I. Introduction

The Finance Commission, after the 73rd and 74th amendments to the Constitution in the early nineties, is required to suggest measures needed to augment the Consolidated Funds of the States to supplement the resources of the panchayats and municipalities in a state on the basis of the reports of the State Finance Commission (SFC) in terms of article 280 of the Constitution. The Governor of every state is required to constitute, at the expiration of every fifth year, a SFC to review the financial position of the panchayats and to make recommendations on the principles which should govern the distribution of state taxes, duties, tolls ,and fees, between the panchayats, and the state; their inter se distribution between the panchayats; the taxes and duties which may be assigned to or appropriated by the panchayats; and the principles on which grants-in-aid has to be given, to the panchayats. Governor may also refer any matter which he considers necessary for the sound finance of the panchayats. The SFC is required to make recommendations similarly for the municipalities. The reports of the SFCs become the basis for action by the Finance Commissions.

02. During the course of the last more than a decade and a half, two or in some states three Finance Commissions have given their reports in which they were required to recommend measures for the augmentation of the Consolidated Fund of the States to augment the resources of the panchayats and municipalities. The Tenth Finance Commission, the first one to report after the constitutional amendments, did not have the benefit of the reports of the SFCs. But by the time the Eleventh and Twelfth Commissions were constituted, the first and second reports of many SFCs were available for the consideration of the Finance Commissions. There were twenty five states at the time of the Eleventh Finance Commission (EFC); these became twenty-eight when the Twelfth Finance Commission (TFC) reported. Consequently, there were as many reports available for the consideration of the Finance Commissions. Even though the mandate for the SFCs is clearly stated in the Constitution, the manner of functioning is determined by the SFC, and conditioned by the state. Each SFC devised its own format for the collection of the data and preparation of the report. The SFC reports had wide variance in the content and the data presented which formed the basis of the report. It became difficult for the Finance Commissions to get a clear picture of the state of the finances of the panchayats and municipalities from some of these reports. The Finance Commissions were thus considerably handicapped in fulfilling their constitutional mandate; the last two Finance Commissions, therefore, collected data on the finances of the panchayats and municipalities in a

format devised by them through the state government. Reports of some SFCs contained much extraneous material though useful as information but of little help to the Finance Commissions. It may also be stated here that during the course of half a century twelve Finance Commissions have given their report; but the format of the report had very little variance.

03. The TFC recommended that the SFCs "followthe procedure adopted by the central finance commission for the transfer of resources from the centre to the states, their report would contain an estimation and estimation of the finances of the state government as well as the local bodies by adopting the measures recommended therein. The gaps thatmay remain would then constitute the basis for the measures to be recommended by the central finance commission". The TFC suggested the adoption of a normative approach by the SFCs in the assessment of the revenues and expenditure of the panchayats and municipalities. The Commission stated that in working out the norms for generation of revenues and expenditures of the panchayats and the municipalities. The Commission stated that in working out the norms for generation of revenue on per capita basis, the existing tax base and the scope for raising non-tax revenue should be taken into consideration. Reasonable tax buoyancy be assumed and scope for mobilisation of additional revenue be explored. In working out the norm for expenditure, the average expenditure incurred by the best performing municipalities and panchayats in the provision of core services should be taken into account. The gap that emerges after adjustment of resource transfer by the SFCs should form the basis of the approach by the central finance commission.

04. In order to overcome the problem of comparability of data, and the quality of report and to facilitate the wok of the Finance Commissions, the Thirteenth Finance Commission constituted a Group to examine the feasibility of drawing up a common template for the collection of data by the SFCs and their recommendations on such a common template. The names of the members of the Group are given in **Annex I**. The group was given time upto 31st October for submission of the Report.

05. The Group started action by inviting views from the members of the Group. It also went through the reports of some of the SFCs, and the format in which data was collected and given in the reports. It also studied the format prescribed by the Comptroller and Auditor General (CAG) for keeping of the accounts by the panchayats as also the system of accounts keeping prevalent in various types of municipal bodies. It also studied the reports of the SFCs made available by the Finance Commission, as also the formats prescribed for the collection of the data. On the basis of the material available and the deliberations, the Group has formulated the

template for the collection of the data, and also the format for the report which would contain the recommendations.

II. Template for Collection of Data

06. SFCs require information about the budgetary position of the panchayats and the municipalities for any assessment of their financial position. But this information is seldom available, as it is not maintained in the manner in which it is kept for the centre and the states. It is more so in the case of the panchayats; the urban local bodies , at least, prepare their budgets and maintain information about their revenue and expenditure in some form. Efforts have been made, ever since the 73rd and 74th amendments to the Constitution came into force, to ensure proper budgeting and keeping of the accounts. But lack of trained staff, especially at the panchayat level, has been, to a great extent, the reason that the efforts have not resulted in something worthwhile.

07. The Group has been aware of the existing ground realities. It felt that it would be difficult to expect the village panchayats to change the on-going practices, and adopt and conform to a system of budgeting and upkeep of accounts usually prescribed for government bodies and institutions. The requirements of the SFCs would be adequately served if data on their revenue and expenditure are made available which could give an idea about the efforts made by these bodies towards collection of revenue by diversifying the sources as also about the pattern of expenditure. The Group felt that a common template could be developed which could be the basis for collection of data by every SFC, without in any way compromising their constitutional position. In fact, this would considerably help the SFCs in discharging the constitutional mandate of assessing the financial position of the panchayats and municipalities before they make any recommendations for assignment and apportioning of taxes or grants-in-aid.

08. The group worked a template for the collection of dataon revenue and expenditure for the panchayats and the municipalities as given in **Annex II.** It felt that in the present stage of budgeting and accounts keeping, it would be too much to expect them to collect data based on the distinction between plan and non-plan expenditure as is customary with the centre and state budgets. However, the distinction between the revenue and capital expenditure as also between revenue and capital receipts, has been kept providing space for collection of data separately on this account. This would enable the SFCs to work out the overall revenue and fiscal deficits of the panchayats and the municipalities as also of each individual units. Inter-state and intra-state comparisons would be possible which would

enable analysis of intr-state disparities in the performance of the local bodies and help in the determination of the principles which should govern the vertical and horizontal distribution and assignment of tax revenue among the rural and urban local bodies and the state.

Revenue Receipts

09. Revenue receipts have been divided into five categories which include capital receipts also. These are own revenue, transfers from the state, grants from the central government, capital receipts, and miscellaneous receipts, not covered by any of the normal heads of revenue. Each category has sub-components which need to be elaborated so that there is no ambiguity in the collection of data.

Own Revenue

09.1. Panchayats and municipalities have been given powers by state legislation to levy and collect taxes, duties, tolls and fees, with or without limitations and subject to conditions as provided in the state legislation. These could be divided in two categories: tax revenue and non-tax revenue which includes revenue from duties, tolls, fees and fines imposed by the local body.

i. Tax Revenue

09.1.1. In most states, urban and rural local bodies have been assigned powers to levy tax on buildings, and land other than agricultural land depending on the nature of construction. It is also known as property tax which is the main source of revenue for urban local bodies in states where octroi has been abolished. In some states, the powers to collect and retain land revenue have been given to panchayats. Or a cess is imposed for specific purpose and is passed on to the panchayats. Collection of revenue from agricultural land should be shown separately.

Entertainment tax is generally collected and retained by the state government, but in some states this tax is also levied by the local bodies on per show basis. It is also levied on non-cinematographic entertainments, and is a source of income. Pilgrim tax is levied by the local bodies at the time of important fairs. In some states, local bodies levy and collect taxes on non-motorized vehicles, known as taxes on vehicles. These could be animal-driven vehicles, rickshas, bicycles etc.

09.1.2. States have the power to levy profession tax. In some states, this power has been assigned to local bodies. Where this power has been assigned, this could be an important source of revenue especially for urban local bodies. The service tax is presently levied and collected by the central government, but what is meant by the service tax here is the tax levied by the local bodies for providing a bundle of common public services, not covered by user charges or fees, like conservancy tax, water tax, lighting etc.

II. Non-tax Revenue

09.2.1. Any revenue collected from sources other than taxes is non-tax revenue. Basically, the local bodies, rural and urban, collect user charges where a service is provided specific to a user like water supply, electricity etc. Fee is another source of non-tax revenue. It is charged for specific service rendered or authorisations given like licence fee, registration fee, building permission fee. The services or the authorizations for which fee could be realized by a local body differs from state to state, and therefore have to be incorporated in the format as may be deemed necessary. Some states have given the powers to collect and retain royalty on minor minerals. This could be an important source of revenue for the local bodies wherever these are located. Some local bodies derive considerable amount of revenue by giving properties on rent.

09.2.2. Interest and dividends are another source of revenue for some local bodies, especially urban, which have a strong revenue base. They can derive income from investments made in equity or bond, and get revenue in the form of dividends or interest. Any other item of revenue, not covered by any specific head, could be shown as 'other income'. Each state may indicate the details of other income and include it in the format as a specific item.

Transfers from the State

10.1. Transfers from the state constitute an important, and in some cases, the most important source of revenue for the local bodies, both urban and rural. These transfers take various forms. In some states, certain taxes are assigned to local bodies but are levied and collected by the state. These are different from the taxes assigned to the local bodies through legislation and levied and collected by them. The proceeds from these taxes are fully assigned to local bodies in accordance with the recommendations of the SFCs. Then there is another group of taxes, levied and collected by the state but shared with the local bodies, in accordance with the periodical mandate given by the SFCs. The local bodies have their rightful claim to get a share or assignment, but not in the same manner as the sharing and assignment of taxes between the centre and states under the Constitution as a part of the federal structure.

10.2. Grants are again of various types. SFCs do recommend grants-in-aid to the local bodies after assessment of their financial position. These could be unconditional grants, to fill the gap in the financial resources of a local body, or what are known as revenue deficit grants. The local body is free to use it in any manner because no condition is attached to these grants. Then there are grants which are given for a specific purpose known as special purpose grants. These are given to finance a specific project fully or partially. Funds allocated for the purpose cannot be used for any other purpose as it would constitute violation of the conditions on which these are given and could be recovered from the local body to which it is given. In addition, local bodies now perform agency functions where a project or a scheme is implemented through a local body. The funds flow to the local body for the implementation of the scheme periodically. The local body incurs expenditure in accordance with the schematic budget given to it. These form part of the funds of the of the local body and accounts have to be maintained and rendered by it, though these are strictly not part of the financial resources of the local body as it has no freedom in the manner of expenditure. Lastly, the grants given by the Finance Commission also flow to the local bodies through the state government. These could be conditional or unconditional, general or special purpose. These are distributed among the local bodies on the basis of a formula devised by the SFCs, or in accordance with the directions given by the Finance Commission.

10.3. Many schemes launched by the central government in recent years are now implemented through the local bodies. Funds flow directly from the central government to local bodies and accounts are directly rendered by them to the central government. These also form part of the local body funds though they do not have any freedom in the matter of expenditure.

Miscellaneous Receipts

11. These receipts are not usual, and therefore cannot be classified into any group of regular and known sources of receipts. These could be donations for any specific purpose, or raising of funds by a local body by organizing some events, or from any irregular source not coming within the domain of tax or non-tax revenue, grants from the state or central government or transfers from the state or the central government.

Capital Receipts

12. Borrowings made by the local bodies come in the category of capital receipts. So also the bonds issued by them for raising resources which are repayable over a period of time. Any receipt which is repayable over a period of time beyond a year would constitute debt and would fall in the category of capital receipt.

Revenue Expenditure

13. In the state and the centre, major and minor heads for expenditure are prescribed. CAG has prescribed same heads for the local bodies. Classification of expenditure on the basis of major and minor heads is a difficult task, especially for rural local bodies, where the staff have to perform various functions and are not properly trained in accounts and budgetary matters. It is also inadequate. The purpose of the SFCs as also the Finance Commission would be served if information about expenditure is made available in broad categories which would give an idea about the expenditure made on civic, regulatory and development functions.

Administrative Expenditure

14. Expenditure on the salary of the employees, honoraria of the elected representatives, their travelling allowance bills, medical bills, stationary, electricity, water supply, and other items which are incurred to run an office are broadly categorised as administrative expenditure. Collection of data on this category will give an idea of the percentage of revenue spent on administration alone. It would also include expenditure on audit fee paid to the auditors, wherever required, and such contingent

expenditure as incurred on organizing workshops and seminars, and activities of similar nature.

Expenditure on Civic Services

15. Local bodies have the basic responsibility for providing civic services to the residents in their area. These are water supply, street lighting, sanitation, solid waste disposal, public health, pre-school and elementary education wherever assigned, and such other services which have to be provided and performed on a daily basis for a clean and healthy civic life in a community.

Expenditure on Maintenance of Common Property Resources

16. Local bodies make lot of investments in the creation of assets, which improve the quality of life of the residents. Some of these also provide some revenue though not commensurate to the expenditure made on their upkeep. These are parks, grazing grounds, hats/bazaars, cremation grounds/graveyards, roads, wells, ponds and other natural or artificial water bodies, tree plantations, orchards, village forests, public conveniences, libraries, museums, and other public buildings and places of public importance. These are the common property of the rural or urban public enjoyed by the members without any hindrance or obstruction except the regulations framed for their proper upkeep. Expenditure incurred by the local bodies for their maintenance would be covered by this category.

Expenditure on Schemes assigned by the State Government

17. A number of programmes and schemes are now implemented through the local bodies. Expenditures are incurred through earmarked funds made available by the state government in accordance with an approved schematic budget. These are primary and elementary education, health, anganwadis and pre-school education, social forestry, minor irrigation, employment and income generation programmes, public distribution, old age pension, nutrition and child development, and mid-day meals, wherever these have been entrusted to the local bodies for

implementation. Other programmes relating to agriculture, animal husbandry, social welfare and other subjects included in the eleventh and twelfth schedule of the Constitution and where funds are assigned to the local bodies will also form part of the data collection exercise under this category.

Expenditure on Schemes assigned by the Central Government

18. There are a number of programmes and schemes for which funds are placed directly with the local bodies by the Ministries and Departments of the Central Government to be spent in accordance with an approved schematic budget. Some of these are: Indira Awas Yojana, Total Sanitation Programme, National Rural Employment Guarantee Programme, National Old Age Pension Scheme, National Family Benefit Scheme. Jawaharlal National Urban Renewal Programme, and some other schemes. Expenditure on these schemes does not make any difference to the financial position of the local bodies, but an account of the expenditure gives an idea of the capability developed by the local bodies for undertaking the implementation of schemes and programmes.

Expenditure on Interest on Borrowings

19. Not all local bodies have the capability to borrow funds from the market or the financial institutions. They borrow from the state or the state extends financial support by lending funds to them and charging interest from them. Interest has to be paid on all borrowings and therefore has to be provided in the expenditure, and has to be taken into consideration the financial position of the local bodies.

Capital Expenditure

20. Not many local bodies are able to incur expenditure of a capital nature in the form of acquisition of assets on a regular basis, even when there may be a need for it. It is more so in the case of rural local bodies especially panchayats. In recent years, expenditure on building and acquisition of assets has been increasing, and is financed by grants from the central and

state governments as part of some of the centrally sponsored schemes or state sector implemented through the local bodies. Details about the expenditure incurred and projects financed and assets acquired would give an idea of the financial position of the local bodies.

Borrowings

21. Capital expenditure generally, and in some cases, even revenue expenditure is financed by borrowings, unless grants are given for any specific projects. Details about the borrowings made by the local body along with the source and duration for repayment needs to be collected as it has an impact on the financial position of the local bodies.

Aggregation of Data

22. Data will be collected from each Gram Panchayat, Block Panchayat, and Zila Panchayat and will be aggregated under the heads mentioned in the preceding paragraphs. It be will be annexed to the SFC report giving separately the aggregated data for the Gram Panchayats , Block Panchayats , and Zila Panchayats. Similar exercise will be done for the Nagar Panchayts, Municipal Boards, na dMunicipal Corporations.

Data on Best Performing Panchayats and Municipalities

23. The TFC recommended that normative approach should be adopted for assessing the revenue and expenditure of the paanchayats and municipalities by the SFCs. This would entail identification of best performing panchayats under each category, and best performing municipalities under each. Data collected on the best performing panchayats and municipalities should be incorporated as annex to the SFC report.

III. Format for the SFC Reports

24. Reports of some of the SFCs are quite bulky running in a couple of volumes. A lot of space is devoted to financial and economic history of the state. In the process, important issues directly related to terms of reference emanating from the provisions of the Constitution, do not get adequate attention, and at times get lost in the verbosity of the report. Finance

Commissions becomes, which have to base their recommendations on the reports of the SFCs, find their task difficult as they have to go through now 28 reports. Finance Commissions, without any directions at any point of time about the format of their reports, have all along been concise devoting themselves only to the matters referred to it , and the principles which should govern the sharing of central taxes with the states, their inter se distribution among the states and the grants-in-aid. While it would be unwise to make any suggestions about the size of the report of the SFCs, or the manner in which it should be written, the Group felt that some essential areas need focus as it would facilitate the work of the Finance Commission. A SFC report, therefore, may contain the scheme of chapters as given in **Annex III.** The SFCs may give it due consideration and adopt it keeping in view the mandate to them.

Chapter I. Introduction

25. This chapter could be brief giving information about the constitution of the SFC and the membership as also the terms of reference (TOR)as notified in the Governor' order. A brief information about the design of the report may be given.

Chapter II. Approach, Methodology and Issues.

26. In this Chapter, SFC may indicate the approach and methodology adopted by it towards the terms of reference. Here, information about questionnaire issued for eliciting the views on the TOR, the seminars and workshops held, consultations held etc may be indicated. Lists giving the details may be attached as Annexes. A separate section may be devoted to issues identified as relevant for the report along with the manner in which these have been dealt with.

Chapter III. State Finances

27. An analysis of the state finances along with the condition of the state economy is essential before taking up the issues relating to devolution. These could be discussed in three separate sections: structure of the economy, review of growth and development, at least during the preceding decade to get an idea of the long term pattern, and an evaluation of the state finances covering revenue receipts, capital receipts, revenue and capital expenditure with plan and non-plan components, borrowings and debt position, and the overall fiscal position in the form of primary deficit, revenue deficit and fiscal deficit.

Chapter IV. An Overall View of Decentralised Governance and Devolution

28. This chapter should give information about the extent of decentralisation which has taken place in the state with reference to the eleventh and twelfth schedule to the Constitution. What schemes have been transferred for implementation through transfer of funds and the staff. The extent of control given to the local bodies especially the panchayats on staff in the matter of recruitment, appointment and disciplinary action could be indicated. Whether the local bodies-urban and rural separately-have any powers to formulate their own schemes and allocate funds or they merely perform agency functions may be examined and stated. The chapter could have three sections: functional devolution, financial devolution, and administrative devolution covering all these aspects.

Chapter V. Assessment of the Finances of PRIs

29. The assessment of the finances has to be done separately for all the three tiers of the rural local bodies –Zila Panchayats, Block Panchayats and Gram Panchayats. This chapter may have five or more sections as indicated in **Annex III.** Analysis has to be done separately for revenue receipts including own tax and non-tax revenue, assigned and share in state taxes transfers from the central and state governments, including transfers on account of the agency functions performed by the panchayats on behalf of the central and the state governments, transfers based on the recommendations of the Finance Commissions and the SFCs, revenue expenditure on administration, civic functions, maintenance of common property resources, payment of interest, capital expenditure on

building and acquisition of assets, borrowings and debt position. The period covered should at least be the preceding ten years or more, so that long term trends in the financial position of the panchayats are discernible which could give an idea of the direction in which developments are taking place. While historical trends would give an idea of the overall financial position of the panchayts, and the direction in which the developments are taking place, the SFCs should develop their own norms for assessing the revenues, tax and non-tax, and expenditure of the panchayats based on the performance of the best panchayat. In the state , and in districts, where disabilities in the generation of revenues, and cost disabilities in the matter of expenditure have great discernible variance, more than one norm could be developed for assessing the gap in resources. The report should contain a review of the overall financial management of all the three tiers of the PRIs.

Chapter VI. Urban Local Bodies and Fiscal Management

30. This chapter is to be devoted to an assessment of the financial position of urban local bodies. Three types of local bodies are envisaged under the Constitution: nagar panchayats, municipal councils for smaller urban areas, and municipal corporations for the larger urban area. Unlike the panchayats, where three types of rural local bodies work under the supervision and control by the panchayats of a higher level, the urban local bodies work on their own without any control of the larger urban local body. This chapter should begin with an analysis of the trends in the urbanisation in the state. Urban situation is continuously changing, as new areas are notified as urban, and therefore it is necessary to record the changes that take place during the preceding five years since the report of the last SFCs. The financial position of the urban local bodies-nagar panchayats, municipal councils, and the municipal corporations- should be assessed on the same lines as that of the PRIs. The chapter should also contain an assessment of the challenges of the emerging urban situation and the capability of the local bodies to handle them keeping in view the available financial resources.

Chapter VII. Review of Debt Position and Management

31. This chapter should review the debt position of each category of rural and urban local bodies separately. The utilisation of the borrowed funds for the purpose for which these were borrowed should be examined as also the capability of the local body for repayment. The position of the previous ten years should be analysed and the repayment schedule of the debt for the next five years be worked out to assess the financial position of the local bodies.

Chapter VIII. Assessment of the Gap in Financial Resources and Scheme of Devolution

32. The analyses of the financial position of the urban and rural local bodies will give an idea of the position of the gap in the expenditure commitments and available revenue resources without the devolution of funds in the form of assigned taxes, share in state taxes and the grants-in-aid on the basis of SFC recommendations. This will give an idea of the extent of the deficits of each category of the local bodies. Before working out a scheme of devolution, the report should briefly contain the schemes of devolution worked out by the previous SFCs for the urban and local bodies and the principles on which the shares of each category of local bodies were determined. The details of the scheme of devolution worked out by the SFC may then be indicated. It should be followed by another section giving an analysis of the principles on the basis of which the share of the rural and urban local bodies have been determined in the state taxes, as also the taxes which have been assigned to the rural and urban local bodies of different categories. The report should then state the principles on the basis of which the share of each category of the rural and urban local body is to be determined in the shareable pool of taxes. A separate section should be devoted to grants-in-aid. This section should contain the principles on which the grants-in-aid have to be given to the local bodies-rural and urban-of different categories.

Chapter IX. General Observations and Concluding Remarks

33. The last chapter should be used for giving general observations on any matter that the SFC considers it necessary to make in regard to state of

decentralisation, empowerment of local bodies, and sound finance. This could take the form of recommendations for action, or it could be just observations or it could be a combination of observations and actionable points.

Chapter X. Summary of Recommendations

34. A summary of recommendations be worked out and indicated chapter wise.

IV. General Observations

35. A number of issues, not related to the TOR, were made by a few members of Group. It is time to mention them here. The first relates to the time taken by the SFCs in completing their work. Unlike the Finance Commissions which have to give their recommendations well before the date from which they have to be given effect to, there is no such compulsion for the SFCs, at least as the practice has developed in some states. If the Finance Commission is unable to finalise its report, and the period for which the recommendations of the previous Finance Commission are applicable, is coming to end, it is requested to give an interim report so that there is no uncovered period left for which the central government may decide, at its discretion, about the quantum of funds which could be transferred to states as share in the central taxes and the grants-in-aid. No such mechanism has evolved in the case of transfers from the state to the panchayats and the municipalities, though in making the provisions for the constitution of a SFC, after 'the expiration of every fifth year' the intention was that the transfers would be governed by the mandate of the SFCs. There is a need to make some statutory arrangements to ensure that the mandate given by a SFC is applicable only for a period of five years and can not be extended without the recommendations of a new SFC constituted under article 243I and 243Y of the Constitution.

36. A second related issue is the size of the SFC and its membership. Membership of the SFC differs from state to state and could be anything between from two to five. Important issues –legal, economic, financial, administrative as also relating to decentralisation- are involved which need

to be considered afresh by every SFC. In large states, local bodies are large and transfers have to be designed in such a way that they take care of local needs. Like the Finance Commission, the SFCs, at least in large states, should have five members, each a specialist in one of the five areas.

35. Synchronisation of the reports of the SFCs with the Finance Commission is an area which has not received attention from the states. Finance Commission is required to take into consideration the report of all the SFCs, each reporting for a different period. Finance Commission's recommendations are for a period of five years, and so are the recommendations of the SFCs. But most SFC reports cover only a part of the period for which Finance Commission reports. Since the Finance Commission's constitution as also the period for which it reports is known, it is possible for the states to constitute and direct the SFC to give its report for the period to be covered by the Finance Commission well before the Finance Commission finalizes its recommendations.

36. SFCs have no forum to exchange information on various issues connected with the finances of panchayats and municipalities. They work in isolation and occasionally get access to the reports of other SFCs. Since these are not permanent bodies, there is no mechanism to organize periodical conferences relating to their work, and get updated on the developments in local finance. The Group recommends that periodic meetings of the SFCs in existence should be organized once in a year. The task should be entrusted to a national level institution which should act as the knowledge on local finance in the country.

37. Finally, members had a few words to say about the implementation of the recommendations of the SFCs, especially in regard to devolution. Most states are in no hurry to implement them and place the action taken report before the state legislature. There is a need for developing some mechanism which could ensure that the recommendations are implemented and the implementation report is put on the public domain. SFCs may also include information on the status of implementation either as a part of the introductory chapter, or a new chapter may be included giving the status on implementation of the recommendations of the previous SFCs.

Annex I

List of Members of the Group constituted to draw a template for Collection of Data and Format for Report containing Recommendations.

1. Shri T. N. Srivastava (Member Secretary 11th Finance Commission)	Chairman
2. Dr. Pradeep Apte Department of Economics, Fergusson College, Pune & Member, SFC, Maharastra	Member
3. Prof. Nripendra Nath Bandyopadhyaya Member, Third State Finance Commission West Bengal	Member
4. Dr. Tapas Sen Senior Fellow, National Institute of Public Finance & Fiscal Policy, New Delhi	Member
5. Prof. M. A. Ommen Malcolm Adisehiah Professor	Member

Institute of Social Sciences

4-2376, Kowdiar

Trivadaram

6. Shri Dharmendra Shukla — Member Secretary

Secretary,

Third State Finance Commission,

Madhya Pradesh.

Annex II