditures.

(2) State government has made sincere efforts to maintain fiscal discipline. In last two years, State Government did not resort to market loans. Debt/GSDP, fiscal deficit/GSDP parameters have been within limits. The State showing fiscal discipline and better debt management should be incentivised by Finance Commission.

CHAPTER-3

State's Own Resources and Related Issues

3.01. Introduction

3.01.01 State Government's revenues constitute of tax and non-tax revenues. These are further divided into State's own tax and non-tax revenues and tax and non-tax revenues as received from centre. In the year 2006-07, the total revenue receipts of the State Government were 11,449.78 Crores. To this, the contribution of State's own revenues was 6,497.26 Crores. This is 56.74% of the total revenues of the State. In past years also the contribution of SoR (State own revenues) to TRR (total revenue receipts) has been more than 50% as may be seen in the table below:-

Figures in Crores

Year	State Own Revenue	Total Revenue Receipt	SoR % TRR
2002-03	3,284	5,417	60.62%
2003-04	3,712	5,959	62.29%
2004-05	4,470	7,247	61.68%
2005-06	5,281	8,838	59.75%
2006-07	6,497	11,449	56.74
2007-08	7,638	13,879	58.50

3.01.02 **The SoR and TRR ratio in Chhattisgarh is higher than all India average. The all India figures for this ratio in 2002-03, 2003-04, and 2004-05 were 38.28, 37.54 and 38.10 percent respectively. This is despite the fact that per capita income of Chhattisgarh is below the national average.** It shows that despite low capacity of its population to pay taxes the State Government has made determined efforts to raise resources for development.

3.01.03 In terms of dependency ratio, the State stands higher in comparison to most of the States. **In terms of tax-GSDP percentage which was 9% for Chhattisgarh (in 2006-07) only three States are higher to Chhattisgarh; these are Andhra Pradesh at 9.6%, Karnataka 11.7% and Tamil nadu 11.4%.**

3.01.04. In SoR, the SoTR constitutes major portion in Chhattisgarh It was 77.65% in 2006-07. From 2002-03 to 2006-07 the contribution of SoTR to SoR was 74.15%. The constitution of non-tax revenues was 25.85%. Major components of SoTR may be seen below and their performance in last five years may also be seen in the table below:-

SoTR **Rs. In Crores**

	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Land Revenue	12.56	3.81	28.69	26.90	60.50	88.11
Stamps and Registration	148.10	170.87	247.77	312.80	389.90	462.72
Excise	361.74	402.35	458.27	634.50	706.81	843.10
Commercial tax	1,102.43	1,298.62	1,673.86	2,089.20	2,843.05	3,023.69
Vehicles	157.81	167.07	191.80	205.97	253.05	276.93
Tax on good and Passenger	251.55	230.08	287.13	395.33	301.81	510.71
Tax and Duty on Electricity	244.33	268.36	308.92	362.31	469.13	394.85
Total	**2,327.45**	**2,588.21**	**3,226.68**	**4,051.68**	**5,045.88**	**5618.07**

Between 2002-03 to 2006-07 the SoTR Growth rate has been 116.80%.

3.01.05 **SoNTR**

Approximately 25% of SoR comes from non -tax revenues. This mainly comes from Royalty, Irrigation charges and Forest resources.

Non-Tax Revenue Collection

Rs. In Crores

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Irrigation	58.29	55.01	79.96	46.70	115.33	97.61
Forest	105.84	140.96	159.85	203.17	205.79	258.07
Royalty	538.14	629.68	679.83	721.12	813.42	1,031.54
Interest	95.65	122.46	101.26	97.67	186.04	205.60
others	157.84	176.31	223.03	160.84	130.80	427.63
Total	955.76	1,124.42	1,243.93	1,229.50	1,451.38	2,020.45

Tax GSDP percentage in different States (2006-07)

State	Tax GSDP %	State	Tax GSDP %
Andhra Pradesh	9.6	Tamil nadu	11.4
Bihar	4.8	Uttar Pradesh	8.1
Chhattisgarh	**9.0**	West Bengal	4.8
Goa	8.3	Arunachal Pradesh	2.1
Gujarat	7.5	Assam	5.6
Haryana	9.3	Himachal Pradesh	5.4
Jharkhand	4.5	Jammu & Kashmir	6.6
Karnataka	11.7	Manipur	1.7
Kerela	9.0	Meghalaya	3.8
Madhya Pradesh	8.0	Mizoram	2.3
Maharashtra	8.2	Nagaland	1.9
Orissa	5.7	Sikkim	6.4
Punjab	8.5	Tripura	3.5
Rajasthan	8.1	Uttarakhand	8.2

3.01.06 The State Government started a new excise policy in the year 2003. Under the new policy, the retail liquor shops (country as well as foreign liquor) are settled by drawing lotteries on applications received. The licenced country liquor retail shops, lift the country liquor from bonded warehouse, at prices fixed by Government. The supplies to bonded warehouses are made by suppliers at a price fixed after inviting tenders from suppliers. This system was introduced to break the monopolies in liquor retail trade, and increase Government revenues by promoting competitiveness. In case of foreign liquor, all the foreign liquor retail shops lift the liquor from Chhattisgarh Brewage Corporation (a Government undertaking) at price determined by corporation. Foreign liquor is procured by Brewage Corporation on the basis of competitive rates offered by manufacturers and landing price of the liquor. Adoption of new policy has resulted in steady, excise revenue growth. It has risen from Rs. 361 Crores in 2002-03 to Rs. 843 Crores in 2007-08 which is 132 % increase in five years.

3.02. Implementation of VAT and Goods and Service Tax (GST)

VAT

3.02.01. Introduction of Value Added Tax (VAT) has been a major step - an important break through - in the sphere of indirect tax reforms in India. Prior to the introduction of VAT, there was a problem of double taxation in the State Sales Tax System. Before any commodity was produced, in-puts were first taxed, and then after the commodity got produced with in-put tax load, out put was taxed again. This was causing an unfair double taxation with a cascading effect.

3.02.02. In the case VAT, in place of Sales Tax System, a sett-of is given from tax burden not only for in-put tax paid, but also for tax paid to previous purchases made. With VAT, the problem of double taxation and related cascading effect is thus removed. Furthermore, since the benefit of set-off can be obtained only if tax is duly paid on in-puts and on previous purchases, there is a built in check in the VAT structure on tax compliance, with expected results in terms of improvement in transparency and reduction in tax evasion.

3.02.03 Apart from the problem of double taxation and adverse cascading effect of taxes as mentioned above, there was also no harmony in the rates of Sales Tax on different commodities among the States. Not only were the rates of Sales Tax numerous, and different from one another for the same commodity in different States, but there was also an un-healthy competition among the states in terms of Sales Tax rates - so called "rate war" - often resulting in a counter- productive situation.

3.02.04 However, through the mechanism of Empowered Committee of State Finance Ministers, VAT has been introduced in India successfully after adequate preparation.

3.02.05 VAT was introduced in Chhattisgarh from 1st April 2006. Impact of implementation of VAT on revenue is given in the table below:

Figure in Crores

A :- Commercial Tax Revenue ***Rs. In cr.***

Year	Gross Revenue	Revenue From Petroleum Products & Tendu-leaves	Revenue From Other Commodities	Percentage Growth over Last Year on Vatable Goods (Col. No. 4)
1	2	3	4	5
2001-02	710.13	283.92	426.21	-
2002-03	835.19	327.75	507.44	19.06
2003-04	987.50	394.14	593.36	16.93
2004-05	1296.14	544.15	751.99	26.73
2005-06	1623.86	708.85	915.01	21.68

B :- VAT Revenue ***Rs. In cr.***

Year	Gross Revenue	Revenue From Non-Vatable Goods	Revenue From Vatable Goods	Percentage Growth over Last Year on Vatable Goods. (Col. No. 4)
1	2	3	4	5
2006-07	2140.71	861.86	1278.85	39.97
2007-08	2458.88	987.28	1471.60	15.07
2008-09	2993.23	1061.38	1931.85	31.28

3.02.06. Introduction of VAT in the States has been a challenging exercise in a federal country like India, where each state, in terms of Constitutional provision, is sovereign in levying and collection state taxes.

3.02.07. Because of the provision of in-put tax rebate and simple tax structure, manufacturers as well as traders have welcomed VAT in place of Sales Tax regime. In terms of revenue also it has been beneficial to the State.

GOODS AND SERVICE TAX (G S T)

3.02.08. Despite the success of VAT, there are still certain short comings in the structure of VAT, both at the Central and at the State level. In the existing state level VAT structure there are even now several taxes which are in the nature of indirect tax of goods such as luxury tax, entertainment tax, etc., and yet not subsumed in the VAT for set-off relief. Furthermore, any commodity, in general, is produced on the basis of physical in put as well as services and there should be integration of VAT on goods with tax on services as well. However, for GST to be introduced at the state level, it is essential that the States should be given the power to levy tax on services. The GST is ultimately expected to give more relief to trade, industries and agriculture through a more comprehensive and wider coverage of in put-tax and service tax set-off relief, further removal of cascading effects and more power of taxation to the Centre and the States.

3.02.09 Keeping in view the significant benefit of introducing GST, Union Finance Minister announced in the Union Budget that GST would be introduced from April 01, 2010.

3.02.10. Empowered Committee of State Finance Ministers has already had many rounds of discussion regarding the model and road map of GST.

3.02.11. State Govt. has given in-principle consent for introduction of GST in the State. It is further committed for implementing a model of GST arrived at by consensus between Central and State Governments and as per the road-map agreed upon. However, the following issues are important from States point of view:-

(i) After introduction of GST, Central Sales Tax will be completely phased out, which would result in a loss of revenue to the states on a permanent basis. This loss should be fully compensated by the Centre. In addition, if introduction of GST leads to revenue loss to the states, then appropriate mechanism for compensation to the State for such loss should be worked out.

(ii) Success of inter-state transaction will be completely dependent on computerization and net-working among the department, dealer, banks and treasury. This would require a full proof system and mechanism. Since different States are at different levels of computerization in taxation field, it would be better that necessary computerization and net-working between the Central and States is done through one Central Agency.

3.03. Royalties for Mineral Resources

3.03.01. The right of State to levy royalty on exploitation of mineral resources within their jurisdiction can be traced back to the concept that State is owner of mineral resources. Federal constitution gives either federal or sub national Governments the power to raise revenues from this source. In some cases the power may even be shared between them. In Canada for example, the provinces enjoy exclusive powers over natural resources in terms of regulation as well as taxation. In Australia too, the State Governments have the power to levy royalties for mineral extraction. Each State has its own advalorem royalty rates and rates vary distinctly among them.

3.03.02. In India, Union Government is vested with more powers in respect to regulation and taxation of minerals. Under entry 54 of list-I, the Central Government has the right to regulate and develop mining. Although entry 23 of list-II empowers States to regulate mines and minerals development but this is subject to the provisions of list-I with respect to regulation and development. In pursuance to the provisions of the constitution, all mineral except crude oil are administered under MMDR Act, 1957. Royalties from large number of minerals mentioned in the second schedule of MMDR are laid down in that schedule by the Central Government. It is only for minerals not covered in these schedules that States are competent to fix and revise royalty rates. The revenues from all royalties (except royalty for offshore exploitation of crude oil) accrue to State Governments.

3.03.03. Royalties could be output based or profit based. Output based royalties are levied on the volume or value of production of mineral resources. They may be specific or advalorem. Under the former, a constant amount is collected per physical unit of production. World wide, specific royalties are applied to high volume, low value non-metallic minerals like construction materials. This is convenient from administrative point of view, but like all specific duties, rates require revisions whenever production values fluctuate, since there is no mechanism for automatic adjustment of royalty due to market prices. On the other hand advalorem rates are fixed to ensure that a constant percentage of the value production accrues to Government.. Under a profit based royalty, a Government can collect a constant share of the net profit of the mines. This kind of royalty ensures that Government gets a share of excess or super normal profits earned whenever these accrue to mining company due to specifically favourable market conditions. This kind of royalty is more equitable than output based royalty which tends to overtax low profit projects and under tax high profit ones.

3.03.04. Extensive price fluctuation of major revenue earning minerals and delay in rate revisions by the Central Government have led to State Government representing before successive Finance Commission that specific royalties should be replaced by the advalorem system. These demands were strongest from poorer and least developed States because accidentally mineral rich States are also least developed States where large proportions of their population still live below the poverty line. 12th Finance Commission, in its report had bemoaned the tendency of the Central Government to delay royalty revision, as this was affecting revenue realisation of mineral rich State and strongly recommended that royalty rates should be fixed on advalorem basis. Since the submission of 12th Finance Commission report, the committee constituted under the chairmanship of Shri Hoda, to look into the royalty issue has since submitted its report and recommended adoption of advalorem based royalty fixation method. The recommendations of Hoda Committee have been adopted in the recently announced National Mineral Policy of 2008 However, advalorem rates have not been notified yet. Under these circumstances, the 13th Finance Commission may like to recommend that advalorem principle in royalty determination should be effected immediately. However the recommendations of Hoda committee do not offer a satisfactory answer to the ticklish issue of high resource rents seem to be accruing to sectors like Iron ore and coal due to sharp increase in demand, domestic and international. To enable the poor States to have a share in profit accruals, adoption of advalorem rates may not be sufficient. Oil producing countries for example super impose profit based royalties on normal advalorem rates for exactly this reason. There have been suggestions regarding imposition of some sort of super tax to mop up such resource rents for high value monopoly products. 13th Finance Commission may look into this issue.

3.03.05. For the first time, in the terms of reference of the thirteenth Finance Commission, a new dimension has been introduced by requiring it to keep in mind " the need to manage ecology, environment and climate change consistent with sustainable development", while making recommendations. Hoda committee report has enumerated various adverse effects on environment and ecology caused by exploration, development, production and disposal of minerals. Mineral exploitation causes displacement of local communities, loss of land required for livelihood, housing common facilities etc. to mining related activity. There is increased morbidity and mortality due to effects on air, water, soil and biomass and transformation of life styles and demographic changes due to out migration. Even before mining starts, the process of land acquisition displaces people. The preparatory work that calls for in migration and transport of heavy equipment leads to deforestation and pollution. Mining itself has adverse effects on land and the level and quality of ground water. The agriculture land loses productivity due to soil degradation, resulting in marginalization of farming communities. If mine closure is not planned well, in post mining phase there are long terms effects such as contamination of ground and surface water. The impacts on marginalized groups are particularly more. Due to movement of heavy vehicles carrying minerals the roads deteriorate much faster.

3.03.06. These costs of resource development are difficult to quantify and are often ignored. These get transferred from the project owner (who should actually pay for those costs) to the State Government who has to bear ultimately for these costs. Even resources like land and common property for which compensation is paid tends to be under valued.

3.03.07. In the area of forest cover, continuing active intervention of the Supreme Court has led to crystallization of the compensation concept and creation of an authority (CAMPA-Compensatory Afforestation Management Planning Authority) and a specific non-lapsable fund. A fund of similar nature (to cover the mining costs of the nature described above) may be constituted to compensate the State Governments. But there are several issues linked as to determination of now and from whom compensation is to be collected and how this fund is to be managed. 13th Finance Commission may look into the issue and may recommend for constitution of such fund by Central Government

3.04. Cost of Maintenance of Forests

3.04.01. Forests play a major role in social, cultural, historical, economic and industrial development of a country and maintaining its ecological balance. They are resource base for sustenance of population and repository of biodiversity. Forests provide in many ways to the global system and play a multidimensional role. Forests not only provide various goods like timber, fuel wood, pulp wood etc and support industrial and commercial activities but also maintain soil quality, maintain moisture regime, ecological balance and life support system essential for food production, health, produce clean air and support all round development of human kind.

3.04.02. Tropical forests are the repository of more than half of the world's plant and animal species and are the major source of available bio diversity. The global concern about forest degradation and depletition relates to the twin problems of destruction of carbon sinks affecting the global climate and extinction of species affecting bio diversity.

3.04.03. However, despite the important role forests are playing in over all economic system and ecological services they are providing, the value of their contribution has not been fully recognized and internalized in the planning process of the country. To meet the target of 33% of country's geographical area under forest cover many States of the country are mandated to keep large part of their geographical areas under forest which otherwise could have been used for revenue raising activities like agriculture, industry and services. Further, these States have to incur high expenditure for maintenance of forest cover for provisioning of many ecological services which are also consumed by national and international communities and not by local community alone.

3.03.04. These States, despite abundant forest wealth lag behind many forest sparse States in terms of economic growth and human development. Many forests rich States also have more than proportionate tribal population and also high level of poverty. Thus the so called 'boon' of forest richness has actually become a bane for these States. In exchange of such fiscal disabilities to raise revenue on one hand and bearing high cost of provisioning of public good on the other, these States are neither adequately compensated nor any incentive mechanism have been set up in fiscal transfer process of the country for conserving their large forest areas in perpetuity. The value charged for converting forest land for non forestry purposes, hitherto considered only the marketed values like timber and non timber forest products. The whole arrays of ecological services in terms of positive externalities accrued to various stake holders which get lost on account of diversion have not been considered.

3.03.05. Millennium ecosystems assessment, the largest assessment ever under taken of the health of ecosystem by 1360 experts from 95 countries, between 2001 and 2005 identified provisioning, regulating, cultural and supporting services as four major services that ecosystems provide to human beings for their livelihood security. The report mentioned - "tools now exist for a far more complete computation of the different values, people place on biodiversity and ecosystem services. However some ecosystem services are more difficult to value and therefore many decisions continue to be made in the absence of a detailed analysis of the full costs risks and benefits"'. The millennium assessment exercise, highlight the importance of contribution of forests and its ecosystem services in ensuring ecosystem health, resilience, security. It provides some important linkages such as-

(1) 1,00000 species of pollinators (most important pollinator- honey bees) are often forest species, their service is between $4 to $7 billion/year to U.S agriculture.

(2) Carbon storage- Tree and fossils store carbon. A close primary forest has 280 Ton C/Ha.

(3) NTFP: 50 million people depend on NTFP it contributes 40-60% of their annual income.

(4) Financial value of world timber: annual value of world trade in industrial wood product is $140 billion.

3.03.06. The States with large forest coverage had pleaded before the 12th Finance Commission that separate grant should be provided for the maintenance of forests, recognizing that forests are national wealth and country as a whole has a responsibility in preserving it. The 12th Finance Commission recommended a grant of Rs.1,000 Crores, spread over award period 2005-10, for maintenance of forests. This was an additionality, over and above what the States have already been spending. This amount was distributed among the States based on their forest area and was to be spent for preservation of forest wealth. The 12th Finance Commission, although provided lump sum amount but there is an urgent need to develop a scientific formula to appropriately compensate the respective States for their efforts in forest conservation.

3.03.07. The planning commission worked out an interesting index called the forest disability index, in respect to 11 States. The methodology used in calculating disability index is estimated increase in income generation over income generated by forests in a State if the land presently covered by forests is allowed to be diverted for agriculture use. Following this logic, in case of

Uttarakhand State, there has been loss of Rs 11,24,906 for every square KM of forest coverage. Taking the value further to the overall loss, there has been a total loss of Rs. 16,210 million annually to the State on account of forest coverage. The current contribution of the forest sector to the SDP of Uttarakhand is only Rs. 5,110 million annually. If this figure is substracted from the hypothetical agriculture income generation i.e., Rs. 16,210 million, the annual income loss for keeping the area under forests comes to Rs. 11,100 million.

3.03.08. The study did not cover Chhattisgarh. However following the method used in the study, the income loss to Chhattisgarh can be calculated. In Chhattisgarh the net sown area is 47,220Sq. Km. From this area the agriculture income estimated is Rs. 6,73,933 lakh (2007-08). If the entire forest area of 59,712 is to be converted to agriculture, the agriculture income generated in diverted area would be Rs. 8,52,221 lakh. If we deduct the forest income which was 87,987 lakh (2007-08), the figure comes to Rs.8,43,434 lakh annually. This is the income which could have accrued to the people of State but for the compulsion of Government to keep it under forest under existing forest policy. The figures above are arrived at by using a crude method of substitution. The major limitation of the study was its assumption that the entire forest area irrespective of its slopes, terrain, soil could be cultivated which may not actually be the case. Yet despite these limitations the study gives some idea as to the actual cost of maintenance of forest coverage.

3.03.09. 13th Finance Commission is requested to give due consideration to the issue of compensation to the States for maintenance of forest cover and may devise a specific formula for awarding grants in aid as compensation. **State Government is of a view that this compensation should not be less than the difference of expenditure on forests and income**

from the forests in the State. In the year 2007-08, the expenditure on the forests in Chhattisgarh, was Rs.454Crores, while the income was Rs.258Crores only. The 13th Finance Commission may keep income and expenditure difference figure of Rs.196Crores for the base year of award period with 10% increase every year for each remaining year of the award period.

CHAPTER-4

Sharing of Taxes

4.01. Introduction

4.01.01. Primary task of 13th Finance Commission like its predecessors is to make recommendations for resolving vertical imbalances. Vertical imbalances refer to mismatch between revenue raising capacity from sources assigned and expenditure requirement on assigned functions vertically between centre and State. The constitution recognises the existence of vertical imbalance between fiscal resources of the State and centre and therefore mandates the president to appoint the Finance Commission to make recommendation on tax devolution under article 270.

4.01.02. Assessment of vertical imbalance is a taxing problem as in measurement of needs, lot of subjectivity is involved. Nevertheless a current analysis shows that own revenue of the State are adequate to finance only 56% of their current expenditure.

Year	**Percentage of State's own revenue receipt to total revenue receipt**	**Percentage of State's own revenue receipt to State's revenue expenditure**	**Percentage of State's own revenue receipt to total expenditure**
1955-56	41.2	68.9	61.7
1960-61	36.6	63.9	56.8
1970-71	35.5	60.6	53.9
1980-81	35.6	60.1	56.0

1990-91	35.2	53.1	51.7
1995-96	39.2	58.6	55.8
1999-00	38.6	49.8	56.8
2001-02	37.8	48.6	56.1
2002-03	40.2	50.0	56.3
2003-04	38.25	56.01	55.14
2004-05	37.54	53.83	57.65
2005-06	38.10	60.05	56.64

4.01.03. 12th Finance Commission had earmarked 30.5% of the divisible pool for devolution to the States. The question of still higher percentage of devolution was considered by the commission. They were of the opinion that if the share of States is increased, the redistribution content of inter se distribution will have to be increased significantly by altering the weights in distribution criteria so as to be consistent with the equalization objective.

4.01.04. While on one hand the tax base of the State Governments is not commensurate with the functions and duties assigned to it by constitution, on the other hand the market borrowing powers of State are also restricted. The share of total market borrowing to which the State may be entitled is also fixed by the centre. While in 1950's share of market borrowing of the States and the centre in the total Governmental market borrowing was approximately in proportion of 50:50, this share of market borrowing of the State has now fallen sharply to about 15% with more than 85% of the market borrowing being cornered by the centre.

4.01.04. While taking into account the transfers from the Centre to the States, it should be realized that Central investments and expenditure in the states though central budgets is also a mechanism of transfer hitherto not recognised. It has acted as a catalyst for development in these states, leading to increasing regional disparities over the years. Investments are essential for employment and income generation whether these are made by the Central government, state government or the private sector. In recent years, more and more investments have been made in the infra-structure sector; the traditional low income states have not figured in this investment. With private investment flowing to areas which have quality social and physical infra-structure, the low income states have been deprived of investments and development opportunities. The consequence has been that regional disparities have increased. The Finance Commission should take into account the indirect transfers to the states through central investments and expenditure.

4.01.05. While taking a decision on this issue, the 13th Finance Commission may kindly have in mind the huge burden which State Government's finances are going to take on account of revision of pay scales of its employees, consequent upon Central Government's decision to implement sixth pay commission report. In respect of Chhattisgarh this would entail the burden of Rs. 2,200 Crores as one time arrears and recurring expenditure of Rs. 800 crores per year.

4.01.06. In view of constitutional responsibilities of the States regarding development expenditure and the factors mentioned in previous paragraphs, and State's limited constitutional power of resource mobilization as well as inadequate central transfer it is essential that the Thirteenth Finance Commission devise a fair principle of sharing of central taxes with the State and enhance the States share of central taxes from present inadequate proportion of 30.5% settled by 12 th Finance Commission. The State Government proposes that this rate should be 35% in place of 30.5%.

4.01.07. Another development which is cause of serious concern is tendency on the part of the centre to resort to the levy of surcharge and earmarked cess. Surcharges are meant to meet a temporary exigency, but it is seen that these are being continued on a permanent basis. Over the years, the centre has increased the number of earmarked cesses and surcharges.

4.01.08. At present, surcharge and earmarked cess account for about 14% of the gross tax revenue of the centre. The fact that this size of gross tax revenue is out side the divisible pool and not sharable with State is a matter of concern and against the spirit of the constitutional provision and principle of fiscal federalism. As the surcharges and cesses are practically formed out of the tax revenue of centre the States have a rightful claim on them. The commission may work into this aspect and consider putting an overall ceiling on surcharges and cesses in relation to the gross tax revenues of the centre so that centre may not make these surcharges and cesses an instrument to keep their revenues out side divisible pool.

4.01.09. The Order constituting the 13th Finance Commission says that while making recommendations the Commission shall have regard to considerations enumerated in the para 6 of the Order. One of the consideration mentioned in the TOR 6 (ii) relates to the demand on the resources of the Central Government, in particular, on account of projected gross budgetary support to the central and State plan, expenditure on civil administration, defence, internal and border security, debt servicing and other committed expenditure and liabilities. Ideally in view of article 280 (3) (d) of the

Constitution, these considerations should be in the interest of sound finance of both the Centre and the States.

4.01.10. It may be noted that of the total projected central assistance of Rs3,24,851 crores to the States/U.Ts for 11th plan period, NCA(Normal central assistance) would be Rs.1,11,053 crores and Centrally sponsored schemes with centralized conditionalities would be nearly double the NCA .In this context the States are concerned about the inclusion for the first time in the history of Finance Commission of the gross budgetary support comprising primarily Of centrally sponsored scheme, as committed expenditure of the Central Government. The central sector and centrally sponsored schemes are generally aimed at issues which fall under State Government's executive domains. It is also a growing trend that larger and larger assistance to the State plan is coming from Non NCA route.

4.01.11. In view of the above to treat entire range of support to Centre and State plans as committed expenditure of the Central Government is not a sound logic. In such a situation there is a danger that the Finance Commission's recommendations for devolution of State share of taxes and Grant in aid would become residual as the dictated centrally sponsored schemes would occupy the major space and preempt an authority which plays most important role in Centre, State Fiscal relations. The 13th Finance Commission may take into account the referred considerations in the interest of sound finance of Centre as well as the States.

4.02. Criteria for Tax Devolution

4.02.01. Having expressed views on the share of States in the divisible pool of taxes, the question relating to tax revenue sharing formula emerges. In Indian context, tax revenue sharing formula has few objectives (1) Horizontal equalizing transfers (2) Cost disability neutralizing transfers (3) incentive linked transfers for tax efforts (4) fiscal discipline. The tax revenue sharing formula has evolved gradually over the years. Not far distant in past, the distribution formula used for determining the income tax share was clearly distinct from those for Union excise duties.

4.02.02. In case of income tax, the population and collection were the only two criteria used for determining the inter se transfer of shares to the States. While in case of Union excise duties, some emphasis was also laid on the factors relating to economic backwardness and fiscal weakness of the States. However, population remained single largest determining factor in respect of excise also till sixth Finance Commission. In sixth Finance Commission, in case of income tax, the population and assessment were given weightage of 90 and 10. While in case of excise the weightage assigned to population and income distance was 75 and 25.The seventh Finance Commission was watershed as it brought down the weightage on population in case of excise from 75 to 25.The criteria and relative weights for determining inter se shares of States in last three Finance Commission may be seen below.

Criteria	Relative Weight(%)		
	Tenth	**Eleventh**	**Twelfth**
(1)Population	20	10	25
(2)Per capita income distance	60	62.5	50

(3)Area	5	7.5	10
(4)Index of Infrastructure	5	7.5	-
(5)Tax effort	10	5	7.5
(6)Fiscal discipline	-	7.5	7.5

4.02.03. It may be seen that the last three commissions have tried to inject more progressiveness in the formula by providing considerable weightage to the income distance criteria. In addition to address the problem of cost disability, in providing equitable public services to its population the infrastructure distance and area have been taken into consideration and to foster efficiency, the criteria of 'fiscal discipline' and 'tax efforts' have also been taken into consideration.

4.02.04. The State Government is of a view that following factor may be taken into consideration in the formulating tax sharing formula:-

(1) <u>Population:</u> 12th Finance Commission was of the view that population is basic indicator of need for public goods and services and as a criteria it ensures equal per capita transfers across the State. The State Government is however of the view that a number of the other variables included in any formula for devolution tend to use population as a scale variable. It ensures that generalized need of the State is captured. Therefore there is little justification for introducing population as a separate determinant for inter se shares.

(2) Area: Last three commissions have recognisedthe need to incorporate area as one of the factors for horizontal distribution especially when the density of population varies greatly across States in the country. It is obvious that a State with a large area has to incur extra cost in order to deliver a comparable standard of services to citizens. Sate Government is of a view that weight of this factor may be retained at 10%.Further in computing the shares of theStates the unadjusted area of the State should be taken into consideration. Making adjustments to the area as undertaken in eleventh and twelfth Finance Commission reports tends to reward smaller States with higher density of population, while the objective of incorporating this indicator is to address the concerns of the larger States, with low density of population.

(3) Per Capita Income Distance: Revenue potential as well as the public expenditure needs of a State is best reflected through per capita income. For correcting differential fiscal capacities and for enabling poor States to meet better the needs for public goods and services the per capita income distance appears a good indicator.

12th Finance Commission had used income distance method for determining the share for different States.12th Finance Commission first took the average of the top three States with highest per capita income, namely Goa, Punjab and Maharashtra.From this average the distance of per capita income of each State was measured. This value was then multiplied by the population of each State. For the top three States, the notional distance was assigned by taking their distance with per capita income of the fourth highest numbered State namely Haryana.

The weightage given by 12th Finance Commission to this criteria was 50% while in 10th and 11th Finance Commission its weightage was 60% and 62% respectively. State Government is of view that its weightage should be restored to 57%, especially as we have suggested abandoning Population as a Criterion.

(4)<u>Infrastructure index</u>:-India has struck an impressive growth rate of 8.9% in last four years and is poised to take place in the category of developed nations in next 20 years. However physical infrastructure still remains a gray area which may come in the way of achieving this dream by retarding the growth rate. Even though the infrastructure is generally poor in India, some States, fall much below even this national average. For example in Chhattisgarh the pucca road density per 100 sq km is 20.69 km against the national average of 42.40. Incase of Kuccha roads this figure is 5.98, against national average of 32.50.State Government is of view that physical infrastructure such as roads and urban infrastructure should be an important allocative criteria, with sufficient weightage. Improved infrastructure will enable the backward States to attract economic activities and capital and thereby augment their fiscal adequacy in long run.

The 10^{th} Finance Commission for the first time had taken into consideration the relative disparity in infrastructure between States as allocative criteria and assigned it 5% weightage.11^{th} Finance Commission also assigned 7.5 % weightage to this criteria. The disparity in infrastructure was calculated by these two commissions on the basis of social and economic services infrastructure index.

State Government is of a view that index of physical infrastructure is a better option in comparison to generalized socio economic services index.13th Finance Commission therefore may get prepared on index of physical infrastructure on the basis of roads and urban infrastructure and after applying distance method may scale it with area of sate while making inter se allocation. The commission may allot this criteria a weightage of 12%.

(5)<u>Forests</u>:-Forest is a natural capital. Through their ecological, aesthetical, spiritual services they play an important role in well being of mankind. However the value of forest conservation has not been understood and addressed adequately in planning process. The benefits and services provided by forests transcend the State boundaries and their beneficiary is not only national but also international community.

The cost of maintaining the forest is however completely local. The expenditure incurred in maintenance of forests in Chhattisgarh was 454 Crores in 2007-08 , while the income from forests was only 258 Crores.In addition to the maintenance cost, the forests impose cost disability on the State in terms of higher cost of providing services in these areas.ISRO's regional remote sensing service centre report shows from comprehensive analysis of 4 out of 16 districts in the State (including two high and two low forest cover district each)that the length of roads in the road master plan for these districts increase by an average of about 1.5 times from the shortest available route in absence of forests. Similar costs arise in electricity infrastructure and in providing health care and education services within acceptable distances to people living near forest area.

Forest rich States lag behind many forest sparse States (in terms of economic growth and human development) which are either agriculturally or industrially developed. Many forest rich States also have more than proportionate tribal population (in case of Chhattisgarh it is 32%) and also high level of poverty. Thus the so called boon of forest richness has actually become a bane for these States. In forest, the States are made to hold a stick which is burning from both sides; on one hand the State has to maintain them at considerable cost, On the other hand it is not being allowed to divert these areas from mining, industrial, agricultural activities. The States are therefore loosing future potential fiscal resources. In exchange of such fiscal disabilities to raise revenue on one hand and bearing high cost of provisioning of pubic good on the other, these States are neither adequately compensated nor any incentive mechanism has seen setup in the fiscal transfer process of the country for conserving their large forest area in perpetuity.

It is there fore proposed that forest coverage be taken as one of the allocative criteria in share of taxes and 10% weightage may be given to this criteria.

(6)Tax efforts:- Tax devolution is guided by the consideration that as a result of revenue sharing, the resource deficiency arising out of systematic and identifiable factors are evened out. However, at the same time it should not encourage a vested interest in continuing with resource deficiency. To neutralize this adverse incentive, it needs to be complemented by suitable criteria for rewarding efficiency i.e., efforts to improve the resource base and deliver services at minimum costs.

Tenth Finance Commission was the first commission which recommended tax efforts as one of the allocative criteria. They used the ratio of per capita own tax revenue of a State to its per capita income and weighted it by the inverse of per capita income. This was done to ensure that if a poorer State exploited its tax base as much as a rich State, it gets an additional positive consideration in the formulae. 11th Finance Commission reduced the weight of inverse of per capita income from 1 to 0.5.Relative weight to this criteria was fixed at 5% by 11th Finance Commission.12th Finance Commission raised it to 7.5. State Government is of a view that this criteria may be given 3% weightage.

(7)<u>Fiscal discipline</u>:- Given the situation of worsening fiscal situation in second half of last decade and beginning of the present decade 11th and 12th Finance Commission with a view to incentivise fiscal discipline made it one of the allocative criteria. For this an index was proposed on the basis of improvement in the ratio of own revenue receipts of a State to its total revenue expenditure related to a similar ratio for all States as a criteria for measurement. The ratio so computed is used to measure the improvement in the index of fiscal discipline in a reference period in comparison to a base period.

Fiscal condition of most of the States has improved since submission of 12th Finance Commission report. Nevertheless there is a need for retaining fiscal discipline as one of the allocative criteria to incentivise fiscal discipline. This may be given 8% weightage.

4.02.05. **To conclude, it is proposed that share of States in net proceeds of Union tax collection may be fixed at 35% and devolution formulae may be designed incorporating the following criteria with corresponding weights.**

Per capita income Distance	**57%**
Physical infrastructure	**12%**
Area **Forest**	**10%** **10%**
Tax effort	**3%**
Fiscal discipline	**8%**
Total	**100%**

CHAPTER-5

Grants in aid

5.01. Introduction

5.01.01. The terms of reference to the 13th Finance Commission 4(ii), provides for the commission to make recommendation on the principles which should govern the grants in aid of the revenues of the State out of consolidated fund of India and sums to be paid to the States, which are in the need of assistance by way of grants in aid of their revenues under Article 275 of Constitution for purpose other than those specified in the provisions to clause (1) of that article.

5.01.02. The 12th Finance Commission emphasized that grants provide an effective mechanism for equalization vis-a-vis tax devolution and therefore it attached higher degree of importance to the transfer through grants by increasing its share in total transfers. Consequently under 12th Finance Commission recommendations, the share of tax devolution declined to 81% in comparison to 86.53% of 11th Finance Commission. Share of grants in total devolutions since 7th Finance Commission may be seen below.

Composition of transfer recommended by Finance Commission

Commission	**Share of grants(%)**	**Share of tax devolution(%)**
7th	7.72	92.28
8th	9.55	90.45
9th	9.96	90.04
10th	8.96	91.04
11th	13.47	86.53
12th	18.87	81.13

5.01.03. In the total grants the share of grants is going up gradually since 7th Finance Commission as it was thought to bring greater horizontal equity. Following was the composition of grants in aid recommendedby 12th Finance Commission.

Figures in Cr.

SN	Grant	Year (2005-10)
1	NPRD Grant	56,856
2	Health Sector	5,887
3	Education Sector	10,172
4	Maintenance Grant	21,625
5	State Specific	7,100
6	Local bodies	25,000
7	Calamity Relief	16,000
Total Grants		**1,42,640**

In the above list, the Calamity relief grants and local bodies grants are dealt separately as these are covered by term of reference para 4 (iii) and 8 of Commission constitution orders. We may deal in this chapter the issues mainly relating to NPRD grant, which constituted 39.85% of the total grants recommended by 12th Finance Commission.

5.02. Assessment of the Fiscal Needs of the States: An Approach

5.02.01. The principles for grants in aid to the revenues of the State have evolved over the last 50 years through recommendations of various Finance Commission. What has come to be accepted is that grants in aid may be given to the State to cover the assessed deficit on non-plan revenue account after devolution of tax and duties. The deficits are worked out after excluding any unusual or non-recurrent item of revenue expenditure. The idea is that the expenditure and revenues of the State should be comparable, so that no State is allowed to take advantage by inflating the expenditure or underestimating the revenues. The Finance Commission has generally refrained from making any recommendations for giving any grants in aid to cover the revenue component of the plan expenditure.

5.02.02. Finance Commission is the constitutional body, which is responsible for making recommendation for devolution from centre to the States. However from the beginning it self there were other streams from which funds were being devolved to State grants i.e., Planning Commission, G.O.I ministries.

5.02.03. Multiplicity of devolving agencies came in the way of holistic assessment of State Government requirements. The issue was discussed in detail by third Finance Commission. It said, "Grants in aid should obviously be made to meet the residuary needs of the State after offsetting the estimated amounts made available by devolution of taxes. Two questions arise; first how these needs be reasonably determined and secondly how fiscal needs should be defined. Should it be in a comprehensive sense include requirement of plan or should it be in a limited sense merely to cover the budgetary gaps of the period of plan " It concluded "our view with the spirit and provisions of the constitution is that we should not leave out of consideration the fiscal needs of the plan" .

5.02.04. The third Finance Commission also raised very relevant point about artificial and illogical distinction between plan and non-plan expenditure it observed "it seems to us that to draw a line necessarily arbitrary on the basis of plan and non plan expenditure in their treatment is not really sound. We see little merit in inducing States to continue to incur expenditure on objects however desirable when the rests of its resources are insufficient to meet the basic requirement of its administration and the more pressing needs of other programmes which fall out side the plan. It has to be remembered that a high portion of what is classified a plan expenditure, is it self due to projects launched in previous plan period for which maintenance and up keep becomes non plan liability of the State. There is another reason why we are inclined to regard the entire revenue budget of a State whether plan or non-plan as integral whole. Some of the State will, as a result of the devolution which we are proposing, have a surplus position in non plan sector of their revenue budget. It is but legitimate that this surplus should be earmarked for the purpose of plan. On all those considerations we see considerable advantage in devising machinery for taking an integral view of plan and non plan expenditure of State as a whole".

5.02.05. However very sound and logical observations of the 3rd Finance Commission were not given attention and subsequent Finance Commission merely restricted themselves to assessing non plan revenue requirement of State after devolution and Plan revenue account is completely left out.

5.02.06. The plans out lays approved by the planning commission more often than not do not bear much relationship with resource position of the State. There is no bifurcation of these outlays into revenue and capital component. It is at the time of State budget formulation that these components are known. With emphasis on social sectors, the revenue component of the plan has increased to over 50% of plan outlay. The plan grants do not match the revenue component of the plan, and even today, many States do not have a surplus on the non-plan revenue account to support the revenue component of plan. Thus unless the plans revenue account is taken into account as a whole, there is no way the deficit on the revenue account of State budget can be estimated.

5.02.07. The task of balancing the revenue account of the States and centre has been assigned to the Finance Commission. There is no such mandate for Planning Commission.

5.02.08. There fore as long as there are two bodies looking at the expenditure needs of the States it is not possible for any one organization to balance the receipt and expenditure on revenue account. The two considerations, listed in the ToR,viz taking G.B.S as a demand on the resources of the centre and realizing the objectives of not only balancing the receipts and expenditures on revenue account of all States and the Union, but also generating a surplus for capital investment can be taken as a clear mandate by the TFC to assess the entire revenue account of the States and centre. Revenue account can not be balanced in isolation of the capital accounts.

5.02.09. It may be pertinent to mention here that the transfers recommended by Finance Commission so far are not entirely in the nature of meeting the non-plan revenue expenditure. Grants recommended by Finance Commission under up gradation of standards of administration and special problem and those recommended to local bodies are taken as resource for State plan and the expenditure out of these grants is booked under plan revenue account.

5.02.10. Another factor which is of concern to the State Government is that as per the terms of reference 6 (ix) of the commission the consideration regarding the needs of the State is restricted to the non salary component of maintenance and upkeep of capital assets and the non wage related expenditure on plan schemes to be completed by March 31,2010. The rationale for restricting the maintenance expenditure to non salary component is not clear. With the shift in plan expenditure in favour of social services, the salary component of plan expenditure has gone up considerably. This is so in sectors like education and health where bulk of expenditure is salary related. The specific reference to the non-salary component of maintenance expenditure gives rise to the apprehension that salary component of completed plan scheme under education and health may not be taken into account.

5.02.11. In Chhattisgarh, the revenue expenditure constitutes more than 50% of the State plan expenditure as may be seen in the table below:-

	ACTUALS					
	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
STATE PLAN	1,767.45	2,403.00	2,832.75	3,465.11	5,106.94	5,882.1
Revenue Account	1,269.64	1,541.04	1,620.03	2,008.35	2,608.09	3,575.60
Capital Account	777.68	1,105.38	1,331.39	1,697.90	2,655.61	2,306.50
Rev exp (in State plan) % of State plan	71.8	64.12	57.20	57.95	51.07	60.7

5.02.12. Past actuals and projected figures of NPRE & PRE along with the gap vis-à-vis the SOR (State own resources) may be seen in the table below.

Revenue expenditure (NPRE & PRE) gaps vis-à-vis SORs

NPRE & PRE gap vis-à-vis State's Own Revenues (Figures in Crores)					
Year	**NPRE**	**PRE**	**SoR**	**NPRE Gap(4-2)**	**Total RE Gap{4-(2+3)}**
1	2	3	4	5	6
2004-05	5,483.00	1,620.03	4,470.61	-1,012.39	-2,632.42
2005-06	5,488.68	2,008.35	5,281.18	-207.50	-2,215.85
2006-07	6,193.93	2,608.09	6,497.26	303.33	-2,304.76
2007-08	7,974.82	4,622.47	7,638.53	-336.29	-4,958.76
2008-09	8,113.63	5,764.70	8,356.45	242.82	-5,521.88
2009-10	8,861.16	6,917.64	9,646.43	785.27	-6,132.37
2010-11	10,755.39	8,301.17	10,972.64	217.25	-8,083.92
2011-12	11,894.23	9,961.40	12,487.03	592.80	-9,368.60
2012-13	13,181.61	11,953.68	14,216.73	1,035.12	-10,918.56
2013-14	14,639.83	14,344.42	16,192.82	1,552.99	-12,791.43
2014-15	16,294.94	17,213.00	18,450.93	2,155.99	-15,057.01

5.02.13. The State Government strongly feels that there is need for backward State like Chhattisgarh to increase the proportion of capital expenditure in its total expenditure. In the State after completion of 10th plan, the transfers of committed revenue expenditures on State plan schemes could not be transferred to non-plan side. As may be seen in the above table the State Government in the year 2006-07 (the last year of 10th plan) made Rs. 2,608 Crores revenue expenditure on plan schemes. State Government is of a view that Finance Commission may read the consideration 6 (ix) in the light of 6 (iv) and **provide grants in aid to the State Government equal to the revenue expenditures on plan schemes in the last year of 10th plan for the base year of 13th Finance Commission award period with 10% increase every year in this figure for five years. This will help State Government to**

liberate her State plan resources for taking scheme of capital nature in infrastructure sector. Grants in aid on the basis of NPRE puts much reliance on past trends and historical figures and is not logical. It is more so in case of newly created State such as Chhattisgarh as it has simply inherited these trends from their parent State and should not be made to suffer because of that. Therefore it is surprising that share of Chhattisgarh (whose per capita income is only 74% of national average) in total NPRD grants of Rs. 56,856 Crores was nil, while Punjab whose per capita income is one of the highest, got Rs.3,132 Crores as NPRD grants-in-aid.

5.02.14. Successive Commissions have also observed that budgetary needs are not the only criteria which should make a State eligible for grants -in- aid. Equalization of standards of basic social services was also supposed to be an important purpose for grants in aid. The first Finance Commission thus observed "Thus of two States whose budgets with adjustments already indicated, point to the need for an equal amount of assistance, the one with a significantly lower level of social service should, in our view qualify for a higher amount of assistance than the other with a relatively high level of such services. Alternatively, in marginal cases, a State with high level of such services may become ineligible, while another State with low level of services is eligible for grants"

5.02.15. 12th Finance Commission's total grants were dominated by the non-plan revenue deficit grants. The share of specific purpose transfers directed towards bringing some equity in health and education services constituted 4.13% and 7.13 % .These transfers were aimed at bringing in some degree of fiscal equalization in the per capita expenditure of these two services. Although these were meant to achieve partial correction as resource requirement for complete equalization would be erroneous ,these grants covered 15 % distance of education expenditure and 30% of the distance in case of health expenditure. There is considerable disparity across the States in terms of per capita expenditure on social/economical services as may be seen below. This gap needs to be bridged and this should continue as one of the principle for grants in aid.

Comparative per Capita Rev expenditure on social and economic services of States

State s	Population(2001 Census)In Crore	Rev expenditure(Actual 2005-06)In Crore		Per Capita Rev expenditure(Actual 2005-06)In Rs.	
		Social Services	Economical services	Social Services	Economical services
Andhra Pradesh	7.62	12,157.52	9,040.27	1,595	1,186
Arunachal Pradesh	0.11	571.07	607.84	5,192	5,526
Assam	2.67	3,987.1	2,336.7	1,493	875
Bihar	8.3	6,861.92	2,367.09	827	285
Chhattisgarh	2.08	2,847.73	2,089.85	1,369	1,005
Goa	0.13	737.13	710.63	5,670	5,466
Gujarat	5.07	8,272.87	5,796.49	1,632	1,143
Haryana	2.11	3,995.6	3,814.77	1,894	1,808
Himachal Pradesh	0.61	2,308.51	1,333.38	3,784	2,186
Jammu & Kasmir	1.01	2,939.87	3,033.09	2,911	3,003
Jharkhand	2.69	3,787.15	2,648.21	1,408	984
Karnataka	5.29	8,898.79	7,947.32	1,682	1,502
Kerala	3.18	5,896.38	3,771.66	1,854	1,186
Madhya Pradesh	6.03	6,658.34	5,194.7	1,104	861
Maharashtra	9.69	19,917.19	9,314.71	2,055	961
Manipur	0.23	684.57	600.65	2,976	2,612
Meghalaya	0.23	554.75	494.4	2,412	2,150

Mizoram	0.09	547.59	498.77	6,084	5,542
Nagaland	0.2	552.21	568.4	2,761	2,842
Orissa	3.68	4,677.75	1,953.26	1,271	531
Punjab	2.44	3,604.06	3,714.07	1,477	1,522
Rajasthan	5.65	7,994.39	4,682.92	1,415	829
Sikkim	0.05	337.8	266.39	6,756	5,328
Tamil Nadu	6.24	11,316.41	5,772.5	1,814	925
Tripura	0.32	779.32	483.49	2,435	1,511
Uttar Pradesh	16.62	15,609.71	7,755.84	939	467
Uttranchal	0.85	2,255.74	1,211.62	2,654	1,425
West Bengal	8.02	9,800.03	4,634.95	1,222	578
All India	**101.21**	**1,48,551.5**	**92,643.97**	**1,468**	**915**

5.02.16. To conclude following suggestions are made:-

(1) Grants in aid should not only cover the non-plan revenue expenditure but also plan revenue expenditure at least in cases of newly created States to enable them to have higher surplus for capital expenditure.

2) Make recommendations to bridge the gap across the States in terms of per capita social and economic service expenditures giving special consideration to the fact that the newly created states have suffered because of historical neglect in the parent states.

(3) There is a need that in order to achieve fiscal balance, fiscal discipline and balance them with fiscal requirements of center and States, there should be a single organization for taking decisions on devolution and assessing the fiscal requirement of center and States, including loans. Finance Commission being a Constitutional body is best suited to be such organization.

5.03. Grants-in-aid Proposals for improving Levels of Public Services

5.03.01. Health

5.03.01.01. **In order to meet the Millennium Development Goal and NRHM targets of reduction of IMR and MMR, the State has already initiated many health sector reforms. This reform agenda needs considerable inputs by way of infrastructure, systems and finances. In spite of good allocation from state budget additional funding is required, for which the following proposal is made to the 13th finance commission.**

5.03.01.02. The Major Components of the proposal for consideration is as follows:

1. Infrastructure
2. System development
3. Innovations
4. PPP Model

1.Infrastructure :

Construction of Health Care Facilities:

There is a huge gap in the basic health facilities as well as accommodation for health staff. There has been acceleration in creation of buildings with funds from various sources like state budget, NRHM, EUSPP and BRGF. The enormous gap in sub centre buildings of over 1007 sub centres, 45 PHCs, 13 CHCs has to be reduced.

Similarly to Strengthen AYUSH services there is a need to construct 202- AYUSH dispensaries, 15 districts Ayurveda offices and one state paramedical training center.

Besides these, state is having huge human resource gap in staff nurse cadre for which we need to establish 2 B.Sc nursing colleges at Jagadalpur and Ambikapur notified naxal affected tribal belt.

Rs. 163.53 crores is required under this head for the first year only as one time cost.

2.System Development:

1. **Procurement and Infrastructure management / Technical cell:** Current structure of the department is having huge gap in technical support for procurement/logistics and infrastructure development. Many construction works are being run in the districts to fill the gap in infrastructure with weak monitoring of the sites. Lots of equipments and drugs are being procured by the department with only limited technical hands to rationalise and streamline procurement, which is contributing to the low quality of commodities purchased and poor inventory system. SHRC is providing technical support in the current year, but for future the cell need to be institutionalised with 1 Biomedical engineer, 1 Pharmacist, 1 Business Manager, 1 Civil engineer and Supportive staff.
2. **Strengthening Food and Drug Control:** Maintaining the quality of food and drug is one of the major focus areas in the state, where spurious drugs are being marketed. Quality testing of drug and enforcement of rules and standards require setting up 9 district FDC units.

Rs. 3.9 crores is required for system development for first year only as one time cost and 24 lacs per year as recurrent cost for next four (2011-15) years.

3.Innovations :

Similarly to overcome the reluctance of doctors and nurses to serve in remote rural and tribal areas, the Government of Chhattisgarh proposes to establish “Chhattisgarh Rural Medical Corps with special incentives and career opportunities.

Rs. 7.35 crores is earmarked for innovations per year as recurrent expenditure.

4.Public Private Partnership innovation / projects:

1. **Medical College under PPP model at Ambikapur:** This is a priority of the state to promote in the tribal area under PPP model

Rs. 100.00 crores is required for PPP model for the first year as one-time cost.

Total funding requirement for the above activities for period 2010-2015 is Rs. ***305.14crores out of which 267.43 Crores*** **will be one time cost and** ***37.71 Crores will be*** **recurrent annual expenditure for next four years.**

Activity / program (Infrastructure)	**Additional budget requested for year 2010**
Construction	
A. Construction of 1007 Sub Health Centre(Unit cost Rs. 8.5.lacks)	85,59,50,000
B. Construction of primary 45 Health Centre(Unit Cost Rs. 30 lacks)	13,50,00,000
C. Construction of 13 Community Health Centre (unit cost Rs. 70 Lacks)	9,10,00,000
Strengthening AYUSH institution (Construction of 202 Ayush dispensaries @ 12 lacs, 15 district Ayurveda offices @ 35 lacks, one state paramedical training centre, construction of modern auditorium	35,34,00,000
Grant- in -aid for infrastructure 2 BSC nursing colleges at Jagdalpur, Ambikapur notified naxal affected tribal belt	20,00,00,000
System Development	
Procurement and infrastructure management / Technical cell (Set cost for 1 Biomedical engineer , 1 Pharmacist 1 Business Manager, 1 civil engineer and Supportive staff) (1 Year budget sanctioned under EUSPP for procurement cell only)	24,00,000
Strengthening Food Drug Control- 9 district office building @ 25 lacs , construction of head office	3,66,00,000

building @ 100 lacs, sample test from others- 20 lacs, IEC to prevent adulteration 21 lacs.	
Innovation	
Institutionalization of incentive package under Chhattisgarh Rural Medical Corp.	7,35,00,000
Total(4 components)	**2,68,43,14,000**

PPP Model	Activity/ Program	Additional budget requested
	Medical College PPP model at Ambikapur	1,00,00,00,000 (50% of total budget)
	Total	**1,00,00,00,000**

Grand Total of 5 components –Rs. 305.15 cr. *out of which 267.43Crores* will be one time cost and *37.71 Crores will be* recurrent annual expenditure for next four years

5.03.02. Education

5.03.02.01. Schools both in the CD Blocks as well as TD Blocks in Chhattisgarh lack even in basic infrastructure. In spite of the increase in budgetary support, the requirement is beyond the means the State.

(A) The School Education Department has submitted the following proposals for consideration of the 13th Finance Commission:-

(I) Under Sarva Shiksha Abhiyan, free education is being imparted to children of age group 6-14 (from class I to VIII). The norms of the scheme provide that there should be a primary school within the periphery of one km and upper primary school with in the periphery of 2-3 Kms. Besides this, depending on the availability of children, schools may be opened in isolated and secluded pockets. The expenditure for opening schools under those norms are borne by S.S.A. However besides the newly opened school under S.S.A. there are already existing primary schools under State Government. The condition of buildings of many such schools is very bad. The condition of these buildings is not at all conducive for providing right kind of ambience necessary for imparting quality education. It has been assessed by the education department that there are 1,291 partially damaged building which may be repaired at estimated cost of Rs.19.35 Crores. Besides partially damaged building, there are 7,387 school building which are fully damaged and require Rs.388.12 Crores. Under the existing norms of S.S.A. the renovation and repair of these school buildings can not be met from S.S.A. funds. In view of this 13th Finance Commission may consider providing Rs.388.12 Crores for repair and renovation of primary school buildings. (Annexure -1)

(II) BOUNDARY WALLS FOR SCHOOLS-

New School buildings in the State and many of the old buildings, do not have boundary walls enclosing the building and the play area, which has led to increasing encroachment over school lands and shrinking of play areas. The available budget from the state as well as the center (in case of SSA & RMSA) is only for school buildings and not for boundary walls. Hence the proposal for construction of boundary walls in 18380 schools Rs. 831.20 Crores (Annexure-2) may be favourably considered by the Commission.

(III) PIPED WATER SUPPLY AND CONSTRUCTION OF URINALS/ TOILETS IN SCHOOLS SITUATED IN URBAN AREAS -

While there is the total sanitation campaign for promoting sanitary habits among school children in rural areas, through construction of toilets, digging of hand pumps and soakpits, there is no corresponding scheme for schools in urban areas. As a result these schools are dependent upon either their local executive school committees or on urban bodies for such resources. Over the years, the urban local bodies have been shrinking their budget outlays for education in respect of schools managed by them in these areas and such schools are in a state of dilapidation. The most essential facilities like fresh water and provision of separate toilets for girls and boys, which directly impinge upon the attendance of students are most severely hit. Mostly build before the independence era, these facilities are today in an advanced stage of dilapidation, for want of proper maintenance. To do away with such anachronisms i.e. schools without basic sanitary facilities in an affluent urban setting, the proposal for piped water supply and construction of girls and boys toilet units in 912 schools in urban areas at a cost of Rs.912.00 lakh may be favorably considered by the Commission. (Annexure - 3)

(IV) OFFICE & RESIDENTIAL COMPLEXES IN 146 BLOCK HEADQUATERS -

There are 44158 Government Schools in the State besides 12361 aided and private schools. Monitoring of the learning levels in these schools and implementation of various Government Schemes therein requires a large bureaucratic machinery. The basic unit of school monitoring is the block, under a Block Education Officer. However lack of office space and residences for BEO's adversely effects, the constant monitoring of schools, as most of them are forced to stay at district headquarters and share office apace with school principal in the block whose work they are supposed to monitor. This also has a demoralizing effect on them. Chhattisgarh being a new state has gone for an extensive new organizational setup in the department as a result of which the number of officers and clerical staff have increased without corresponding increase in administrative infrastructure. It is thus proposed to construct an office of the BEO at each block head quarter with minimum residential space (Annexure-4) to increase administrative efficiency for better output. The proposal for office and residential complex at 146 block head quarters for Rs.121.47 Crores may be favorably considered by the Commission.

ANNEXURE-1

Sl.No.	Particular	Level	Nos. of Schools	Amount per unit	Total Amount
1	Constructions of new building in place of dilapidated one	Primary	5,510	5.00 lakh	275.50 crore
2	Constructions of new building in place of dilapidated one	Middle	1,877	6.00 lakh	112.62 crore
		Total	**7,387**	**11.00 lakh**	**388.12 crore**

ANNEXURE - 2

Sl.No.	Particular	Level	Nos. of Buildings	Amount per unit	Total Amount
1	Boundary Wall	Primary	13000	04.00 lakh	520.00 crore
		Middle	4000	05.00 lakh	200.00 crore
		High School	650	07.00 lakh	45.50 crore
		Hr.Sec. School	730	09.00 lakh	65.70 crore
		Total	**18380**		**831.20 crore**

ANNEXURE - 3

Sl.No.	Particular	Level	Nos. of Buildings	Amount per unit	Total Amount
1	(a) Facility through bore well and pipe supply. (b) Construction of separate toilet units for girls and boys	Primary	508	01.00 lakh	508.00 lakh
		Middle	290	01.00 lakh	290.00 lakh
		High School	53	01.00 lakh	53.00 lakh
		Hr.Sec. School	61	01.00 lakh	61.00 lakh
		Total	**912**		**912.00 lakh**

ANNEXURE - 4

Sl.No.	Particular	Level	Nos. of Buildings	Amount per unit	Total Amount
1 2	Block Education Office Residential Quarters	Office F type	146 146	40.00 lakh 16.00 lakh	58.40 crore 23.36 crore
		G type	146	05.20 lakh	07.59 crore
		H type	584	03.75 lakh	21.90 crore
		I type	292	03.50 lakh	10.22 crore
		Total		**68.45 lakh**	**121.47 corre**

(B) In tribal areas, Schools and Hostels are run by Tribal Welfare Department. Following numbers of Hostels, Ashrams and High Schools do not have their own building:-

SN	Year	No. of proposed buildings	Estimated amt.(Rs. in lakh)S
1.	2010-11	160	6,837.39
2.	2011-12	86	3,569.24
3.	2012-13	104	5,060.00
4.	2013-14	94	4,595.00
5.	2014-15	171	6,487.67
	Total	**615**	**26,549.30**

13th Finance Commission may consider providing grant in aid of Rs.265.49 Crores for construction of Hostels/Ashrams buildings.

5.03.03. Maintenance of Roads & Public Buildings

5.03.03.01 **Roads**

The area of Chhattisgarh is 135194 sq.km., Population of the State is 208.34 lacs. Total road length in Chhattisgarh 35411 km. out of which NH is 2228 kms SH is 5240 kms MDR is 7988 kms and ODR & VR is 19955 kms.

For maintenance and improvement of National Highway funds are received from GoI. for improvement of ODR and Village road action plan is prepared under PMGSY, for remaining SH 5240 kms and MDR 7988 kms. major parts of these road are passes through tribal districts and naxal affected areas, funds allocated by State is not sufficient thus for improvement and maintenance of SH and MDR, funds are required from 13th finance commission.

(Annexure-1)

Improvement of SH & MDR (2010-15)

- BT of unsurfaced roads - 150 Km.
- BT of WBM roads - 1,500 Km.
- Up-gradation of State Highways - 1,000 Km.
- New State Highways -2,026 Km.
- New MDR Roads - 5,200 Km.

Maintenance Requirement (Every Year)

- Periodical Renewal
  - W.B.M. Renewal - 500 Km.
  - B.T. Renewal - 2,100 Km.
  - New B.T. - 500 Km.
- Annual Repair - 13,228 Km.

- Improvement of SH & MDR - 6611 Cr.
- Maintenance Requirement (Per Year) - 613 Cr.
- Resources required for improvement of (SH & MDR) - Rs. 6,611 Crore
- Expected State Resources - Rs. 3,662 Crore
- Maintenance requirement - Rs. 3,065 Crore
- Expected Resources available - Rs.1,647 Crore
- Shortfall in Road Construction & Improvement - Rs. 2,949 Crore
- Shortfall in Road Maintenance Resources - Rs.1,418 Crore

Total Short fall-Rs.4,367 crores

5.03.03.02. **Public Buildings**

For up gradation and maintenance of non-residential old buildings received after bifurcation from old M.P. State, departments like Technical, Higher and School education, Revenue, Police, Veterinary, Health etc. needs special repairs, total plinth area of non residential buildings in State is around 26.06 lac sqmt. 15% of of which i.e. 3.91 lac sqmt needs special repair for civil and electrical maintenance per year estimated cost @ Rs. 2000 per sqm comes to 78.2 crore.

Balance 85% plinth area i.e. 22.15 lac sqmt required ordinary maintenance @ Rs.150 per sqmt i.e. 33.22 crore aprox.

Hence, requirement of funds from 13th finance commission is Rs. 292 crore for Govt. non-residential buildings.

(Annexure-2)

Maintenance of Buildings

- For up gradation and maintenance of Non Residential Buildings total plinth area of Buildings in state = 42.56 lacs Sqm.

- Non residential Buildings plinth area in state = 26.06 lacs Sqm.
- Approximate 15% plinth area of Non Residential Buildings needs special repair for Civil & Electrical maintenance per year = 3.91 lacs Sqm.
- Amount require per year @ Rs. 2000/-per sqm. = Rs.78.20 crore.
- Balance 85% plinth area of NR buildings require ordinary maintenance = 22.15 lacs sqm.
- Amount require per year @ Rs.150 per sqm. = Rs.33.22 crore.
- Total amount require per year Rs.111.42 crore. say =Rs. 111 crore.
- State fund available per year =Rs. 62 crore.
- Balance amount require per year =Rs. 49 crore.
- Total for five years (2010 to 2015) =Rs.292 crore.

Grand Total= Rs.4,367 cr. + Rs. 292 cr.= Rs. 4,659 cr.

5.03.04. Strengthening of Infrastructure for Judicial Administration

5.03.04.01. Judicial infrastructure in terms of Court buildings and residential quarter for sub ordinate judiciary is poor in the State. The number of civil and criminal courts in Chhattisgarh area, before the creation of new state were few. After the formation of the State, a large number of courts have been created. In 2007-08 and 2008-09, 50 new civil courts have been constituted. It is estimated that for each court building 78 lakh Rs would be required and for a unit of judicial officer residential quarter, Rs. 8 lakh would be required. 13th Finance Commission may consider for providing grants in aid of Rs. 35.10 crores towards construction of 50 court buildings and Rs. 3.68 crores, towards construction of 50 judicial officer quarters at following places.

Rs. In Lakh

SN	Place	District	Estimated amount(Court building)	Residential building
1.	Rajim	Raipur	78.00	8.00
2.	Kasdol	Raipur	78.00	8.00
3.	Tilda	Raipur	78.00	8.00
4.	Simga	Raipur	78.00	8.00
5.	Deobhog	Raipur	78.00	8.00
6.	Chhui khadan	Rajnandgaon	78.00	8.00
7.	Pandaria	Kabirdham	78.00	8.00
8.	Gunderdehi	Durg	78.00	8.00
9.	Nagri	Dhamtari	78.00	8.00
10.	Pakhanjur	Jagdalpur	78.00	8.00
11.	Dabhra	Janjgir-	78.00	8.00

		champa		
12.	Wadrafnagar	Surguja	78.00	8.00
13.	Chirmiri	Surguja	78.00	8.00
14,.	Bacheli	Dantewada	78.00	8.00
15.	sitapur	Ambikapur	78.00	8.00
16.	Champa	Janjgir	78.00	8.00
17.	Bilha	Bilaspur	78.00	8.00
18.	Kunkuri	Raigarh	78.00	8.00
19.	Bagicha	Raigarh	78.00	8.00
20.	Bilaigarh	Raipur	78.00	8.00
21.	Keshkal	Jagdalpur	78.00	8.00
22.	Bilaspur	Bilaspur	78.00	8.00
23.	Kota	Bilaspur	78.00	8.00
24.	Lormi	Bilaspur	78.00	8.00
25. 26.	Marwahi Takhatpur	Bilaspur Bilaspur	78.00 78.00	8.00 8.00
27.	Mungeli	Bilaspur	78.00	8.00
28.	Konta	Dantewada	78.00	8.00
29	Durg	Durg	156.00	16.00
30. 31.	Saja Dondilohara	Durg Durg	78.00 78.00	8.00 8.00
32.	Dalli rajhara	Durg	78.00	8.00
33.	Pamgarh	Janjgir-champa	78.00	8.00
34.	Jaijepur	Janjgir-champa	78.00	8.00
35.	Nawagarh	Janjgir-champa	78.00	8.00
36	Malkharouda	Janjgir-champa	78.00	8.00

37.	Pali	Korba	78.00	8.00
38.	Kartala	Korba	78.00	8.00
39.	Janakpur	Koria	78.00	8.00
40.	Pithora	Mahasamund	78.00	8.00
41.	Raipur	Raipur	156.00	16.00
42.	Bhatgaon	Raipur	78.00	8.00
43.	Kharsia	Raigarh	78.00	8.00
Total			3,510.00	368.00

5.03.04.02 The condition of existing court buildings and residential quarters of judicial officers is also very poor. 13th Finance Commission may consider for providing grants in aid for court building's repair/renovation, an amount of Rs. 42.25 crores, and Rs. 8.35 crores for judicial officers quarters at following places.

Table-1 **Rs. in Lakh**

SN	District	Name of Court	No. of courts for repair/renovation	Amount(in Rs.)
1.	Rajnandgaon	ADJ khairagarh	3	141
2.	Durg	DJ durg, ADJ bemetra	12 4	480 166
3.	Jagdalpur	DJ, jagdalpur	13	500
4.	Kanker	DJ kanker	4	160
5.	Ambikapur	DJ,ambikapur	10	340
6.	Koria	DJ koria ADJ,manendragarh	4 3	160 141
7.	Dantewada	DJ,dantewada	5	200

8.	Korba	ADJ Katghora	2	100
9.	Raigarh	DJ,raigarh ADJ, sarang garh	9 1	360 50
10.	Bilaspur	DJ, Bilaspur	18	440
11.	Janjgir-champa	DJ, janjgir champa ADJ, sakti	5 3	200 130
12.	Raipur	DJ, Raipur	21	657
Total				**4,225.00**

Table-2 **Rs. in Lakh**

SN	District	Name of Court	No. of residential buildings for repair/renovation	Amount(in Rs.)
1.	Rajnandgaon	DJ rajnandgaon ADJ Khairagarh	5 1	40 8
2.	Durg	ADJ, bemetra ADJ, balod DJ, durg	2 2 12	16 16 111
3.	Jagdalpur	DJ, jagdalpur Civil Court, Narayanpur	7 1	71 8
4.	Kanker	DJ, kanker Behaviour Court, bhanupratapur	1 1	8 8
5.	Ambikapur	DJ, Ambikapur	8	79

		Behaviour court, surajpur Behaviour court, ramanujganj Behaviour court,wadrafnagar	2 1 1	16 8 8
6.	Koria	DJ, koria ADJ, manendragarh	2 1	16 8
7.	Kawardha	DJ, kawardha	2	24
8.	Dantewada	DJ dantewada Behaviour court, bijapur Behaviour court,sukma	2 1 1	16 8 8
9.	Korba	DJ, Korba	2	16
10.	Raigarh	Dj, raigarh Behaviour court,Dharmjaigarj Behaviour court, gharghoda	7 1 1	70 8 8
11.	Jashpur nagar	DJ, jashpurnagar	4	32
12.	Bilaspur	DJ, Bilaspur	9	80
13.	Janjgir	DJ, Janjgir-champa	3	24
14.	Raipur	DJ, Raipur	8	80
15.	Dhamtari	DJ, Dhamtari	2	16
Total				**835.00**

Grand Total=89.38 Cr (Construction of 50 quarters-3.68 cr, 50 court buildings-35.10 cr, repair/renovation of court buildings-42.25 cr & repair/renovation of officers quarter buildings-8.35 cr)

CHAPTER-6

Local Bodies

6.01. Rural Local Bodies (Panchayats)

6.01.01. Since time immemorial, the institutions of Panchayat (or village republics as few would like to call them) provided administrative and welfare services to the villages in India. These local institutions of governance kept functioning unfailingly and continuously, through the political and administrative upheavals across centuries. Inspired by Mahatma Gandhi's views on Gram Swaraj, many States after independence tried to evolve tiers of Panchayat Institutions at District level and below. However, it was the 73rd and 74th amendment to the constitution, which provided uniformity, and constitutional status to these bodies.

6.01.02. In pursuance to 73rd and 74th amendments to the Constitutions, Chhattisgarh (then part of Madhya Pradesh) was pioneering in bringing existing Acts on local Governance in line with the amended provisions of constitution. In Chhattisgarh, elections for local bodies have been held regularly in accordance with the provisions of constitution the last elections were held in the year 2004. There is an Election Commission, which holds these elections periodically and ensures that these are free and fair.

6.01.03. The State Government is providing financial assistance to the Panchayats in the form of revenue sharing of State revenues, grants in aids under S.F.C. Besides these two channels, numbers of schemes along with personnel are transferred to Panchayats by number of Departments of State

Government. State Government annually releases fund to Panchayats to run these schemes along with salaries of transferred employees. Panchayats are also receiving considerable amount of funds directly from G.O.I for implementing central schemes.

6.01.04. We may first discuss the devolution to Panchayats by way of tax sharing of State revenues. These are general-purpose grants:-

(1) Land Cess:- Under section 71(1) of Panchayat Raj Act 1993, the Sate Government is levying a cess on land revenue at a rate of Rs.0.50 per rupee of land revenue. The land revenue cess is being transferred to the Panchayats on the basis of collection as general purpose grant. The net proceeds of land revenue are credited to District Panchayat Raj fund constituted at District level and administered by collector of the district concerned.

S.F.C has recommended that " the State Government should continue levying the Normal land cess not at 50% but at 250% of the land revenue and the proceeds there of, along with the land revenues be credited to the District Panchayat Raj Funds"

(2) Additional Stamp Duty: - Under section 75 of Panchayat Raj Act, 1% additional stamp duty is charged on instruments of sale, gifts etc. of immovable property. The duty is collected by State Government and credited in Government Account and there after transferred to Panchayats.

S.F.C. has recommended -" Additional stamp duty may be increased from existing 1% to 2%. The scope of stamp duty as well as additional stamp duty should cover instruments of 'exchange and lease in perpetuity' of immovable property.

(3) <u>Surcharge on sales Tax</u>:- Although Panchayat Raj Act does not specifically mention levy of surcharge on sales tax and transfer part of it to the Panchayats, the State Government is transferring some portion of surcharge to the Panchayats of surcharge levied at 10% on sales tax to Panchayats.

S.F.C has recommended the " surcharge on sales tax being transferred to Gram Panchayats be increased to 50% and revenue there of be distributed among Gram Panchayats, Janpad Panchayats and Zila Panchayats in ratio of 3:1:1".

(4) <u>Royalty from Minor Minerals</u>:- The State Government is assigning a share in the royalty proceeds earned by it from exploitation of minor minerals to the Panchayats.

S.F.C has recommended retaining this devolution at the existing level. However, it should be shared between Gram Panchayats and Jan pad Panchayats in the ratio of 3:1.

Assigned revenues to Panchayat (In crores)

Tax	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	**06-07**	**07-08**
Additional duty on stamp duty	7.5	8.00	8.00	8.00	8.00	19	20.99
Share in surcharge on sale tax	1.75	2.10	-	2.10	-	1.84	-
Royalty on minor minerals	0.90	0.90	3.90	4.00	4.00	10.21	39.70
Land cess	11.13	8.48	2.57	19.36	30.33	30.43	44.05
Total	**21.28**	**19.48**	**14.47**	**33.46**	**46.33**	**61.48**	**104.75**

Devolution through S.F.C.

6.01.05. At the time of creation of Chhattisgarh as a separate State on Nov. 1st 2000, the composite M.P Government was implementing its first S.F.C recommendation. The new Chhattisgarh Government has been following the devolution formula prevalent in the composite State as a transitory measure, till date. In conformity with the M.P first S.F.C recommendations, the State Government has decided to transfer 2.91% of the State's own gross tax and non-tax revenues, in addition to the statutory revenue transfers to the Panchayats in the form of assigned revenues, which are already dealt. Despite mounting pressure on the State exchequer, particularly in view of the infant nature of the State, Government is making earnest efforts to see that transfers of the targeted 2.91% of its own gross tax and non tax revenues is transferred to the Panchayats. This may be seen in the table below.

S.F.C devolution as percentage of State's own Revenue (tax and Non-tax) in Gross

Year	State's own (tax and non tax) revenue	Amount released by State Government	%
2001-02	2,715.52	42.68	1.5
2002-03	3,284.00	47.68	1.452
2003-04	3,712.66	53.98	1.454
2004-05	4,471.79	83.75	1.984
2005-06	5,281.53	99.18	2.134
2006-07	6,497.26	120.11	1.85
2007-08	7,638.53	116.02	1.52

6.01.06. The State Government constituted its S.F.C in 2004.The commission has since submitted its report in 2007. The commission recommended that "the State Government may earmark 6.628% of its net tax revenue of 2005-06 for being transferred to the Panchayats every year". The S.F.C. has recommended that award be implemented from 2007-08.

6.01.07. The report of the commission is under active consideration of the State Government and on its adoption, the projected devolution is likely to be of the nature as indicated in the following tables.

Forecast of Devolution (based on S.F.C. recommendation)

Year	Net own Tax revenues	Devolution to PRIs at 6.628%
2007-08	5,539.28	367.19
2008-09	6,446.94	427.30
2009-10	7,533.01	499.29
2010-11	8,634.71	572.31
2011-12	9,900.07	656.18
2012-13	11,353.43	752.51
2013-14	13,022.80	863.15
2014-15	14,940.35	990.25

Forecast of Grants in aid (based on S.F.C. recommendation)

Year	Establishment Grant	Per Capita Grant	Agency Grant	Total
2007-08	71.81	166.48	110.00	348.29
2008-09	79.00	183.13	121.00	383.12
2009-10	86.89	201.44	133.10	421.43
2010-11	95.58	221.58	146.41	463.57
2011-12	105.13	243.74	161.05	509.93
2012-13	115.65	268.11	177.15	560.92
2013-14	127.21	294.92	194.87	617.02
2014-15	139.94	324.42	214.36	678.72

6.01.08. The SFC has recommended "per capita grant" of Rs. 166.48 crores per year for basic services and general purposes to Gram Panchayat, Janpad Panchayat and Zila Panchayat in 90:8:2 ratio. Limitation of State resources restricts this recommendation to be accepted. However, 13th Finance Commission may consider this recommendation and augment the resources of the State.

6.01.09. In addition to the above, the SFC has also recommended "agency grant" to Panchayats at the rate of 3% of the total cost of Centrally Sponsored Schemes. Since this is related to Union Government, the 13th Finance Commission should take into consideration this matter and recommend for the same.

<u>Transfers by line Departments</u>: -

6.01.10. Chhattisgarh Panchayat Raj Act, 1993 has identified functional areas for Panchayats and has made provisions for transfer of these functions to them. The underlying principle is that the function should be divisible at appropriate level of Panchayats in the District to ensure efficiency in the delivery of services. The Panchayats have been entrusted with regulatory, maintenance and development functions. Gram Panchayats, being basic unit of Governance for village or cluster of villages, look after scavenging, cleanliness, maintenance of drinking water sources, including maintenance of tube wells, hand pumps etc. Street lighting, maintenance of village roads, maintenance of community building, preservation of common property resources are some of the other specific areas, where gram Panchayats have direct responsibility.

6.01.11. Developmental functions, including specific programmes and schemes pertaining to ten Departments have also been delegated to Panchayats. These Departments are Panchayat and revenue Department, Social welfare, women and child Department, School education, Agriculture, Revenue, Health and Family welfare, Schedule cast and Schedule tribe welfare, Public Health Engineering, Rural industries. Various activities of these Departments are transferred to Panchayats. The devolution of functions has been done to ensure that each scheme and programme is entrusted to a tier which is functionally most appropriate for the function. Provisions in the statute have been followed by detailed executive instruction for their implementation. Panchayats at appropriate level have been empowered to recruit teachers, decide case of undisputed mutations, correction of land records and partition, recruitment and appointment of medical/Para medical staff, identify the social security beneficiaries and provide them assistance. They identify beneficiaries and provide assistance under poverty removal and other self-employment programmes, administer special nutrition programme, midday meal programme and many other community related programmes.

6.01.12. The transfer of functions has been accompanied by transfer of staff to the Panchayat institutions at appropriate level. State Government is releasing funds to the Panchayat to meet the salary and other requirements in implementation of those schemes, in magnitude, as may be seen below.

SN	Sector	Funds (Rs. in Crores)	Purpose
1.	Education	368.48	Salaries, Midday meal expenditure, Text books to weaker section etc.
2.	Health	6.33	Village health services The system of

			medicine.
3.	Rural water supply	21.15	Salary expenditure of drinking water scheme.
4.	Social security	142.75	Child, Women welfare, Pension, Social security scheme.
5.	Nutrition	1	Special nutrition programme.
6.	Animal Husbandry	3.33	Services relating to animal health
7.	Fisheries	3.88	Inland fishery extension services
8.	Minor irrigation	5.7	
9.	Other rural Development scheme	274	
10.	Funds to be transferred for schemes of capital nature.	94.54	

6.01.13. At State level taking together all the three streams i.e., Revenue sharing, S.F.C devolution of grants in aid, and grant in aid from line Departments there is considerable devolution from the State as may be seen below.

Figures in crores

SN		**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
1.	Assigned revenue	19.48	14.47	33.46	46.33	61.48	104.75
2.	S.F.C	47.68	53.98	83.75	99.18	120.11	116.02
3.	Others Devolution from State's Budget	259.84	251.79	199.79	367.49	541.41	769.91
Total		**327**	**320.24**	**317**	**513**	**723**	**990.68**

It shows State Government's commitment to make the PRIs effective means of self-Governance and service deliveries.

6.01.14. Revenue and financial position of PRIs are poor across the country. However, this is particularly bad in Chhattisgarh, where dependency of PRIs on devolution from higher tier is of high order. The State Finance Commission has observed that on average I.R.M (internal resource mobilization) in case of a G.P in Chhattisgarh is Rs.20106. Significantly, at other two tiers of PRI i.e., Zanpad Panchayat and Zila Panchayat, the IRM was virtually non-existent. These institutions subsist entirely on infusion of State aid in the form of assigned revenues and grants in aid. The commission also observed that average per capita IRM in 2003-04 was at Rs. 10.99. It was little improvement over 1999-00 figure which was Rs. 10.79. In this respect also, the State stands poorly in comparison to other States. A study conducted on 15 States (A.P, Assam, Bihar, Gujarat, Haryana, Karnataka, Kerela, M.P, Maharashtra, Orissa, Punjab, Rajasthan, Tamil nadu, U.P, W.B) showed per capita IRM for 1999-00 at Rs. 31.62 and Rs. 37.07 for 2002-03. This shows that Chhattisgarh stands very high on dependency index. Of course one reason for poor per capita IRM is low per capita income in the State. To make the PRIs financially strong assistance from State Government and Central Government is required.

6.01.15. 13th Finance Commission may take into consideration the likely burden falling on the State Government in implementing the S.F.C. recommendations on assigned revenues and S.F.C grants in aid and suitably augment the State Government's resources for this purpose.

6.01.16. We would like to suggest the parameters for inter-State allocation of the grant for Panchayats to avoid the spatial discrimination on the basis of following criteria –

1. Government of India has adopted the Millennium Development Goals (MDG) and the Planning Commission has targeted achievement of these goals especially relating to poverty alleviation, literacy, health and nutrition etc. Although these goals have inbuilt into the specific departmental schemes, PRIs play a critical role in achieving these milestone. However, there is wide variance amongst States in respect of MDG indicators because of lack of resources and levels of poverty and deprivation. For example, 64 % of the total geographical area of Chhattisgarh is categorised as schedule area. The BPL percentage in Chhattisgarh is 45 as against a national percentage of 27. Similarly, the State ranks low on education, health and nutritional status. Therefore, in the interest of horizontal equity in development process and inclusive growth, the Thirteenth Finance Commission should consider giving more weightage to States, which are relatively low in these indices while determining the principles for allocating PRI grants. Accordingly, we would suggest the weightage to the parameters as indicated in Table 1.

2. The State Finance Commission (SFC) has allocated 2.91 percent of the total tax revenue to the Panchayats as grants, However, no such norms has been adopted by the SFC. Successive Finance Commissions have determined allocation of grants to PRI on *ad hoc* basis. We would recommend that this should be substituted by some transparent and rational principle and a certain percentage (approximately 10% of the total Central tax receipts) may be earmarked for the rural local bodies.

SUGGESTIVE PARAMETERS FOR INTER-STATE ALLOCATION OF THE GRANT FOR PANCHAYATS

Table-1

12TH FINANCE COMMISSION			13th FINANCE COMMISSION (Suggested)	
	Parameters	**Weight (percent)**	**Parameters**	**Weight (percent)**
1.	Population	40	Rural Population	25
2.	Geographical area	10	Geographical Rural area	
			a) Normal	10
			b) Scheduled	15
3.	Distance from highest per capita income	20	Percentage of BPL or SC/ST Population in total rural population	15
4.	Index of deprivation	10	Decentralization Index evolved by the Commission/ Support-incentives to performing States in the area of decentralization	15
5.	Revenue effort of which	20	Revenue requirements of the PRIs as proposed by the States	15
	a) with respect to own revenue of States	10	Differential Development	5
	b) with respect to GSDP	10		
Total		**100**		**100**

6.01.17. 11th Finance Commission had assigned considerable importance to the issue of improving the standards of account and database-keeping in Local bodies. It had recommended a grant of 98.60 crores for maintenance of accounts of village level panchayats and intermediate level panchayats. An additional 200 crores were recommended for hardware provisions for computerized data and information keeping. However situation in the field of accounts maintenance has not really improved and still continues to be very dissatisfactory. It is there fore necessary that improvement in accounts keeping should be linked to release of grants in aid to Local bodies.

Proposal for 13th Finance Commission

6.01.18. At the outset, we emphasize that in seeking financial assistance for the following broad categories, extreme care has been taken in prioritizing the nature of requirement, restricting the number of physical units to the barest minimum, and assessing the unit costs more modestly with the sense of pragmatism.

1. Strengthening Rural Economy through RBH

Collaboration and Partnership among stakeholders from Public, Private, Panchayat and Community has been the key for strengthening rural economy in a sustainable manner. Through some schemes like Public Private and Community Partnership and Rural Bussiness Hubs there has been some boost in the Panchayat levels to forge partnerships with relevant stakeholders for enhancing the economy of the Panchayats. Initial support to develop the market for their resources and product is required.

The major objective of the Government is to establish a clean and healthy environment by provision of sanitation and connectivity in the villages. Provision of CC roads facilitate speedy movement of marketable surplus and vehicular traffic and greatly improve the pace of economic activities in the villages.

Proper and adequate connectivity integrated with efficient drainage and other core civic communities would also arrest out migration of rural people to urban centers.

Besides, the rural economy would get energized if certain other community-centric infrastructure, which seeks to greatly strengthen the rural markets, is made accessible to the rural people. The State Government has been laying great emphasis on provision of all the required community assets to the rural people. Only a few items of infrastructure are proposed on a modest scale for seeking the necessary funds for their creation.

2. Infrastructural Development

Efficient working of the Panchayats requires infrastructural support, which includes buildings for Gram Panchayats and renovation of the existing structures at all level of Panchayats. At present, residential staff quarters are not available for the Panchayat officials working with the Janpad and Gram Panchayat. Provision of residential accommodation at their work localities make the officials more dedicated to their duties and result in productivity gain in their work. Such a facility will avoid loss of their energies and time in commuting from the nearest urban centers to the places of their work in the villages.

Similarly, the trainers of Panchayat functionaries should be able to live near the training institutions. Particularly when the training institutions are located at a far off place from their residence it is not possible for them to interact with the trainees on a continuous basis. It is therefore, necessary to construct the required no of staff quarters for the trainers close to the place of their work.

3. Strengthening Decentralized Planning

Decentralized planning with emphasis on micro level planning and management has been one of the important elements of democratic decentralization, as envisaged by the 73rd and 74th Constitutional amendments. Such a planning inevitable calls for computerization, buildings and database management, documentation, development of IEC, etc. As the State is presently deficient in the necessary skills it is proposed to outsource the different processes of democratic and decentralized planning to professionals in the area who will teach and train the functionaries of Panchayats of the State regarding the various facets of decentralized planning.

4. Incentive for Improved Taxation in Schedule Areas

In view of a significantly low tax-bearing capacity of a large majority of rural people of the State coupled with a pronounced reluctance of the Panchayats to levy and collect taxes, there is an immense need to introduce attractive incentives for them with a view to motivate the Panchayats to exploit all their available revenue sources fully. Such an incentive in the form of a revenue related matching grant is proposed to be introduced in the State. Such a matching grant is proposed to be offered at a higher rate to the Panchayats in the tribal areas vis-à-vis their counterparts in the non tribal areas.

5. Capacity-Building

In the present era of information technology and distant education, empowering 1.61 Lakh non- official and 0.13 Lakh official Panchayat functionaries through skill and knowledge upgradation assumes great importance, which demands necessary orientation through training.

For improving their job performance through training it is necessary to ensure that the training institutions are fully equipped with the necessary physical and human infrastructure like buildings, hostels, staff quarters, training aids like computers as well as a talent pool of trainers. In view of the ungent and imperative need to impart proper and adequate knowledge, skills and motivation for the Panchayat functionaries, the following physical and human infrastructural needs have to be met on a priority basis.

The Total Financial Assistance required for 2010-11 to 2014-15 is Rs. 275757 lakh (i.e. Rs. 2757.57 Cr.)

Annexure

Financial Requirement of Panchayats in Chhattisgarh (2010-2015)

1. Strengthening Rural Economy through RBH

S.No.	Item	Total Units Required	No.of Units Covered	Balance No. of Units Proposed	Unit Cost (Rs.Lakh)	Requirement for 5 years (Rs. Lakh)
1	Cement Concrete Roads in 8583 GPs (Units in Kms)	24550 Km	-	2000 Km	15.00	30000
2	Drainage Lines in GPs (Units in Kms)	48764 Km	-	800 Km	10.00	8000
3	2 shops in gram Panchayats	2000	-	2000	1.00	2000
4	Bus Passenger Shelters in / near GPs	9820	3475	6345	1.00	6345
5	Amenities in Hat Bazaars (one Hat Bazaar for 10 GPs)	982	482	500	5.00	2500
					Sub Total	**48845**

2. Infrastructural Development

Item	Total Units Required	No.of Units Covered	Balance No. of Units	Unit Cost (Rs.Lakh)	Requirement for 5 years (Rs. Lakh)

			Proposed		
1.Buildings for Panchayat offices a. Panchayat Buildings for GPs	*9820*	*9710*	*110*	*5.00*	*550*
b. Addl. Accommodation in Existing Panchayat Buildings	*9820*	*8820*	*1000*	*1.00*	*1000*
c. Renovation / Repairs/ Extension of Panchayat Buildings:					
i) Gram Panchayat	*9820*	*3820*	*6000*	*2.00*	*12000*
ii) Janpad Panchayat	*146*	*66*	*80*	*10.00*	*800*
iii) Zila Panchayat	*16*	*6*	*10*	*20.00*	*200*
2. Addl. Room in Janpad Panchayats for Panchayat Databank	*146*	*86*	*60*	*3*	*180*
3. Residental Staff Quarters					
a) 5 Staff Quarters for 5 Officals working at GP level	39010	_	39010	4.00	156040
b) 5 Staff Quarters for 5 Officals working at JP level	730	_	730	5.00	3650
4. Common playground for rural people	9820	9693	127	0.5	127
5. Roof Water Harvesting in	9820	-	252	0.5	126

Panchayts					
6. Office Maintenance and Equipments					
a) Gram Panchayats	9820	_	9820	0.30	2946
b) Janpad Panchayats	146	_	146	5.00	730
c) Zila Panchayats	16	_	16	10.00	160
				Sub Total (1 to 4)	**178509**

3. Strengthening Decentralized Planning

Sl. No.	**Item**	**No.of Units**	**Unit Cost (Rs lakh)**	**Financial requirement (Rs. lakh)**	
				Annual	**5 Years**
I	Out sourcing professionals for strategic planning, Computerization, Database Management, HRD for planning and accounting, Documentation and IEC development				
a	Gram Panchayats	9820	0.25	2455	12275
b	Janpad Panchayats	146	10.00	1460	7300
c	Zila Panchayats	16	48.00	774	3870
			Sub Total	**4689**	**23445**

4. Incentive for Improved Taxation in Schedule Areas

S.No.	**Item**	**No. of Units**	**Unit Cost (Rs**	**Financial Requirments (Rs Lakh)**

			Lakh)	Annual	For 5 years
1	Matching Grant to GPs for Improving their Tax Effort	9820	0.23	2337.16	11686
			Sub Total	**2337.16**	**11686**

5. Capacity-Building

S.No.	Item	Total no. of Units	No.of Units Covered	Balance No. of Units Proposed	Unit Cost (Rs.Lakh)	Requirement (Rs.Lakh) for 5 years
1	Training Material and Equipment for Trainees in SIRD and PRCs	36	-	36	10.53	379.08
2	Computers For 273 clusters of Community Resource Centres	982	709	273	2.00	546
3	Maintenance of V-Set. establishment (one Computer Operator @ Rs. 6000 pm) and Contingencies	170	-	170	1.6	1360
4	Staff Quarters for the SIRD Functionaries	54	31	23	13.61	313.03
5	Dormitories in Panchayat Resource Centres (SIRD)	146	_	146	10.52	1535.92
6	Buildings for Two	3	1	2	150	300

	Regional Institutes of SIRD					
7	Salaries of 'Facilitators' & Computer Assistant / EDPA in Panchayat Resource Centers (two posts for a group of 10 GPs)	982	_	982	1.80	8838
Sub Total						**13272.03**

The Total Financial Assistance required for 2010-11 to 2014-15 is Rs. 275757 lakh
(i.e. Rs. 2757.57 Cr.) as detailed hereunder:

Sl No.	Items	Financial Requirement (Rs. Lakh)	
		For 5 years	***For 1 year***
1	Capital Cost	226213	45242.6
2	O&M Cost	49544	9908.8
	Total	**275757**	**55151.**

6.02. Urban Local Bodies (Municipalities)

6.02.01. Chhattisgarh is one among the less urbanized States of India. As per 2001 census, its 20.09% of population resides in urban areas. The State occupies 27th rank among 35 States of India, in terms of urbanization. Only seven States viz; Himachal Pradesh, Bihar, Sikkim, Tripura, Meghalaya, Assam and Orissa have lesser percentage of urban population than Chhattisgarh. Another fact, which emerges from 2001 census data, is that

Chhattisgarh is a State of small towns. There is no city in the State with population of more than 10 lakhs. Largest population is in Raipur, the Capital city, which has population of 7.5 lakhs, followed by Bhilai 5.58 lakhs.

City having population more than 1 lakh		8
City having population	>50000<1 lakh	7
City having population	<50000	147
Total		**162 (As on 1.1.09)**

6.02.02. Urban local bodies have been in existence for more than a century in the State. They have been perfoming basic maintenance and regulatory functions in the urban areas. Water supply, waste management, street lighting, construction and maintenance of city roads, maintenance of parks are some of the essential functions which urban bodies have been performing in the State. Regulation of land use and construction of building, preventive aspects of public health including sanitation, regulation of slaughter houses are some other functions which municipalities have been traditionally performing. In the wake up of 74th amendment, the State legislation in the State are suitably amended to delegate additional functions indicated in the 12th schedule of the constitution to make local bodies institutions of self-governance in true sense.

6.02.03. In the State, the urban services are not satisfactory. In a study got conduced by 12th Finance Commission, deprivation index was prepared by the commission. According to this study, 13.67% of urban households in Chhattisgarh are fetching water from far away places, 37.04% of households have no drainage facility, 47.71% of urban households have no individual latrine facility. The deprivation index in terms of three services has been estimated at 27.95% as against 16.79% for the whole country. It shows that State has to cover a considerable distance in respect of three basic services; water supply, drainage and sanitation. In urban services, huge investment is required This would mean that local bodies finances will have to be put on sound footing and for that considerable assistance would be required initially from higher tiers of Governance.

6.02.04. The State Government has been providing funds to the local bodies by way of (1) Tax-share transfers. (2) Grants in aid under S.F.C (3) Funds devolved along with activities of State plan schemes.

Following are the Tax-share transfers to urban local bodies:-

(1) Transfers of entry tax (Compensation for Octroi).

(2) Transfer of vehicle tax.

(3) Transfer of passenger tax.

(4) Share in additional stamp duty.

(5) F.L licence fee transfers.

(6) Surcharge on commercial tax

Transfer of Taxes to ULBs **In Crores**

	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09(RE)**
Entry tax	107	184.88	202.40	258.79	423.38	484.63	460.00
Vehicle tax	8.36	11.96	11.49	19.17	18.18	15	15.75
Passenger Tax	8.00	8.00	8.00	8.00	8.14	8.8	9.24
Stamp duty	3.12	3.37	3.37	8.12	4.39	10	10
F.L licence	2.5	2.02	2.02	4.34	3.3	3.3	3.46
Surcharge on commercial tax	32.65	50.12	50.12	34.23	-	-	-
Total	**161.63**	**260.35**	**277.87**	**332.64**	**457.38**	**521.73**	**498.48**

6.02.05. Apart from Tax share transfers, the State Government is devolving grants in aid under S.F.C. After separation from M.P, the State Government in Chhattisgarh is devolving the funds for urban local bodies as per the formula laid down by 1st S.F.C of M.P i.e., at a rate of 0.53% of gross own tax non tax revenues of the State. The devolution under this head may be seen below.

In Crores

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09(RE)
Grants under S.F.C to ULBs	17.2	18	13.83	25.08	27.15	31.79	32.80

6.02.06. The State Government of Chhattisgarh has constituted its own S.F.C. in 2004. It submitted its report in 2007. Its implementation is under consideration of State Government. The commission has recommended devolution at a rate of 1.659% of the net own tax receipts of the State Government. The commission has recommended the implementation from 2007-08. The financial implication in implementing the S.F.C during the award period would be as follows:-

In Crores.

	2007-08 (actual)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Grants under S.F.C to ULBs	91.91	106.95	124.97	143.25	164.24	188.35	216.05	247.86

6.02.07. The 12th Finance Commission recommended a sum of Rs. 25,000/- crores for the period 2005-10 as grants in aid to augment the consolidated fund of State to supplement the resources of the municipalities and Panchayats. Following the logic followed by 11th Finance Commission, 12th Finance Commission also recommended that this grant should be divided among Panchayat and ULBs in a ratio of 80:20. It was reasoned that the urban local bodies had a greater access to tax and non-tax resources of their own there fore it is PRIs which required substantial support. Following this logic even though the share of ULBs in total population is 26.8% the share of urban bodies in the devolution of these grants was kept at 20%. On this issue, State Government is of a view that in modern world urban centers have become engines of growth. Even in India their contribution in G.D.P is estimated to be more than 60%. There fore improvement in urban services and urban infrastructure will only propel the economic growth. It may also be taken note of that to rural areas considerable funds are flowing by way of poverty alleviation programmes and PMGRY for infrastructure development.

6.02.08. **In view of the greater importance of urban areas in economy and neglect of urban areas in the planning process in past it is proposed that grants for local bodies should be divisible in a ratio of 60:40.**

Proposal for 13th Finance Commission

6.02.09. Though the TFC grant coupled with ULB's own initiative have begun to make a visible impact on primary collection, transportation and disposal of municipal waste, the 13th FC grants are needed for the following -

• Development of sanitary land-fill sites and procurement of support facilities such as Heavy Earth Movers, seggregators, consolidators, etc. at Raipur, Bhilai, Durg, Bilaspur, Korba, Rajnandgaon, Raigarh, Ambikapur and Jagdalpur .	**Rs. 210 crores**
• Procurement of Trucks, Tractor, Trolley, Container career, Container for the newly constituted Nagar Panchayat. (52 nos.)	**Rs. 104 crore**

UNDER GROUND SEWERAGE

6.02.10. No city in the state has city wide underground sewerage system. The liquid waste discharges into open drains causing mosquito menace, transmission of disease vectors and also poses serious threat to health and environment. Bilaspur has taken up the underground sewerage system under UIDSSMT and Raipur is preparing project under JNNURM.

6.02.11. The Municipal Corporations need grants for development of underground sewerage system with decentralized sewerage treatment plants for the following cities:-

Rs in Cr

City	Population 2001	Grant Required
1. Bhilai	5,56,366	612
2. Korba	3,15,690	347
3. Durg	2,32,517	266
4. Rajnandagaon	1,43,770	158
5. Raigarh	1,11,154	122
6. Jagdalpur	1,03,216	113
7. Ambikapur	95,823	105

Total	15,58,536	1,723

FINANCIAL ASSISTANCE TO MUNICIPALITIES

6.02.12. Nagar Panchayats are the transitional areas having significant population engaged in agriculture sector. Municipal Councils are the small towns with similar problems as those of cities, though smaller in dimensions they have nominal resource base at present, and need financial assistance for development of basic infrastructure –

Development/up gradation of water supply system, roads, drains, street light and water bodies conservations (152 nos.)

- Rs. 304 crores

GRANT NEEDED FROM 13th FC(Rs in cr)

Head	Amount
1. Solid Waste Management	210
2. Underground sewerage system	1,723
3. Financial Assistance to newly constituted Nagar Panchayats	104
4. Infrastructure development Municipal Councils & Nagar Panchayats	304
TOTAL	2,341

CHAPTER-7

Financing Disaster Management

7.01. Para 8 of the terms of reference, mandates that the commission may review the present arrangements as regards financing of disaster management, with reference to the national calamity contingency fund and calamity relief fund and the funds envisaged in the disaster management act, 2005 and make appropriate recommendation there on. National calamity contingency fund (NCCF) and calamity relief fund (CRF) came into existence with the recommendation of 11th Finance Commission. These funds are in operation for meeting the expenditure on natural calamities. In case of expenditure from NCCF, the national calamity should be of rare severity of such order which a State may not be able to mitigate from her own resources and when centre may be expected to come forward to provide relief to the distressed State. The 11th Finance Commission had restricted the use of these funds only for meeting the expenditure incurred on account of six calamities: - drought, floods, earth quake, cyclones, hail storm and fire. The 12th Finance Commission has added four more to the list these are: - land slides, avalanches, cloudbursts, and pest attacks.

7.02. In the terms of reference of the Commission, the word used is disaster management, which is a wider term and includes other type's disasters apart from natural calamities. High power committee on disaster management constituted by Union Government identified 3 types of disaster and classified in five groups - water and climate related disaster, geologically related disaster, chemical, industrial, biologically related disasters. Of these 15 can be easily identified as natural calamities others for convenience sake can be termed as non-natural disasters. Non-natural disasters have, on occasion a human element- error of judgment or negligence and are therefore, some times referred to as man made disasters.

7.03. Non-natural disasters do not qualify for assistance from the calamity relief fund so far. The expenditure on relief and rehabilitation is met by the agency accountable for such disaster. The State Government do step in for providing immediate relief and financial support to the distressed in the form of ex-gratia payments. These are made out of normal budget and not from the calamity relief fund.

7.04. In our view, the expenditure on non-natural disaster should continue to be made in the same manner and by the same agencies as it is done presently. For example if a rail accident takes place, the ministry of railways should meet the relief expenditure or if an air accident or industrial disaster occurs, the concerned air line or the owner of industry should be responsible for meeting the relief expenditure, apart from compensation to which the victim would be legally entitled, where needbe the State Government may continue to meet the immediate requirement from their normal budget. Since these occurrences are rare and their magnitude is indeterminate, there should not be any difficulty in continuing the present arrangement.

7.05. Under present scheme of things, the disaster management is financed normally from CRF which is administered by a committee headed by chief secretary of the State where natural calamity has occurred. The essential feature of the present scheme of CRF which is based on the recommendation of 11th Finance Commission is that the CRF should be used for meeting the expenditure for providing immediate relief to the victims of specified natural calamities. The size of the CRF of the States was fixed after taking into account the average expenditure incurred by the State under major head 2245 for 12 years, ending on 1998-99 at 1998-99 prices, after fully adjusting for inflation on the basis of consumer price index for industrial workers. The amount so worked out was projected upto 1999-2000 on the basis of estimated inflation and provision for each year upto 2004-05 was made after assuming current rate of inflation. The 12th Finance Commission instead of 12 years took 9 years of average expenditure under 2245 into consideration, that is 1993-94 to 2002-03. For this purpose the allocation from NCCF was not taken into consideration. There after 12th Finance Commission followed the methodology of the E.F.C for fixing the size of CRF. The average of total expenditure incurred during those years has been adopted as the projected figure for 2003-04 and an annual rate of inflation of 5% has been added for each year upto 2009-10. In our view this methodology of determining CRF should be given up for two reasons. Firstly, it gives too much importance to the historical figures of expenditure. Poor States might not have been in a position to spend in past because of lack of financial resources and since they have not spent in past, and size of the fund is determined by past expenditure, there can not be any upward revision of the ceiling as fixed by a Finance Commission. It is a vicious cycle from which there is no escape for these States. There fore the present system of determining the size of CRF on the basis of average expenditure incurred in past is heavily loaded against poorer State. It would be there fore appropriate if the factors like vulnerability, poverty status of the State, amount of losses incurred due to natural calamities also taken into consideration apart from the existing criteria. Secondly, under the present arrangements, the expenditure incurred under major head 2245 alone is being taken into consideration while calculating the expenditures on natural calamities in past years. However, apart from 2245, under other major head also the expenditure is incurred to mitigate the natural calamities. There fore, under the present formula, the extent of expenditure on natural calamities is not adequately reflected. The expenditure incurred by States on natural calamities from heads, other than 2245, is considerable. In case of Chhattisgarh these figures may be seen below:

Expenditure on Disaster and Drought (In Crores)

	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Major Head under 2245	71.17	6.58	113.46	203.30	173.35
Under Major Heads other than 2245	27.03	101.23	46.56	141.93	173.30
Total	**98.20**	**107.81**	**160.02**	**345.23**	**346.65**

7.06. State Government is of view that expenditure incurred on heads other than 2245 should also be taken into consideration for deciding CRF corpus.

7.07. At the time of formation of Chhattisgarh, the share of Chhattisgarh in undivided M.P's CRF was decided on the basis of area. Since the figures for 1993-94, 2002-03 was not available for Chhattisgarh, the 12th Finance Commission also followed the area principle. The State Government is of view that size of CRF for Chhattisgarh should not have been determined on the basis of area of present MP and Chhattisgarh. This caused great injustice to the new born State, since bulk of the expenditure on relief by the undivided State of MP used to be in Chhattisgarh. Chhattisgarh is basically a mono cropped area State, with heavy dependence on kharif crop of paddy. Paddy requires considerable amount of water, generally available from rainfall. But the fact of the matter is that paddy requires water at suitable intervals for growth and full yield. The rainfall should not only to be adequate but it should also be well distributed during the four months of kharif crop. Any delay, failure or inadequate rainfall damages the paddy crop, leading to low yield, creating drought situation. Droughts are quite common in Chhattisgarh and eight of the 18 districts are recognised as drought prone. Partial failures of crops in some areas with in a district, even during the normal years are not uncommon. Relief has to be provided to the affected population as regular employment generation works are not sufficient to alleviate the distress. Further, employment and income generations are only one aspect of the relief operations. There are other aspects of relief works, which are not covered by employment generation programmes. Provisions of drinking water, food and fodder, protection of diseases, giving relief to the aged and infirm and arranging for agriculture inputs for the next crops, are some of the other aspects of relief operation.

7.08. A word needs to be said about investment from this fund. The 12th Finance Commission recommended that the corpus be invested in (1) Central Government dated securities (2) auctioned treasury bills (3) interest bearing deposits and certificate of deposits with scheduled commercial banks (4) interest bearing deposits in cooperative banks. If for some reason it is not possible to invest in a manner prescribed in the scheme, the periodic contribution to the fund as well as other income to the fund may be kept in public account on which State Government should pay interest on half yearly basis at one and half time the rate applicable, on over draft regulation scheme of R.B.I. In this matter, the State Government is of a view that State Government should have full freedom in the matter of investment from the fund, including freedom to keep it in public account of State. A rigid approach in this matter creates financial problem for the State. State Government is also of a view that at present, the centre and State are contributing to CRF in ratio of 75:25; the ratio in respect to the States may be reduced to 15% from existing 25%.

7.09. Chhattisgarh is a new State it has no national, regional, zonal, or State level institutions. There is no institutional support available for management of disasters in the State. In the past disaster management institutes have been setup in many States with support of Union Government. Where those have not been setup as independent units, a separate cell or faculty has been provided in administrative training institutes. Chhattisgarh Government does not have any training institute for administrative officers, it is there fore suggested that provision be made for establishing a disaster management institute to the State. In case there is difficulty in making provision separately for this purpose, we suggest that States which do not have these facilities may be given the freedom to use the CRF for setting up a disaster management institute also. It is all the more important because disaster management

Act,2005 casts responsibility on Government of India to provide assistance to the National authority and State Government for drawing up mitigation, preparedness and response plans, capacity building, data collection and identification and training of personnel in relation to disaster management

7.10. In between the submission of 12th Finance Commission report and constitution of 13th Finance Commission, a comprehensive act under name and title " Disaster Management Act, 2005" has been passed. The act provides for administrative framework for management of disasters at centre, State and district level and also constitution of funds at those levels. The funds which are to be constituted under the act are:-

National Disaster Response Fund
At centre level
National Disaster Mitigation Fund

State Disaster Response Fund
At State level
State Disaster Mitigation Fund

District Disaster Response Fund
At District level
District Disaster Mitigation Fund

7.11. Under the existing scheme of things, NCCF and CRF are mainly of the nature which may be called disaster response funds. The 13th Finance Commission may like to align their recommendation on NCCF, CRF with statutory obligation of creation of funds under disaster management act. State Government is therefore of a view that NCCF and CRF may be dissolved into central and State level funds, to be constituted under Disaster Management Act.

7.12. Another issue which 13th Finance Commission will have to consider carefully is that the definition of ‘disaster’ in ‘Disaster management act’, includes both types of disaster, natural as well as man made. It defines disaster as – “ a catastrophic, mishap, calamity or grave occurrence in any area, arising from natural or man made causes or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of, property, or damage to, or degradation of, environment and is of such nature or magnitude as to be beyond the coping capacity of the community of the affected area”.

7.13. Till now the Finance Commissions have kept man made disasters out side the purview of CRF and NCCF. State Government is of a view that nature of grant provided by Finance Commissions may be same however expenditures having nature of prevention of danger of any disaster, mitigation or reduction of risk of any disaster, capacity building, preparedness to deal with any disaster may also be charged on these recommended grants. The State Government is also of view that since ‘Disaster Management Act’ is a central act, the expenditure incurred by State Government in setting of State level authorities/ District level authorities should be borne by G.O.I and Finance Commission may make recommendations to that effect.

CHAPTER-8

Quality of Public Expenditure

8.01. One of the terms of reference for 13th Finance Commission is the need to improve the quality of public expenditure to obtain better out puts and out comes. Thought to improve the quality of expenditures was given in past also. As back as 1969 the system of performance budgeting was introduced in

G.o.I in respect to the ministries, handling development programmes, on the recommendation of administrative reform commission.

8.02. Traditionally, budgets are focused on inputs rather than on what the expenditure actually achieves. They do not offer any meaningful information on the cost of achieving policy objectives. Ideally, public expenditure decision should be based on comparison of costs vis-à-vis the benefits expected to result from the expenditure. However, budgets are mainly driven by an incremental approach, where the concern is to find out whether the increases in expenditure are affordable. Generally, the approach is one of incrementalisation. Further, though priorities may change overtime, existing expenditure commitments being entrenched and preemptive in nature, yield little space to new initiatives. In short the emphasis presently is on expenditure, to spend the budgeted amount rather than on out come- the objective achieved in spending the money.

8.03. There are many interrelated factors which impinge on the quality of expenditure such as planning which covers a wide area such as programme and policy designs , allocative efficiency , execution , monitoring , evaluation, accountability good Governance etc. To ensure quality expenditure, first and foremost requirement is that there is clarity about the role of Government in providing services and goods. As rightly observed by 11th Finance Commission, the expenditure restructuring would call for a rethinking on the side of Governments itself. In general, Governments may have to withdraw from a number of areas and strengthen their role in selected sectors in the overall context of economic reforms. Goods and services may be defined over a wide range; from pure public goods at one extreme to pure private goods at the other. In the intermediate space there may be goods that are basically private in nature but with different degree of externality. Where as public goods have to be provided by Governments, in the remaining sector, the Government sector should have a limited role. Even in context of public goods, a distinction may be made between private productions of public goods financed by public authorities, as compared to public production of public goods. In other words supply and production need to be distinguished. Where the public authority is responsible for supply, it need not get in to the act of production necessarily. Government needs to enter only in those areas where due to large externalities, private sector participation by it self, would lead to sub optimal supply. The fact that Chhattisgarh is a new State gave it an opportunity to have a re-look on the services which State Government should be providing to the people and which may be left for private sector. State Government decided that private sector may take care of transport service and decided against opening SRTC.

8.04. There is also a need for continuous assessment of the relevance and utility of Government programmes to see which of the programmes have outlived their utility or relevance. The Government programmes have a tendency to perpetuate and to proliferate and often lead to a situation where more than one programme exists with same objective. Multiplicity of schemes effect the allocative efficiency, inadequate allocation often lead to longer gestation period of projects leading to cost overruns.

8.05. Monitoring and evaluation system is an important tool in ensuring efficiency in public expenditure. Monitoring is an internal activity of programme management. The evaluation assesses the appropriateness of design and implementation of ongoing projects and programmes which can be done either internally or independently or concurrently along with an external agency. At the time of conceptualisation of a scheme or programme the core of the programme should be evaluated. In fact, every programme, should have an earmarked allocation together with structured scheduled for evaluation studies and research institutes should be encouraged in carrying out evaluation studies.

8.06. Another tool which can improve the quality of public expenditure and investment is public private partnership. The public private partnership does not necessarily mean selling off Government assets. PPP can take many forms. The advantages of PPP are (1) They provide alternative management and implementation skills (2) Provide better identification of need and optimal use of resources (3) Provide additional capital. The PPP may be of great use. However enhancing public benefit from PPPs will depend on a large degree on capacity of public sector to design and formulate PPPs and negotiate them. The capacity at central and State level, to design and formulate PPPs need to be strengthened.

8.07. To achieve efficiency in expenditure, in the budget speech of finance minister of financial year 2005-06 the concept of 'outcome budget' was referred to. It was felt that concept of 'performance budget' which had been followed since 1969 suffered from many defects such as lack of clear one to one relationship between the financial budget and the performance budget and inadequate target setting . There was also growing concern about need to track not just the intermediate physical 'outputs' that are more readily measurable but also the 'outcomes' which are the end objectives of State intervention. Introduction of ‘outcome budget’ has been widely held as important policy initiatives. However it must be kept in, mind that out come budget is an enormous task having implication on Governance and institutional structures.

8.08. The out come budget framework if adopted in letter and spirit would mean transformation in the culture, system and processes to lay emphasis on results rather than on processes. It also requires robust monitoring, evaluation and reporting infrastructure. 13th Finance Commission may provide some incentive/disincentives for adoption of such measures at State level.

CHAPTER-9

Information Technology Initiatives

9.01. Chhattisgarh Government has vision of creating an ***'e'nabled Society effectively contributing to the Social and Economic Development of the State***, where there are no islands of elitism or isolated conclaves of wisdom. The state seeks to create a knowledge society where access to information and knowledge would be symmetric amongst all seekers and users and every citizen must feel comfortable in accessing information through IT – directly or through public - private partnerships.

9.02. While it considers leveraging IT in the working of the Government but the focus areas of such approach is on people, process and technology. The prime focus is always on people and all state e-governance initiatives are people centric. Chhattisgarh government has followed collaborative and coordinated approach where the requirement of citizens is the first step while conceptualizing any e-governance project. Also, a high priority is given to Government Process Reengineering in bringing about process reforms to make the present working setup get acclimatized to the new system. The other factors considered while implementing e-governance projects are Institution based decision making, administrative and political leadership, full spectrum thinking, suitable business model based on Public-Private Partnership with community participation and capacity building.

9.03. State through its nodal agency CHiPS, has implementation various landmark projects related to online G2C services (CHOiCE Project), online land records (Bhuiyan), Geographical Information Systems (37 layers completed), rural e-governance (e-gram suraj), online learning (e-classroom), governmental process improvement and cost saving (eProcurement), successfully Further, several mega IT projects viz., CSC (Rural CHOiCE), State Wide Area Network (SWAN), Digital Government and State Data Centre are under implementation.

9.04. Chhattisgarh State is the 1^{st} State in the country to frame Chhattisgarh Citizen Service (Electronic Governance) Rules, 2003 in accordance with IT Act 2000 of Govt. of India.

9.04.01. Policy & Strategy

Chhattisgarh State with wide-ranging socio-economic disparities is now witnessing the ongoing Information Technology (IT) revolution. The Government of Chhattisgarh visions ***'Vikas mool mantra, Aadhar loktantra'*** (**'Driving development through democratic Governance'**) and believes Information and Communication Technology (ICT) is a particularly important medium for the state in reaching out and improving livelihoods specially for its overwhelming SC/ST population across 44% forest area, which had largely remained untouched by modern development.

IT has been identified as a 'Special Thrust Sector' industry in the Industrial policy of the State. The State firmly believes that the cost of technology would be rationalised by large-scale acceptance and use of IT enabled applications. Towards this end, the State is ensuring appropriate financial and operational support is extended to entrepreneurs and enterprises in the IT industry.

9.04.02 e-Government Roadmap

Chhattisgarh is the first State in India which has systematically developed a comprehensive e-Government Roadmap for the state. The roadmap comprises of the following components: (i) e-Government Vision, (ii) e-Government Strategy, (iii) e-Government Blue Print, (iv) e-Government Program and (v) e-Government Ecosystem.

9.04.03. Supportive Institutional Structure - CHiPS

The **CHhattisgarh** *i*nfotech and biotech **P**romotion **S**ociety (CH*i*PS) has been set up to give impetus to IT growth in the State and implement initiatives for overall socio-economic development. CH*i*PS ensures top-of-the-board institutionalised coordination and implementation of State's plans for enabling benefits of IT to everyone. A Registered Society promoted by the State Government, it acts as the nodal agency and prime mover for propelling Information Technology and Biotechnology (including Bioinformatics) growth in Chhattisgarh. The Chief Minister of Chhattisgarh heads the High Powered Governing Council of CH*i*PS. The Council includes eminent persons from Knowledge and Technology sectors, representatives from Government of India and National Agencies, and key State Government Departments.

9.04.04 **Mission approach to State Capacity Building**

The mantra for introduction of IT in Government is reduction in establishment expenditure. A scheme of incentives would be introduced to motivate all Government employees to become computer proficient, Hardware supplies are being contracted with a compulsory clause on familiarization of employees in the operations. NISG (National Institute of Smart Governance) and other leading institutes have been identified as organizations to help 'Train the trainer' to create a resource pool within the state for e-government initiatives in the state.

State has given focused attention on capacity building. A part of this strategy the initiatives on capacity building focuses not only the top most layer of the administrative machinery pyramid *i.e* the political executive but also the humble class IV employees of the Government. In a very ambitious training programme, whole Government machinery including the political executives, senior bureaucrats and all class of Government employees including class IV are being given computer training.

In order to increase the capacities of the college students, e-Class room has been rolled out. For the benefit of school children, a very ambitious programme of creating "Centre of Excellence" for imparting education in each of the district headquarters is in an advanced stage of implementation. This "Centre of

Excellence" will have the 60 seater state-of-art laboratory for imparting IT education for school children.

9.05. Citizen Centric Initiatives

a) **CHOiCE (Urban G2C)** - Chhattisgarh Online Information System for Citizen Empowerment popularly called as CHOiCE provides one stop solution, for anywhere, anytime Government in Chhattisgarh. CHOiCE is the biggest eGovernance project on open source. Under CHOiCE project for the first time in country private citizens have been notified as public servants authorised to issue Government certificates. CHOiCE is state-of-the-art project where all the G2C services are provided under one umbrella and that too in local language. Around 131 services are available and more than two lakh twenty thousand applications for certificates has been transacted till 31st March, 2009. The project has already been rolled out in six districts and state wide rollout is undergoing this financial year.

b) **e-Procurement :** The State is expected to save 10 – 15 % on its procurement expenditure by implementing eProcurement apart from having a transparent and effective system of working. The pilot departments have successfully adopted the eProcurement system which is evident from the fact that 1730 suppliers registered till 23rd April 2009 and 2118 tenders worth Rs.3127 crores have been processed till April 2008.

Department	Tender Processed	Total Value (in Cr.0
PWD	869	1252.9

WRD	871	1603.8
PHED	271	245.3
Health	31	25.1
CSIDC	76	RC**
Total	**2118**	**3127.1**

c) **GIS for Planning:** State has developed a very comprehensive Geographical Information System (GIS) having 37 layers. Using satellite data, natural resource mapping has been carried out on 1:50,000 scales based on satellite imageries and digital processing. The special data infrastructure includes natural resource maps, digital database, natural resource assessment and management and finally a decision support system for various Departments. The GIS system will be used for long term planning of the development of the state.

Some of the large scale usage includes site selection of New Capital Area of Raipur where the natural database and cadastral database layers were analysed along with demographic textual database for the entire state for selection of optimum capital site location. It is now used extensively in similar way for town and country planning 'master plan' preparation in all towns in the state. Department of Industries have used for GIS dataset for state wide industrial site identifications. Many of the state investors are taking assistance using same dataset. More complex usage like 'rout identification' of extra high voltage energy transmission lines, land acquisition for road widening or construction and 'site identification' for floriculture and horticulture in the districts have saved time, manpower and state revenue which otherwise need to be incurred for such survey. This data set is also used along with regular feed of satellite data for forest fire prevention in the state. Saving thus made is phenomenal. At the same time the cadastral map with soil capacity distribution started in the state has directly benefitted cultivators.

d) **Computerization of Paddy Procurement and PDS –** Chhattisgarh state procures 35 lakh MT paddy worth 4000 cr annually. PDS is biggest welfare scheme of the State which involves 5 lakh persons employed in rice milling, with an annual subsidy bill of 1200 cr benefiting 37 lakh families of the state. Recycling of Custom milled rice is the biggest cause of diversion and leakage. The entire food supply chain management for paddy procurement to milling, warehousing to finally distribution through PDS has been automated in the state under this project.

e) **'e Gram Suraj'(Rural Good Governance):** A specific application for Panchayat & Rural Development Department has been created using indigenous handheld device called *'Simputer'*. 'Sar Panch' the people's representatives at cutting edge level are being given automation support with the help of Robust application and data base. This data base help in reflecting villager's assessment on sectors like knowledge, health care, livelihood, social justice and entitled cultural natural resource. Basic village level database has been created on the simputers to collect *'primary data'* pertaining to specific villages in a panchayat. These data are compiled to monitor village level programmes such as (1) Sampoorna Gram Rozgar Yojna (2) Mulbhut Grameen Rozgar Yojna (3) Indira Awas Yojna (4) 11th Finance Commission Aided programmes (5) Indira Sahara Pension Schemes (6) Samajik

Suraksha Pension Yojna (7) Vridhavastha Pension Yojan (8)Vikalang Pension Yojana (9) Rashtriya Parivar Sahayata, (10) SwarnJayanti Gramin Swarozgar Yojna.

f) **Bhuinyan - Online Land Records (G2C)** The State is leveraging IT for computerisation of land records and its distribution. This now also includes geo referenced 'naksha' or the land parcel copies. Presently the land records like B1 and Khasra details are being given on automated mode at 'patwari' level for which each patwari has been provided a desktop PC. The State has developed an application for capturing mutation from remote locations.

g) **e-Classroom:** Chhhattisgarh is the first State to create state of the art virtual classrooms for the Government Engineering and science colleges. Facility to be extended to the other institutions too. Connection between classrooms in the State Colleges to IIT Kanpur has been established. eClass Room helps in up scaling the knowledge base and teaching standards of the key institutes.

h) **Vahan & Sarathi (G2C - Online issue of licenses, permits etc.)** Department of Transport, Chhattisgarh State is implementing 'Smart card based transport registration and driving license system'. Registration books and licences in 9 offices will be converted into digital form.

i) **e-Thana (G2C - Online FIR, Complaints etc for Police)** The Common Integrated Police Application software has been implemented in the police stations with provision of on-line FIR.

j) **CSC (Rural G2C):** The Common Services Centres (CSC) project is national initiative under the National eGovernance Plan (NeGP) providing online government and private services at rural level. A total of 3385 such CSCs would be set-up across the State and would be operated by Village Level Entrepreneurs (VLEs) through a Private Partner, known as Service Centre Agency (SCA), selected at a State Level. The VLEs would be trained by the SCA on the hardware, software and other aspects of sustained operation of kiosks. The SCA would be funding the VLEs and would be ensured of a constant revenue support from the Government for a period of 4 years. The tendering process has been completed and soon the centers will start to be operational.

9.06. IT Infrastructure Initiatives

a) **Chhattisgarh State Wide Area Network (CG-SWAN):** The **Chhattisgarh State Wide Area Network** (CG-SWAN) is a very ambitious project to provide the State with a basic information technology backbone which will be utilized for carrying voice, data and voice traffic facilitating interdepartmental communication and data sharing within the State. CG-SWAN which is under rollout in the state will be a safe, fast, reliable and cost effective network connecting all the 146 blocks of the State through a hybrid network consisting of WiMax, leased line and other network technologies on a Public-Private

Partnership mode and operating on a Build-Operate-Transfer (BOT) model. The project will enable instant online interaction among government departments / agencies resulting in obtaining reports on a real time, improving the workflow processes and the pace of decision-making. The project would act as a vehicle for effective implementation of eGovernance projects across the State.

Chhattisgarh State Wide Area Network (CGSWAN) is a hybrid backbone connecting all districts and eventually Blocks using Lease lines, VSAT, Wi-Max etc. It is also probably the largest Wi-max 802.16d deployment in Asia connecting 3000 Government offices of the state government. Chhattisgarh is the only state which has cared to include all its offices as part of horizontal connectivity to take government to the doorstep of citizen. After following a transparent bid process M/s TCS has been selected as BOOT Operator for the state and agreement in this regard has already been inked on October 8th this year. The rollout work has already started in full swing though out the state.

b) **State Data Centre:** The **State Data Centre** is being planned to provide centralised delivery of services to reach the people in the urban & rural segments. The proposed State Data Centre would provide the infrastructure required for consolidating the databases from the blocks and also for providing online services to citizens at villages / urban areas. The State Data Centre will also provide web services through which information can be shared securely with other key organizations like financial institutions, legal bodies etc. The State Data Centre will be located centrally and is assumed to connect to the remote block servers using the proposed State Wide Area Network (SWAN) of the State.

Technology

9.07. The State Government recognizes the need to democratize the information technology ownership, control and its use. It promotes the use of open source which helps the State to compliment / supplement proprietary software for lowering the cost of IT ownership without compromising the quality of the application. The Government also facilitates research and development into the use of open source in the field of education, governance and even for general use to ensure to become true IT enabled society. While it is very early to say on the impact of open source on cost reduction, the State is trying to strike a balance on the use of open source and proprietary software.

9.08. Achievements

- CHOiCE the biggest open source e-governance project in country.
- First State in the country to frame Chhattisgarh Citizen Service (Electronic Governance) Rules, 2003 in accordance with IT Act 2000 of Govt. of India .
- First State in the country with 37 layers of comprehensive Geographical Information System for all villages of the State.
- First State to digitize and geo-referenced cadastral maps of land parcels for the entire state.
- First State to deploy online mutation of land parcel including maps
- First State in India to provide facility of E-Challan and E-Return.
- First State in India to prepare a comprehensive IT Road Map for state.
- The first e-classroom in the country established in collaboration with IIT-Kanpur.
- First State to initiate Rural Computing at Panchayat Level using Simputer under e-Gram Suraj project.
- First State in India to automate the complete Food Supply Management
- First State in India to organize Workshop on Smart Government for Political executives of the State at NISG, Hyderabad.

- Second state in country to automate the whole procurement cycle of government.
- All treasuries and sub- treasuries computerized with delegated network in the state.

9.09. Awards and accolades

- Chhattisgarh declared best eGoverned State in India by CSI Nihilant 2008.
- eProcurement of Chhattisgarh declared best eGovernance Projects by CSI Nihilant 2008.
- CSI Nihillent award – Best e-governed department (Food & Civil Supplies)
- 1st Human Development Report of Chhattisgarh bagged with UNDP Award 2007 under the category 'Excellance in participation and capacity building process.
- Hon'ble Chief Minister conferred with 'IT Ratna Visionary of the year 2006'.
- CHOiCE project nominated for Skoch-Microsoft International eGovernance Award.
- State rank no. 2 as per IDC – Dataquest survey 2008.
- The Indian Geospatial Award 2008 for excellence in Geospatial Usage awarded to Chhattisgarh State GIS Project.
- National e-governance awards –
    - 2009- Gold for PDS on-line
    - 2008 – Bronze for Paddy Procurement
- E-India awards (6 magazines)–
    - Best e-Government initiative of the year
    - Best ICT enabled department
- Manthan South Asia award (DEF)– Best content for development

CHAPTER-10

Proposals for State-Specific Needs

10.01. Introduction

10.01.01. Before the creation of Chhattisgarh State, Raipur was a divisional head quarter, lacking in all the infrastructure required for a Capital City. Therefore a new Capital City needs to be developed. In addition many state level institutions need to be setup. 13th Finance Commission is requested to give state-specific grants as proposed below:-

10.02. Police Infrastructure for Combating Extremist Problem

10.02.01 The Left Wing Extremist scenario is characaterized by growing spatial spread, increased intensity of violence with rise in number of attacks on security forces personnel, rapid militarization and stepped up efforts at mass mobilization. At present, though three are about 34 LWE groups operating in the country, the most potent group is CPI (Maoist), which is responsible for almost 90% of naxalite violence. The salient feature of the naxalite strategy is to carrying on protracted armed struggle against the State.

10.02.02. A major threat to development in Chhattisgarh is Naxalism. Naxalites had increased their pressure in a large part of Bastar and later also in Surguja region, State Government is making all efforts to fight Naxalism and we are getting help from Central Government also, but this help is not sufficient. Though we have freed large area in Bastar from Naxal influence but we still have to clear large areas of Abujh mad and southern Bastar from their influence as well as stop the Naxalites from entering new areas.

10.02.03. Owning to the various provisions of the forest conservation act the developments for forest areas lagged behind as compare to other areas. This was exploited by naxalites to gain the sympathy of the tribals and thereby establishing the stronghold in these areas. Later the development has been stalled due to naxal resistance to the development works. On one hand the tribals are deprived of the development whereas on the other hand many of the tribals have been rendered homeless due to the naxalite violence.

Clause 3 (ii) of the terms of reference of the thirteenth Finance Commission mandates that "the demands on the resources of the Central Government, in particular, on account of the projected Gross Budgetary Support to the Central and State Plan, expenditure on civil administration, defence, internal and border security, debt-servicing and other committed expenditure and liabilities"

In this context, threat to development in the State due to Naxalism has to be given special consideration. Proposals for grants-in-aid for this purpose are given below:-

Intelligence/Operational Institutions

S. No.	**Name of work**	Nos	Unit rate (in lacs)	Amount (in lacs)
1	Construction Co-ordination centre / Operation Centre at Bijapur/ Dantewada/ Narayanpur/ Balrampur	4	400.00	1600.00
	Construction of Operation Centre at Surguja	1	200.00	200.00
	Total			**1800.00**
II	**Administrative Buildings**			
	Construction of Police Station Building at various District.	57	50.00	2850.00
	Construction of Out Post at various District	46	40.00	1840.00
	Construction of M.T. Workshop at STF, Baghera-Durg	1	100.00	100.00
	Construction of Welfare centre at All 20 District.	20	100.00	2000.00
	For operational purpose - Construction of NGO's Transit Accomodation at 3rd Bn. STF Baghera, 5th Bn, 9th Bn & 10th Bn.	5	30.00	150.00
	Total			**6940.00**
III	Training			
	Construction of Development of A.L.G. Road i/c Culverts, Over Head Tank, Swiming Pool, External Electricity (Transformer Poll Line distribution), Site clearance, External W/S (Pump House etc.), HC/Constable Qtrs. ,			1329.70

	Multipurpose Tower 50 HE at a CTJW College, Kanker.			
	Construction of Over Head Tank, External Electrification, Water supply sewage system & Model Police Station at Police Academy, Chandkhuri.			280.00
	Construction of E-Type, F-Type, G-Type Flat, Landscaping, Petrol Pump etc. at P.T.S. Mainpat.			206.76
	Construction of Boundary wall at 4th Bn. Mana-Raipur.			10.00
	Construction of Multi Storied Barrack 4 Nos at CTJW College, Kanker & 1 Barrack each for 1st Bn to 13th Bn., 15th Bn., 16th Bn., STF Baghera(Durg), Jagdalpur, Sukma, Dantewada, Bijapur.	24	100.00	2400.00
IV	**Total** **Residential Building**			**4226.46**
	Construction of NGO Quarter	1220	12.00	14640.00
	Construction of H/C Quarter	5900	8.00	47200.00
	Total			**61840.00**
V	Arms-Ammunition			5,133.85
	Transport Facility	124		3,500.00
	Total			**8,633.85**
	TOTAL (PART-A)			83,470.31
B	JAIL			
	PART – 1 Prisons in Naxal Areas			10422.10
	PART – 2 Central Prisons			5551.45
	PART – 3 Remaining Prisons			6141.60
	Total			**22115.15**
	PROPOSED SCHEME UNDER THE 13TH FINANCE COMMISSION FOR THE PRISONS SITUATED IN NAXALITE AREAS			
	Construction of New Prisons			1200.00
	Repairs & Renovation			4744.00
	Construction of Staff Quarters			1138.50
	Sanitation & Water Supply			110.00
	Video Conferencing System			102.00
	Security Equipments			2300.50
	Arms & Ammunition			129.10
	Vehicles			144.00
	Tele Communication			204.00

	Modernization of Jail Hospital		350.00
	Total		**10422.10**
	GRANT TOTAL (PART A+B)		**1,16,007.56**

10.03. Development of Capital City

NEED FOR ASSISTANCE FOR "NAYA RAIPUR"

10.03.01. Naya Raipur is being developed in a gross area of 95.22 sq km. as a satellite town at a distance of 20 km from Raipur. Naya Raipur shall provide infrastructure for capital functions and governance. It will also provide non polluting industries, specialised institutions and facilities in the area of health, education, professional learning for the State of Chhattisgarh and neighbouring areas. The infrastructure would be developed in three phases, for a population of 5.60 lacs in the year 2031. More than 50% of the land required for the development has been procured, by mutual consent, from the land owners.

10.03.02. The development of Naya Raipur requires massive investments in a short span of time. Government of India has agreed to include Naya Raipur in the mission city of Raipur under JNNURM. However, only limited funds are available. Except Rs. 100 cores for Water Supply, Rs. 28.76 crores for EWS housing under BSUP and Rs. 32 crores for Buses, the funds under JNNURM are not available for Naya Raipur. State government has been struggling to find funds for this prestigious project without compromising on its commitment to meet the needs of rural and social sectors. In the present economic environment, initiatives in many commercial projects and projects for housing and social infrastructure are not bringing desired results.

10.03.03. State Government / Naya Raipur Development Authority needs support of the 13th Finance Commission for the following projects in the development of the new city which would become a model for inclusive growth and a laboratory for innovations in urban development-

FUNDS NEEDED UNDER THE 13th FINANCE COMMISSION FOR THE CAPITAL CITY - NAYA RAIPUR CAPITAL EXPENDITURE - (PLAN)

(Rs. in crores)

No	Name of Scheme	2010-11	2011-12	2012-13	2013-14	2014-15	Total
1	**Eco-friendly Development Projects**						
	a. Use of Non- Conventional energy resources.	20.00	20.00	-	-	-	**40.00**
	b. Conservation & development of water bodies	10.00	10.00	-	-	-	**20.00**

	c. Road side Plantation and City Park	20.00	20.00				**40.00**
2	**Buildings**						
	a. **Housing for Government officers and employees**	100.00	100.00	-	-	-	**200.00**
	b. Office Complex for State level government offices	125.00	125.00	-	-	-	**250.00**
Total		**275.00**	**275.00**	**-**	**-**	**-**	**550.00**

10.04. Protection & Development of Forests

10.04.01. Chhattisgarh has a total forest area of 59772 Sq. Km, which is 44.2% of the total Geographical area of the State. The State has the 3rd largest forest cover in the country. Due to ever increasing biotic pressure, 30% of the forests are in degraded state. There are 3 National Parks, 11 Sanctuaries & 1 Biosphere Reserve constituted for protection and development of wild life. These forests, national parks, sanctuaries need to be protected and developed which will benefit the state as well as the country.

Forest and forest dwellers

10.04.02. Of the 19744 villages in the State, 11185 villages are situated within the 5 km. periphery of the forests. Forest dwellers are mostly tribals, whose population is 32% of the total population of the state. Areas within and in the vicinity of forests are mostly underdeveloped, because of their geographically disadvantageous location. Their economy is mostly dependant on forests. Forests provide about 650 lakh man-days of employment directly to people in the most remote areas of the State.

10.04.03. Forest generates about Rs. 300 crore as revenue annually from the sale of timber and bamboos. Forests are very rich in Minor Forest Produces. Forest dwellers earn about Rs. 580 crore through employments generated from the collection and sale of minor forest produces.

Forest Management

10.04.04. Forests are managed as per the provisions of working plans approved by GOI. There are 11000 officers & Staff engaged in protection and management of forests. So far 7887 Joint Forest Management committees have been formed in the state.

Departmental Budget and additional financial requirement

10.04.05. Budgetary provision in the state plan for forestry sector during 2008-09 is Rs 198.05 crores. Despite the fact that the State is having 44% of forest area, the budget allocation to the forestry sector in the state plan is about 2%, which is not enough.

10.04.06. Additional Financial resources are required for construction of residential houses for front line staff engaged in forest protection, development of forest roads, research activities, Establishment of SFRI, State Forest Head Quarter, Construction of Students Hostel for employees children, up-gradation of nurseries and development of Protected Areas (Wild life). There is a strong need for rehabilitating the forest areas (Orange areas) not included in the working plans. These forest areas if rehabilitated will not only cater the needs of the people but will reduce the pressure on the existing good forests.

Proposal Under 13th finance commission

10.04.07. It is proposed to give priority to works, which are important for the protection & development of forests, but for which, sufficient budgetary provisions under the State Plan/ CSP and CSS are not available. The following schemes have been proposed: -

(i) Construction of Residential Quarters for frontline staff

Under 13th Finance Commission, it is proposed to construct 1231 Forest Guard, 540 Forester, 55 Range Officer, 32 ACF, 08 DFO and 854 Clerical Staff Quarters . Total estimated expenditure for 5 years is Rs. 10659.71 lakhs.

(ii) Up gradation of Forest Roads

It is proposed to construct 617 km. WBM road and 203 CC roads at a cost of Rs. 12046.12 lakhs.

(iii) Construction of Students Hostel

(iv) Establishment of State Forest Research Institute

To give boost to research in the forestry sector in the state, the State Govt. has decided to establish a State Forestry Research Institute at Raipur. The estimate on establishment of the research institute is to the tune of Rs. 3200 lakh.

(v) Establishment of State Forest Head Quarter

So it is proposed to construct and develop State of Art Forest Head Quarter with all modern facilities at a cost of Rs. 4100 lakhs.

(vi) Forestry Research

So it is proposed to spend Rs. 8806.82 lakhs on Forestry Research activities, such as, establishment of seed testing lab and seed storage unit, establishment of mist chamber, soil testing laboratory, Tissue culture lab and development of clonal and seed orchard etc.

(vii) Development of Nurseries

It is proposed to modernize and develop 70 nurseries at a cost of Rs. 2800 lakhs to produce good quality planting material.

(viii) Strengthening of Working Plan Division and FMIS Division, Raipur.

a. Objectives:

b. Activities Proposed:

1. **Infrastructure Development :**

2. Database Development

2. Forest Survey and Mapping

3. Computer Networking

4 . Financial implications:

Year wise plan for Rs. 1000 lakh for the project period commencing from the year 2010 till 2015 .

(ix) Development of Wildlife

(a). Development of National parks & Sanctuaries

(b). Development of Nandan Van & Kanan Pendari

(x) Environmental Forestry

(xi) Regeneration of Orange Areas (Un demarcated Protected Forests)

(xii) Rehabilitation of Degraded Forests

Requirement of funds from 13th Finance Commission (For Year 2010-2015) for five years

Forest — Rs. In Lakhs

Year wise details of estimated expenditure for various schemes

			2010-11		2011-12		2012-13		2013-14		2014-15		Total	
	Works detail	**Unit**	**Phy.**	**Fin.**	**Phy.**	**Fin.**	**Phy.**	**Fin.**	**Phy.**	**Fin.**	**Phy.**	**Fin.**	**Phy.**	**Fin.**
	2	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
	Construction of residential Quarters for frontline staff	No.	557	1785.5	548	1922	539	2131	540	2349.9	536	2471	2720	10660
	Upgradation of Forest Roads	Km	165	1914	42	564	156	2244	295	4585.9	162	2738	820	12046
	Construction of Students hostel	No.	6	600	6	660	6	726	6	798.6	6	878.4	30	3663
	Establishment of State Forest Research Institute	-		1500		1000		500		100		100	0	3200
	Establishment of State Forest Head quarter	-		1000		1500		1000		500		100	0	4100
	Forestry Research	No.	4	1860	4	1776	6	1704	6	1723	6	1744	26	8807
	Development of Nurseries	No.	12	480	13	520	14	560	15	600	16	640	70	2800
	Strengthening of working Plan Division and FMIS Division Raipur	-		260		190		200		180		170	0	1000

	Development of National Parks & Sanctuaries	-		980		980		980		980		980		4900
	Development of Nandan Van & Kanan Pendari	-		200		200		200		200		200		1000
	Environmental Forestry	-		1500		1500		1500		1500		1500		7500
	Regeneration of Orange Areas (Undemarcated protected forest	Ha	40000	3200	40000	5074	40000	5670	40000	5950	40000	8254	200000	28148
	Rehabilitation of Degraded forests (with Planting)	Ha	48000	4320	40000	6048	40000	6360	40000	6720	40000	9160	200000	32608
	Total			**19599.5**		**21934**		**23775**		**26187.3**		**28936**		**120432**

10.05 Chhattisgarh Academy of Administration

10.05.01. After partition of erstwhile State of Madhya Pradesh in the year 2000, the new State of Chhattisgarh did not inherit any training institution from its parent State. Training is one of the most critical input in making the public service delivery effective and efficient. To bridge this gap 'Chhattisgarh academy of administration' was established in the year 2004 to impart training to officials of Government of Chhattisgarh. It is an apex training institute of Government of Chhattisgarh, responsible for seeing the state Government training initiatives and achieve a S M A R T (simple, Moral, Accountable, Responsible and Transparent) Government. The Academy, designs and conducts foundation training programmes for the recruits of higher civil services and class III executives of the State, along with large number of short duration training programmes, such as foundation courses, refresher courses, management programmes, Work shop courses, Computer courses, training of trainers programmes etc.

10.05.02. The Academy is however running from a temporary building. The State Government has allotted a plot of land measuring 29.89 Hect at Nimora village, District Raipur for Academy's campus. It is estimated that construction of Academy's proposed building would require 28.02 Crores. Due to resource constraints on the State Government, it is proposed that this amount may be provided by 13th Finance Commission.

10.06 Disaster Management Institute

10.06.01. Chhattisgarh is a new State it has no national, regional, zonal, or State level institutions. There is no institutional support available for management of disasters in the State. In the past Disaster Management Institutes have been setup in many States with support of Union Government. Where those have not been setup as independent units, a separate cell or faculty has been provided in administrative training institutes. Chhattisgarh Government does not have any training institute for administrative officers, it is there fore suggested that provision be made for establishing a Disaster Management Institute to the State.

10.06.02. In view of this 13th Finance Commission may consider providing Rs.9,99,55,000/- for establishment of Disaster Management Institute. Details of Proposed fund are as follow:-

Sn	Items	Rs. In cr.
1.	Construction Training hall, DIP hall, Exhibition hall, Library, IDKN/NEDM/NSDI/Disaster Support portal, Library, Meeting Room, Vset Room, AWS, Emergency Operation Centre, Faculties room	2.93
2	Construction of quarters	.57
3	Construction of open air theatre	1.30
4.	External electrification, land scaping & Garden	0.2
5	For interior work & Computerization	5.0
	Total	**9.99**