

## PREFACE

---

Government in third world countries faces gigantic socio-economic problems. Centralized five-year plan induced development in India does not reach the grassroot level. Ineffective service delivery little benefits the poor as in ‘trickle down theory.’ It is hoped that decentralization would solve the socio-economic problems inflicting the society and is viewed as a panacea.

Transfer of functions, funds and functionaries are components of decentralization. Transfer of functions without necessary financial back up brings vertical imbalance and asymmetrical scenario. Development cannot take place without financial resource.

Local Self-Government in India is well developed since time immemorial, but we have weak institutional framework for service delivery. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, 1992 were important landmark in decentralization especially for fiscal decentralization. State Finance Commission and measures it takes on resource mobilization for local governments empowered these institutions which in turn bring development.

There are several works on Fiscal Decentralization to Local Self-Governments in India. Nonetheless, no research study is done with a focus on Mizoram. Therefore, this study is the first of its kind in the discipline of Public Administration and Economics. It focuses on the study of status of Fiscal Decentralization in Aizawl District, Mizoram.

The dissertation is organized into five chapters, first chapter deals with the introduction of the study area, methodology, etc., second chapter covers conceptualization and theories, third chapter highlight fiscal decentralization to local governments in Aizawl District, and fourth chapter summarizes the findings along with suggestions.

**H.C. Lalchhuanawma**

## ACKNOWLEDGEMENTS

---

There are many people directly and indirectly involved in all major endeavours especially at this level of accomplishment. If I unintentionally left out anyone, for that I apologized.

First of all I would like to thank Almighty God for His constant love and guidance without which I would never be able to complete my research study.

Secondly, my profound appreciation goes to my M.Phil. research guide, Prof. Lalneihzovi, Mizoram University for her untiring care and meticulous guidance during my study. Her unstoppable inspiration is always a wellspring of my academic pursuit. Working under her guidance is particularly rewarding and gratifying since I receive full cooperation and confidence from her support.

My special thank goes to the officials in the Local Administration Department, Mr. A. Biaklawma, MCS, Director, Mr. Lalnguaua, Inspector of Statistics, Vanlalmuani and Vanlalhruaii both LDC and many more which I cannot mention here in helping me access to the documents on Village Council in Aizawl District.

I am also thankful to Mr.Lalfinga, UDC, Urban Development and Poverty Alleviation Department and Ms.Maawmi, LDC for providing me with documents related to Urban Local Government, Mr.Vanlalsawma, Executive Officer of the Aizawl Municipal Council who helps me with valuable information and documents on Aizawl Municipal Council and Local Council, Ms. Esther of District Rural Development Agency who shared MGNREGA information.

Finally, I want to express my heartfelt thanks to my family who always stood beside me with unrelenting support and their untiring endurance during the study, I am indebted to them.

Aizawl, Mizoram  
December 06, 2013

**H.C. Lalchhuanawma**

# CONTENTS

---

<i>Preface</i>	i
<i>Acknowledgements</i>	ii
<i>List of Tables/Charts/Map</i>	v-vi
<i>Abbreviations</i>	vii-ix

---

## **1. INTRODUCTION 1-19**

---

Evolution of Fiscal Decentralization in India and Mizoram
Review of Literature
Statement of the Problems
Scope of Study
Objectives
Research Questions
Methodology
Chapterization
Limitations of the Study

---

## **2. DECENTRALIZATION AND FISCAL DECENTRALIZATION: 20-41 A CONCEPTUAL AND THEORETICAL STUDY**

---

Decentralization: A Conceptual Framework
Dimension of Decentralization
a) Administrative Decentralization
b) Political Decentralization
c) Spatial Decentralization
d) Market Decentralization
e) Fiscal Decentralization
Fiscal Decentralization: Conceptualization

---

## **3. LOCAL SELF-GOVERNANCE AND FISCAL DECENTRALIZATION IN AIZAWL DISTRICT 42-83**

---

Fiscal Decentralization to Rural Local Self-Government
a) Central Legal Provisions
b) State Legal Provisions
c) Revenue Receipt of Mizoram
d) Sources of Revenue: Village Council
Own Source of Revenue
Allocation of State Plan Fund
Finance Commission Grant

- Specific Programme Grant under Centrally Sponsored Scheme
- e) Consolidate Revenue through own sources and transfer
- f) Per capita revenue
- g) Own revenue as percent of total revenue
- Fiscal Decentralization to Urban Local Self-Government
  - a) Legislative Provisions
  - b) Sources of Revenue: Urban Local Body
    - Own Source revenue
    - Grants through Central Finance Commission
    - Allocation of State Plan Fund
- Revenue position of ULB
  - a) Per capita revenue
  - b) Per capita own revenue
- State Finance Commission
- Accounts and Audit
- District Planning and Local Governance

---

<b>4.</b>	<b>IMPLICATIONS AND CHALLENGES</b>	<b>84-101</b>
-----------	------------------------------------	---------------

---

- Implications and Challenges in Fiscal Decentralization to RLB
- a) Revenue Mobilization
  - b) Village Council and Rural Development Programmes
  - c) Village Council and Ruling Unit Political Party
  - d) Mizoram Finance Commission and Village Council
  - e) Maintenance of accounts & audit and Village Council
  - f) State's Plan/Non-Plan Fund and Village Council
  - g) Central Finance Commission and Village Council
  - h) District Development/Planning Board/Committee and VC
  - i) Legislations relating to Fiscal Autonomy

- Implications and Challenges in Fiscal Decentralization to ULB
- a) Functions, Functionaries and Funds
  - b) Sharing of Tax Revenue
  - c) Central Finance Commission grant and ULB
  - d) State Plan Fund and ULB
  - e) JNNURM and ULB
  - f) Urban Development Programmes and ULB

---

<b>5.</b>	<b>CONCLUSION</b>	<b>102-117</b>
-----------	-------------------	----------------

---

	<i>Annexure</i>	<b>118-128</b>
--	-----------------	----------------

	<i>Bibliography</i>	<b>129-136</b>
--	---------------------	----------------

## LIST OF TABLES/CHARTS/MAP

TABLE	ITEMS	PAGE
3.1	Mizoram: Gross State Domestic Product at Current Prices and Total Receipts	47
3.2	Own revenue position of VC in Mizoram during 2009-13	49
3.3	Revenue from Animal Tax within Aizawl District during 2006-2012	50
3.4	State Plan Fund Allocation in Aizawl District	52
3.5	Year-wise FC grants for Mizoram (2005-06 to 2009-10)	55
3.6	Scheme-wise Allocation of Fund for PRI in Aizawl District during 2005-10	56
3.7	FC:XIII Grants for Local Bodies (2010-15)	58
3.8	Allotment of FC:XIII Grants to VC	60
3.9	MGNREGS Fund Allocation to Aizawl District during 2008-13	62
3.10	Bharat Nirman Rajiv Gandhi Sewa Kendra Fund Allocation in Aizawl District	63
3.11	Rural Fiscal Decentralization in Aizawl District during 2005-2013	64
3.12	Collection of Property Tax during (2011-13)	68
3.13	Collection of Aizawl Municipal Council from fees/charge/rent, etc. during 2009-13	70
3.14	Scheme-wise FC:XII Fund Allocation to ULB during 2005-10	71
3.15	FC:XIII Year-wise Allocation to ULB	73
3.16	Grants-in-Aids to AMC during 2008-13	75
3.17	Aizawl District revenue position of ULB during 2009-13	76
3.18	Aizawl District revenue position of local bodies during 2009-13	82

<b>CHART</b>	<b>ITEMS</b>	<b>PAGE</b>
3.1	Criteria Adopted by 12 <sup>th</sup> - 13 <sup>th</sup> Central Finance Commissions	54
4.1	Implementation of Schemes through different agencies and involvement of Village Council	86
4.2	Status of State Government on FC:XIII Eligible Criteria to access Performance Grant	92
4.3	CSS and State Flagship Programme implementing agency in urban area	101

<b>MAP</b>	<b>ITEMS</b>	<b>PAGE</b>
1.1	Map of Mizoram with the study area Aizawl District	16

---

## ABBREVIATIONS

---

ADB	Asian Development Bank
ADC	Autonomous District Council
AG	Accountant General
AMC	Aizawl Municipal Council
AT	Animal Tax
BNRGSK	Bharat Nirman Rajiv Gandhi Sewa Kendra
CAA	Constitutional Amendment Act
C&AG	Comptroller & Auditor General
CCBT	Ch. Chhunga Bus Terminal
CFC	Central Finance Commission
CSTT	Ch. Saprawnga Truck Terminal
CSS	Centrally Sponsored Scheme
DA	Dearness Allowance
DC	Deputy Commissioner
DDB	District Development Board
DDC	District Development Committee
DLAO	District Local Administration Office
DPC	District Planning Committee
DPR	Detail Project Report
DRDA	District Rural Development Agency
EU	European Union
FC:X	Tenth Finance Commission
FC:XII	Twelfth Finance Commission
FC:XIII	Thirteenth Finance Commission
FOCJ	Functional, Overlapping, and Competing Jurisdictions

GAD	General Administration Department
GDP	Gross Domestic Product
GoM	Government of Mizoram
HTPC	House Tax Pay Certificate
IAY	Indira Awas Yojana
ISHUP	Interest Subsidy for Housing the Urban Poor
IWDP	Integrated Wasteland Development Project
IWMP	Integrated Watershed Management Programme
IRDP	Integrated Rural Development Programme
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LAD	Local Administration Department
LC	Local Council
LDC	Lower Division Clerk
MCS	Mizoram Civil Service
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MLA	Member of Legislative Assembly
MMSC	Mizoram Municipal Steering Committee
MoPR	Ministry of Panchayati Raj
NGO	Non-Governmental Organization
NLUP	New Land Use Policy
NRDWP	National Rural Drinking Water Programme
NT	Notified Town
OSR	Own Source Revenue
OT	Own Tax



PHE	Public Health Engineering
PPBS	Planning Programming and Budgeting System
PRI	Panchayati Raj Institution
PWD	Public Works Department
RAY	Rajiv Awas Yojana
RLB	Rural Local Body
SARC	Second Administrative Reforms Commission
SFC	State Finance Commission
SGRY	Sampoorna Grameen Rojgar Yojana
SGSY	Swarnajayanti Gram Swarojgar Yojana
SJSRY	Swarna Jayanti Shahari Rojgar Yojana
SPB	State Planning Board
SWM	Solid Waste Management
SWCM	Solid Waste Management Centre
TA	Travelling Allowance
TCC	Tax Clearance Certificate
VC	Village Council
UD & PA	Urban Development & Poverty Alleviation Department
UDC	Upper Division Clerk
ULB	Urban Local Body

**MIZORAM UNIVERSITY**  
**MIZORAM: AIZAWL**



Post Box No. 190 Gram: MZU  
Phone: 2331612/2331606  
Fax: 0389-2331606  
email: publicadmn\_mzu@yahoo.co.in

---

Prof. Lalneihzovi  
Professor, Deptt. of Public Administration  
Mizoram University, Aizawl-796009  
&  
Supervisor

*No. MZU/PA-Ph.D/M.Phil. 2009/9*  
*Dated: December 15, 2013*

**CERTIFICATE**

This is to certify that Mr. H.C. Lalchhuanawma, M.Phil. scholar in the Department of Public Administration, Mizoram University worked under my supervision on the topic 'Local Self-Governing Institutions and Fiscal Decentralization in Aizawl District: Implications and Challenges' for the award of the Degree of M.Phil. in Public Administration. The dissertation is the product of his own original research work and it does not form a part of any other dissertation. He is permitted to submit the dissertation for examination.

Place: Aizawl  
Dated: December 06, 2013

(LALNEIHZOVI)

## DECLARATION

---

I, H.C. Lalchhuanawma, do hereby solemnly declare that the dissertation entitled, “Local Self-Governing Institutions and Fiscal Decentralization in Aizawl District: Implications and Challenges” submitted to the Mizoram University in partial fulfillment for the award of the degree of Master of Philosophy in Public Administration, is the outcome of the research study undertaken by me during 2013 in the Department of Public Administration, Mizoram University.

I also proclaim that the contents of the dissertation, to the best of my knowledge or to anyone else, did not form the basis of award of any previous degree in any University or institute.

And, the dissertation in full or part is not submitted by me for seeking the award of any research degree in any University or institute.

Date : December , 2013  
Place: Aizawl

(H.C. LALCHHUANAWMA)

## **INTRODUCTION**

Decentralization involves shifting of fiscal, political and administrative authority from higher to lower level governments. Financial responsibility is a core component of decentralization. If local governments are to carry out decentralized functions effectively, they must possess sufficient fiscal autonomy along with own taxation and borrowing powers as well as a share in the State's taxes and duties and grants-in-aid from higher levels of government. 'Fiscal' connotes government finance, revenue, spending, debt and financial year, etc. Full fiscal decentralization requires political decentralization and to some extent, administrative decentralization.

Aizawl district is one of the eight districts of Mizoram State in India. It occupies an area of 3576.31 sq. km. The headquarters of the district is Aizawl city, the capital of Mizoram. The population according to 2011 census was 400,309 of which male and female were 199,270 and 201,039 respectively. Rural population consists of 85,555 and that of Urban is 3, 14,754.

Local Administration Department established on 1<sup>st</sup> January 1973 undertakes rural and urban governance at the grassroot level in Aizawl District through the Village Council (VC) until 24<sup>th</sup> August 2006, when Urban Development and Poverty Alleviation Department (UD&PA) was formed. The latter inherited urban governance responsibility in Mizoram, and subsequently, Aizawl Municipal Council (AMC) which was established on 2010 has taken over the urban governance in Aizawl City. There are 91 Village Councils in Aizawl District and five Notified Towns. AMC is divided into 19 wards and 82 Local Councils made up the territorial jurisdiction. State Plan & Non-Plan Fund and Finance Commission Grant are allocated in lump sum to local self-governing institutions through the departments.

The present study mainly concentrates on the fiscal decentralization and local-self governing institutions in Aizawl District. It traces the theories and conceptualization of decentralization and fiscal decentralization. It also covers an in-depth study of the status of fiscal decentralization in Aizawl District and the underlying implications and challenges.

### **SCOPE OF THE STUDY**

The nature of the research undertaken is exploratory and was a macro-level study. The study covers fiscal transfer to local bodies, Village Council in rural areas and Aizawl Municipal Council/Local Council in urban areas by the State and Central Governments within Aizawl District. The study focuses on the revenue aspect, not the expenditure side of the fiscal decentralization. The main thrust of the study is to analyze the shortcoming of the present inter-governmental fiscal transfer arrangement in the wake of decentralization and the study confines to the period from 2005 to till date.

### **OBJECTIVES OF THE STUDY**

The main objectives of the study are:

1. to study the status of fiscal decentralisation and Local Self-Government in Mizoram with special reference to Aizawl District.
2. to find out the underlying implications and challenges in fiscal decentralisation and Local Self-Government in Aizawl District.
3. to suggest measures to improve fiscal decentralisation to Local Self Government.

## **RESEARCH QUESTIONS**

The present study attempts to find out the solutions of the following research questions:

1. What is the present status of fiscal decentralization to Local Self-Government in Aizawl District?
2. Is there any hurdle in the way of Local Self-Government becoming financially viable?
3. Can Village Councils be restructured in order to enhance their capacity as a strong local self-government along with more fiscal autonomy?
4. How can the Government of Mizoram improve fiscal decentralization to Local Self - Government in Mizoram?

## **METHODOLOGY**

The study is based on primary and secondary sources. Primary data are collected from Local Administration Department, Urban Development and Poverty Alleviation Department, Aizawl Municipal Council, Finance Department and District Rural Development Agency (DRDA), Aizawl. Interviews were conducted with personnel of departments. Five villages Aibawk, Maubuang, Kelsih, Lengpui and Sairang were selected for field study by Disproportionate Stratified Random Sampling Method based on the 'The Lushai Hills (Village Council) Act, 2006 classification of Villages into different stratum for the purpose of study as; Village below 200 houses - 3 members; Village between 200-500 houses - 4 members; Village between 500-800 houses - 5 members; Village above 800 members - 6 members.

Five urban localities Bethlehem, Govt. Complex, Republic, Damveng and Melthumwere selected based on the number of voters in the Local Council, five members in a locality comprising 1500 voters or less and seven members in a locality comprising more

than 1500 voters. Unstructured interviews were held with the functionaries of local self-governments.

Fiscal Decentralization is a top-down approach; therefore, data collected from various Departments and Commissions is sufficed to know how much is revenue from own source and transferred. We relied on such data collected for the purpose of our study. But, in order to find out the presence of any resource generated through charge/fees, etc. and to see the actual position of local government in the implementation of rural and urban development programmes, field study is being undertaken. The primary data collected is tabulated to make it suitable for further statistical treatment.

The secondary sources were books, journals, articles, newspapers, e-sources, reports of various Central and State Commissions and publications among others.

## **SUMMARY OF CONTENTS, FINDINGS AND SUGGESTIONS**

The summary of the chapters and major findings of the study along with suggestions are highlighted as under:

The first chapter explores the evolution of local self-government in India. The emergence of federalism in India at the three levels of government and the landmark in creation of fiscal federalism through 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts (CAA), 1992. The acts mandate fiscal empowerment of local bodies through Finance Commission at the State and Centre and the avenue for the enhancement of fiscal resources.

The chapter also outlines the evolution of modern administration in Lushai Hills since the British government and local self-government in particular right from the formation of Village Council in 1954 under the Sixth Schedule. It also looks into the decentralization wave which is partially sweeping Mizoram with the formation of the statutory urban local body, i.e.,

Aizawl Municipal Council, the structure and machinery through which local councils are managed and controlled.

The second chapter deals with the conceptual framework of decentralization. Different theories and conceptualizations of decentralization are briefly traced. Stigler's Menu, the Principle of Fiscal Equivalency, the Correspondence Principle, Decentralization Theorem, Subsidiarity Principle and the dimensions of decentralization as administrative, political, spatial, market decentralization. And, the concept of fiscal decentralization is thoroughly highlighted by looking first into the fiscal aspects as it is imperative to explore 'fiscal' before attempting decentralization and finally with the concept fiscal decentralization.

The third chapter traces the status of fiscal decentralization in Aizawl District (2005-till date). Broadly, revenue of the Village Council consisted of four dimensions. Firstly, own source of revenue consisting of Animal Tax, Property Tax, Fees, Charge and Fines. Secondly, State Plan & Non-Plan budgets of the State Government. Thirdly, Non-Plan transfer through Central Finance Commission since Twelfth Finance Commission (2005-2010) up to Thirteenth Finance Commission (2010-2015). Fourthly, transfer from the Centrally Sponsored Scheme known as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

The revenue transfer from State Government to the local self-governing institutions is meagre. The gap is filled up by the Finance Commission Grants and Centrally Sponsored Schemes like MGNREGA. Own source revenue of Village Council is very minimal which amounts to 0.024 per cent of the total own revenue of Mizoram.

Revenue source of Urban Local Body are fiscal transfer through Central Finance Commission and own revenue (tax and non-tax) are the revenue source in urban area. State Government has already assigned the items given in the 12<sup>th</sup> Schedule of Indian Constitution



like Property Tax, Solid Waste Management, management of Market Shed and Parking Lots to the Aizawl Municipal Council (AMC), therefore, we have comparatively better picture of urban local government in terms of own source revenue. However, the overall assignment of responsibilities and revenue raising ability is very much imbalanced and there is a long road ahead.

The fourth chapter traces the implications and challenges of fiscal decentralization in Aizawl District. With regard to Village Council, they are very weak in revenue mobilization and are not fiscally empowered. Rural development programmes/schemes implemented through multiple bodies and parastatals overlap elected local bodies. Fund diversion is a common phenomenon under State Plan Fund and mostly these funds does not route through local bodies. Improper maintenance of accounts and audit mechanism is one of the hindrance to fiscal decentralization. The 13<sup>th</sup> Finance Commission lays down required criteria to fulfil for procurement of performance grants and rural local body structure and organization is inadequate to meet three among the requirements such as there is no district level local body, collection of Property Tax not devolved to the VC and unavailability of service standards in water supply, sewerage, storm water drainage and solid waste management. Besides, decentralized planning mechanism is very weak as a result of ineffective planning body at the district level.

The problem faced by Urban Local Body is also highlighted such as partial decentralization resulted into asymmetrical expenditure responsibility and revenue raising capacity of the ULB. Sharing mechanism of tax revenue between state and AMC is not finalised, Property Tax collected so far is credited to the State Government account. AMC is overlapped in transfer under State Plan Fund as well as Centrally Sponsored Scheme and New Land Use Policy to the lower level. Urban Development & Poverty Alleviation

Department and other related line departments still managed urban management functions, transfer of which was necessitated by the Jawaharlal Nehru Urban Renewal Mission Reforms checklist to the control and supervision AMC.

Chapter five highlights the main findings along with the suggestions thereon. The central focus of the research was to appraise the fiscal decentralization process between the three levels of Governments, the Central and State Governments along with the grassroot institutions – Village Council, Aizawl Municipal Council and the Local Council, the mechanism, allocation and status of fiscal autonomy; the underlying implications and challenges thereto and to suggest ways to overcome the inherent difficulties so that they can be a viable institution in the delivery of services to the people.

**The major findings along with suggestions while conducting the study of Fiscal Decentralization in Aizawl District are:**

(1) The Village Councils role in raising revenue is negligible, lacks tax autonomy and extremely weak tax mobilization which constitutes a mere 0.024 per cent to the own tax revenue of the State Government in 2009-10 and 0.010 per cent in 2012-13. VCs fiscal needs are almost entirely transferred by Central and State Government.

Suggestion is that even though the rural tax base is very weak, collection of property tax or local retail sales tax may be devolved. State Government should also demarcate fiscal domain for the local body by assigning the power to levy some more taxes. And, to share a part of states own revenue, i.e. piecemeal assignment or sharing of net proceeds of own revenue of state, i.e., global sharing of taxes will enhance the revenue resource of the rural local government.

(2) Most of the Centrally Sponsored Schemes and the State's Flagship Development Programme, New Land Use Policy fund flow bypasses the Village Council. Many departments devise a separate implementation mechanism. There is lack of clarity in assignment system and overlapping in implementation and inter-institutional gap coordination.

There must be a two tier local body, District Village Council and Village Council. Institution like District Rural Development Agency may be merged with the proposed District Village Council. All other development works for the rural area through different departments like Public Health Engineering, Public Works Department and Social Welfare Departments, etc. may be channelized through the District Village Council so that possible overlapping of same schemes may be prevented.

(3) Bureaucracy-political nexus makes over-size ruling unit political party who exerts their dominance in procuring contracts and minor works and schemes for development at the local level overlapping the elected representatives.

It is suggested that State Government may be conscious not to show too much favouritism to party men in allocating development works. As far as possible, annual allocation of fund to the VC must be made transparent so that they can expect what is to be given for them in a financial year. And, Village Council should not be fought on party affiliations; capable men of the village should be contested.

(4) State Finance Commission is set up very late in Mizoram which can recommend enhancing the fiscal resources of local self-governing institutions. It was only in 30<sup>th</sup> September 2011, the first Mizoram State Finance Commission was set up by the Govt. of Mizoram which is expected to submit its report latest by 31<sup>st</sup> October 2014. Even Nagaland,

which is also exempted from the purview of 73<sup>rd</sup> Constitution Amendment Act, already formed state Finance Commission on 01.08.2008.

It is hoped that SFC will be very generous in giving more fiscal autonomy to the Village Council when the report is submitted.

(5) Proper accounts are maintained by Village Councils for Central Finance Commission's Grants and CSS like MGNREGA as audit was done by the nodal agency at regular intervals. VC revolving fund accounts aren't properly maintained by many Village Councils, records of the previous VCs are difficult to find and maintenance of accounts done in a haphazard manner.

LAD in collaboration with Principal Accountant General should issue an account book written in vernacular which should be easily maintained by all the VC members even for those who are living in the remotest area. Proper audit should be done regularly by the auditor appointed by the Government of Mizoram.

(6) There is no separate Head Allocation of Plan Fund in the State Budget for Village Council. And, no equitable allocation of Plan Fund based on village population and no adopted formulae of fund transfer as is seen on Finance Commission Grants.

It is suggested that political masters should end arbitrary allocation and diversion of Plan Fund. There should be a restructure in the budget head for sectoral allocation, inserting separate head for Village Council. It must be made sure Fund is allocated separately and in a transparent manner for every Village Council without any deviation.

(7) Thirteenth Finance Commission doled out eight criteria to be fulfilled before every 31<sup>st</sup> March of a year in order to receive Performance Grant. Out of the eight eligible criteria, the State couldn't fulfil three requirements, such as; all local bodies should be enabled to collect Property Tax, creation of State level Property Tax Board and to put in place Service standards

for four sectors, Water Supply, Sewerage, Storm Water Drainage and Solid Waste Management.

It is suggested that legislative arrangement should be made in the Lushai Hills (Village Council) Act, 1953 incorporating necessary institutions of local government in order to procure Central Finance Commission Grants and to devolve necessary functions, functionaries and funds as such.

(8) There is no standing State level data base or district level data base on Village Council finances. Even the nodal department Local Administration Department did not have financial statistics of the Village Councils while it has sophisticated Village survey data's for Mizoram which can be utilized for different purposes. State Finance department also have no data resources on Village Council finances.

The suggestion is that proper financial management information system at the District, State and Central Government levels should be set up in Mizoram with a view to create reliable database on finance of the local bodies and be easily accessible by computerising it and linking it through V-SAT.

(9) District Planning Committee (DPC) formed on 2007 according to Article 243-ZD of the Indian Constitution and reconstituted in 2013 with different nomenclature as 'Aizawl District Rural Development Committee' is not actually strengthened to fulfil the objectives and purposes for which it was formed.

It is suggested that formulation and implementation, monitoring and reviewing of the district plan of Village Council should be taken up by the State Government and experts from Economic and Public Administration should be appointed as members of the DRDC so that the state can utilize the statutory body up to the fullest possibility.

(10) Legislative provisions on fiscal decentralization are relatively weak for Village Council. The only fiscal related provision in the Lushai Hills District (Village Council) Act, 1953 is that the State Government can assign local body/officers/any persons to collect tax on its behalf. The Mizo Animals (Control and Taxation) Act, 1980 and rules 1982 are also a very weak fiscal provision which befits the economic condition of the 1980s.

The State Government should review legislations, making amendments to the Lushai Hills (Village Council) Act, 1953 in tune with 73<sup>rd</sup> CAA along with necessary modifications which may be suited to the prevailing condition of Mizoram and the state of its economy. The relevancy of Village Council in the decentralized and globalized world is questionable and the inadequacy of this institution to deliver new norms of development appeared very clearly in the study. The structure and legislative provisions were not designed to carry out socio-economic development at the grassroot level. Financial inability is one of the largest barriers. Therefore, the State Government must take immediate actions in order to have empowered and meaningful rural local body.

**The following are the findings and suggestions on fiscal decentralization to Urban Local Self-Government:**

(1) Devolution of functions and responsibilities to the AMC is taking place. Property Tax, Solid Waste Management, Parking Fees, Market Rent, etc. is already assigned to the AMC. However, the so called revenue is not yet trickle down at the local level.

It is suggested that transparent annual allocation of revenue from own source to the AMC should be adopted by the State Government. The amount to be appropriated every year by the AMC for development works should be pre-determined based on percentage share. A system must be put in place to make known the AMC and LC, the extent of funds to be allocated a year for specific schemes from State Plan and Non-Plan.

(2) It is found that the distribution of FC grants by AMC to the Local Council is done on political will. Even though proposals for minor works were received by AMC from the Local Council, funds are not allocated on population base of Local Council.

It is suggested that allocation of FC Grants should follow equitable distribution of fund based on population of the locality and as far as possible, funds should follow perspective plan of each Local Council.

(3) A meager fund is allocated to the AMC from the State Plan budget as Grants-in-aid since 2008-09 to meet the establishment expenditure and salaries of the employees. As of now, Local Council acts as the local level agency for State Government in implementation of works overlapping the AMC.

Suggestion is that the State Government must be willing to devolve more functions to the ULB as per 12<sup>th</sup> Schedule of the Constitution of India, functions along with corresponding expenditure responsibilities and necessary fiscal resources at their disposal. And, infrastructural support in terms of space and staff, etc. is also required. Political willingness is the first and foremost step to devolution.

(4) State Government did not hand over to the Aizawl Municipal Council, the urban management functions including service delivery functions and the special agencies that deliver them as required by JNNURM.

The State Government/UD & PA has to make sure decentralization of functions to the AMC on urban civic service within Aizawl City bit by bit and AMC should be accordingly enlarged administratively to be able to deliver all urban related development programmes/schemes.

(5) A large number of urban development programmes are implemented in urban area. Involvement of AMC in various urban development schemes is zero or absent. The UD & PA

and other related/concerned departments through or without Local Council execute and implement those schemes.

It is suggested that effective synchronization of UD&PA, State Finance Commission, related departments and Aizawl Municipal Council must be ensured in order to have viable mechanism for delivery of civic and non-civic services within urban area.

(6) Planning mechanism for ULB as per the provision of Section(3)Article 243-ZD of the Indian Constitution is absent.

It is suggested that District Planning Committee should be revived and entrust them with broad based objectives as is laid down in the Constitution. Experts from related fields should be appointed as members of the DPC so that we can have effective and responsive delivery mechanism for urban development.

Fiscal Decentralization to AMC is top-down approach as transfer and devolution system is still half-hearted and fiscal autonomy is missing. Some functions are not actually decentralized but they are assigned, and revenue sharing mechanism between state and ULB is absent and bleak. No clear cut demarcation of fiscal domain has resulted into the ULB a mere institution of fiscal deconcentration and not decentralization as per with the other departments of the State Government having little autonomy. Therefore, it appears that either political masters are ignorant of the process of decentralization mechanism or they are afraid of losing their political kingdom. Willingness on the part of them will only enhance the status of ULB to be able to function as decentralized urban local body.

The present study attempted to look into the fiscal decentralization and problems thereof between the State and Local Self-Governments in Aizawl District. The findings would be helpful in policy formulation and for carrying out further studies and research.



# CHAPTER – 1

## INTRODUCTION

---

Local self-government is an institution for management of local affairs and services by popularly elected councils. It deals with the aggregate of people living in proximity, having common interests and provides a wide range of services to the people and performs functions of great variety. Local self-government contributes to the strength and richness of democracy and act as the laboratories in which social, economic, political and administrative projects can be tested before being widely applied.

Fiscal Decentralization is a core component of decentralization. ‘Fiscal’ relates to the government finance or of government revenue especially taxes, public spending, debt and denotes a financial year. Government makes policy to stabilize economy by arranging levels and allocations of taxes and government expenditures. Sometimes, it lowers tax rates or increase expenditures to stimulate the economy. ‘Decentralization’ connotes the multi-dimensional process that involves transfer of political, fiscal and administrative responsibilities from Central Government to intermediate and Local Governments.<sup>1</sup> Fiscal Decentralization denotes transfer of expenditure responsibility along with necessary financial resources including inter-governmental transfer, allocation of tax and non-tax revenue to the local self-governing institutions.

In a federal structure, Local self-government is subordinate to the State government and they derive powers from the electorate within the local area. The local authorities are creation of the state legislature and cannot do many things without decentralization of functions, funds and functionaries. Finance is the lifeblood of every

---

<sup>1</sup> <http://www1.worldbank.org/publicsector/decentralization/what.htm> accessed on Dt. 24.04.2013

organisation. Financial decentralization is the central factor and an important component of decentralization. It enables the local self-governing institutions to deliver services more effectively at the local level. Adequate financial resources through transfer from State and Central Governments, revenue raises locally and borrowings are its forms. Ideally, own revenue capability should match the functions decentralized to the local bodies. Full fiscal decentralization can only take place with other forms like political and administrative.

### **Evolution in India**

Throughout Indian history, the system of local governance was widely prevalent in rural areas where village was the basic administrative unit. Despite changes of power at the super-structure level and the redrawing of the political boundary now and then, the grass-root system continuously affects the lives of the people in the immediate environment. A modern local government as much is known today is the legacy of the British Government in India. It was first introduced in the city of Madras in 1688. The administrative practices and the design of local finances were mainly modelled after the British system of local government. But some aspects of transitional local taxation were retained. Thus, the local government and their financial practices in India are the amalgam of both indigenous and western elements.<sup>2</sup>

India is a federal nation having multi-governance structure – the Central Government at the national level, State Governments and Union Territories at the regional level and local bodies (rural and urban) at the district and local level. These local bodies derive their powers from higher level structure and are financially and politically dependent on the State and Central Governments for their survival. Tiebout-Musgrave

---

<sup>2</sup> Thavaraj's, M.J.K. (2003) *Financial administration in India*, New Delhi: Sultan Chand & Sons, p. 242.

layer cake model emphasizes that stabilization and distribution functions were seen as the central government's function and state and local self-governments should engage in allocation activities.<sup>3</sup>

India created a landmark in fiscal decentralisation through the historic 73<sup>rd</sup> and 74<sup>th</sup> Amendments to its Constitution in 1992, adding third tier of government in the federal structure, intending to reform and reconstruct rural and urban area through local governments. These amendments entail the State Governments to set up the State Finance Commission (SFC) after a gap of every five years to review the financial positions and recommends sharing, distribution and determination of taxes, duties, tolls and fees between state and local governments. Prior to the amendments, there was an intense degree of variation on the procedures and practices among the states. Generally, there was lack of fiscal autonomy and half-hearted devolution of financial power to the subordinate levels by the higher level Governments (centre and states).

The Constitution of India made no provision for direct funding of local bodies by the Union<sup>4</sup> Government. Amendment to Article 280 of the Constitution mandates the Central Finance Commission (CFC) to make recommendations in measures needed to augment the Consolidated Fund of the state to supplement the resources of Panchayats and Municipalities on the basis of recommendations made by the Finance Commission of the states. The rationale is that the responsibility of providing Panchayats with an independent source of revenue and grants for specified purposes is very much that of the State government and in this aspect, the presence of the State Finance Commission is felt.

---

<sup>3</sup> Musgrave, Richard A. (1959) *The Theory of Public Finance: A Study in Public Economy*, New York: McGraw-Hill.

<sup>4</sup> Union and Central Government are used inter-changeably in the dissertation.

## Evolution in Mizoram

Modern administration in Mizoram (the erstwhile Lushai Hills) began in the year 1890 when British Government in India annexed the Lushai tract and divided into two distinct administrative units – South Lushai Hill as a part of Bengal province and North Lushai Hill as a part of Assam province. The two districts were amalgamated into one district known as Lushai Hills District in 1898 with the Superintendent as executive head. The British did not interfere much in the internal village administration as there was an ongoing systematic local administration under the chief and their council of elders. The chief was having territorial jurisdiction consisting of one or more villages. He acted as the guardian and defender of his subjects and was also the supreme administrator and chief justice. With his council of elders, he used to administer all matters of the village and settled all disputes and they received a fee called *Salam*<sup>5</sup> from any villagers who lost a case which was the only source of remuneration. Besides, villagers also pay *Fathang*,<sup>6</sup> *Khuaichhiah*,<sup>7</sup> *Chi-Chhiah*<sup>8</sup> and *Sachhiah*<sup>9</sup> to the chief and were also entitled a portion of the fish caught by the villagers.<sup>10</sup>

Administration under the chief and council of elders in Mizo village embodied traditional local self-governing institutions, the importance of which was perceived by the British and continuously transplanted and partly resurrected by the Sixth Schedule to the Indian Constitution though with many limitations and shortcomings to be able to act as a democratically and financially empowered decentralised governing institution.

---

<sup>5</sup> A fine equals to ` 40 or a Mithun paid by the one who committed crime according to Mizo Customary Law.

<sup>6</sup> Every household per year will submit one to three baskets/tins of Rice to the Chief.

<sup>7</sup> A villager who collects Wild Honey Bee will share a portion to the Chief.

<sup>8</sup> A villager who collects Salt from a spring will submit one-tenth to the Chief.

<sup>9</sup> Any villager who trapped or killed a wild animal had to share the Chief its left foreleg.

<sup>10</sup> Prasad, R.N. (1998) *Public Administration in North-East India*, New Delhi: Vikas Publishing House, p. 11.

Modern local governance in Mizoram has its root in the Sixth Schedule to the Constitution of India. Paragraph 2 of the Sixth Schedule provides the background for setting up the District Council for each major tribe in the autonomous district and a Regional Council for minor tribe in the autonomous region. The District Council and the Regional Council are endowed with certain financial powers. They can constitute Council Fund and can collect land revenue, house tax, tax on professions, trades, callings and employment, tax on the entry of goods into the market for sale, taxes on maintenance of schools, roads and vehicles.<sup>11</sup> Under para 9 of the Sixth Schedule, the royalty on the licenses or leases for the extraction of minerals in the autonomous districts shared with the state government goes to the District Council. The Councils also derive their income from Grants-in-aid, loans and advances, etc. from the state government.<sup>12</sup>

According to para 4 of the Sixth Schedule to the Indian Constitution, Village Councils and Courts may be constituted by the District or Regional Council. The Lushai Hills District (Village Councils) Act, 1953 was passed by the Mizo District Council and so the Village Councils were constituted all over the Mizo Hills on 16<sup>th</sup> August, 1954. In 1955, Village Councils were also constituted in Pawi-Lakher region.<sup>13</sup> The Village Council was not financially empowered by the statute. They were used as implementing agency in multiple functions and activities by the higher level government. With regard to collection of tax at the Village level, the State Government through officers appointed, will exercise the power to levy taxes strictly according to rules. Legislation to collect Animal Tax was passed only in 1980 which received the assent of the Lt. Governor of

---

<sup>11</sup> Thanhranga, H.C. (2007) *District Council in the Mizo Hills (Updated)*, Aizawl: Lengchhawn Press, p. 242.

<sup>12</sup> Prasad, R.N., *op.cit.*, p. 236.

<sup>13</sup> Thanhranga, H.C., *op.cit.*, p. 332.

Mizoram on Dt. 24.7.1980.<sup>14</sup> Although the Village Council may not be able to enjoy the financial privilege, status and position occupied by the chief in the village, it performs more or less the same role, duties and obligations of the chief till today in the modern Mizo Society.

When Mizoram attained status of Union Territory on 21<sup>st</sup> January, 1972, District Council was immediately abolished and Union Territory Government of Mizoram adapted The Lushai Hills District (Village Councils) Act, 1953 and the Pawi-Lakher Autonomous Region (Village Councils) Act, 1954. Local Administration Department (LAD) was created on 1<sup>st</sup> January 1973 to take over the administration of Village Council matters in the area outside the Autonomous District Councils of Mara, Lai and Chakma. The existing laws applicable in the Union Territory of Mizoram were adapted by the State Government when it attained Statehood on 20<sup>th</sup> February, 1987.

Mizoram is significantly excluded from introducing decentralised local self-government in the form of Panchayati Raj System and Municipalities since we have traditionally based local governing institution. However, different factors compelled State Government to create modern Local self-government along the lines of Constitutional Amendments. Therefore, the Mizoram Municipalities Act was passed in the year 2007 amended in 2009<sup>15</sup> and 2011<sup>16</sup> and subsequently, first elections to the Aizawl Municipal Council (AMC) was held on 3<sup>rd</sup> November 2010. It was the first endeavour in Mizoram towards creation of decentralised urban local self-government in conformity with the 74<sup>th</sup>

---

<sup>14</sup> Govt. of Mizoram, Local Administration Department (2010)*Compilation of Acts, Rules and Regulations (With latest Amendments)*, Aizawl, p. 42.

<sup>15</sup> Notification No. H. 12018/120/2003-LJD, the 19<sup>th</sup> Nov., 2009 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVIII 24-11-2009 Issue No. 534) Viz. the Mizoram Municipalities (Amendment) Act, 2009 (Act No. 14 of 2009), received the assent of the Governor on Dt. 09-11-2009.

<sup>16</sup> Notification No. H. 12018/120/2003-LJD, the 7<sup>th</sup> April, 2011 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XL 13-4-2011 Issue No. 169) Viz. the Mizoram Municipalities (Amendment) Act, 2011 (Act No. 3 of 2011), received the assent of the Governor on Dt. 29-03-2011.

Constitution Amendment Act, 1992 (74<sup>th</sup> CAA). Aizawl was earlier literally known as the 'cluster of villages' as it was basically governed by rural local governing body known as Village Councils. AMC now replaced the traditional Village Councils and paved the way for modern urban governance backed up by part IX-A of the Indian Constitution which provides for measures to supplement the resources of the municipalities. In conformity with the Act and in an attempt to devolution of functions and fiscal power to the urban local body by the State Government, certain items in the 12<sup>th</sup> Schedule of the Constitution of India are already transferred along with the assigned powers.

The population of Mizoram according to 2011 census was 10,91,014 lakhs<sup>17</sup> out of which urban population consists of 5,61,977 lakhs which constitutes 51.51 per cent of the total population. Rural population make up 48.49 per cent numbering 5,29,037 lakhs. Urban population in Mizoram is comparatively higher than all India average which is 31.16 per cent. The population of Aizawl City according to 2011 Census is 2,91,822 lakhs. Aizawl City alone constitutes 26.74 per cent of the total population of Mizoram.

Aizawl District is one of the eight districts in Mizoram comprising an area of 3576 sq. km. with a population of 4,00,309 lakhs. Urban area constitutes 176 sq. km. having a population of 3,14,754 lakhs and rural area comprise 3400 sq. km with a population of 85,555. Urban-rural population ratio according to 2011 census is 78.63 per cent urban and 21.37 per cent rural. There are five Rural Development Blocks namely, Aibawk, Tlangnuam, Phullen, Thingsulthliah and Darlawn.<sup>18</sup>

Urban Development & Poverty Alleviation Department (UD&PA) was created on 24th August 2006 to carry out various urban development and poverty alleviation

---

<sup>17</sup> <http://en.wikipedia.org/wiki/Mizoram> accessed on Dt. 26.04.13

<sup>18</sup> Lalneihzovi (2006) *District Administration in Mizoram*, New Delhi: Mittal Publications, p. 17.

programmes, including JNNURM and urban development schemes funded under Asian Development Bank (ADB). The Notified Towns of Mizoram come under the ambit of this department. There are 23 Notified Towns (NT) in Mizoram per 2011 census. Within Aizawl District, there are five notified towns – Aizawl, Lengpui, Sairang, Saitual and Darlawn. It is also the nodal department looking after the Aizawl Municipal Council.<sup>19</sup>

## **Review of Literature**

There is dearth of literature which has entirely dealt with the ongoing proposed research work. Although various books are available on financial administration in India, there are no books and articles on Fiscal Decentralisation and Local Self-Governing Institutions in Aizawl District. However, the scholar reviewed some of the available books and articles on the related topics.

C. Nunthara's (2003) *Panchayati Raj Nge Village Council*<sup>20</sup> is a small book on the outcome of the research project titled 'Status of Panchayati Raj in the States and Union Territories of India' under the aegis of Institute of Social Sciences, New Delhi. He undertook a study in Mizoram on the working of Village Council and has a framework of question, 'What would be best for Mizoram: Panchayati Raj or Village Council?' He found out that Village Councils are entrusted responsibility without corresponding authority. The gap between Village Council and the State Government is too wide leaving enough spaces for bureaucrats and politicians to commit fraudulent practices.

Lalneihzovi (2006) in her book, *District Administration in Mizoram – A Study of the Aizawl District*<sup>21</sup> briefly highlighted district administration in Aizawl with a special

---

<sup>19</sup> <http://udpamizoram.nic.in/Index.html> accessed on Dt. 25.04.13

<sup>20</sup> Nunthara, C. (2003) *Panchayati Raj nge Village Council*, Shillong: Calron Impressions.

Note: The translation of 'Panchayati Raj Nge Village Council?' into English is 'Panchayati Raj or Village Council?'

<sup>21</sup> Lalneihzovi (2006) *District Administration in Mizoram*, New Delhi: Mittal Publications.



focus on the organisations and structures of the Deputy Commissioner, revenue administration, agencies of law and order administration and other major development departments. She focused on the concept, evolution and working of these major administrative agencies that can bring about the success of government policies and their importance in touching the lives of the people at the district level. The last chapter is related to the village and urban administration and the need of decentralised governance. Comparative study of the Village Council and the new Panchayati Raj institution and Municipal Council set up according to the 73<sup>rd</sup> and 74<sup>th</sup> Constitution Amendment Acts, 1992 has given us an insight into the need to set up these bodies to accelerate socio-economic development in the rural and urban areas.

M.A. Oommen's (2008) edited book on *Panchayats and their Finance*<sup>22</sup> is a collection of works seeking to fill the fiscal gap between state and sub-state level in India. The first paper by Anwar Shah, an expert on fiscal federalism, presents a general backdrop relating to fiscal decentralisation and macro management. The other papers critically examine the various dimensions of fiscal devolution in India particularly by the State Governments since the implementation of the 73rd/74th Constitutional Amendments. Two papers focus exclusively on Kerala which has won worldwide acclaim for its innovative initiatives in decentralization.

M.Govinda Rao's article '*Fiscal Decentralization in Indian Federalism*'<sup>23</sup> is an attempt on the analysis of fiscal decentralization incorporating the role and functions of the third tier in conjunction with the first two tiers of Panchayati Raj. He said that there are numbers of literature on Indian fiscal federalism confined to fiscal relations between

---

<sup>22</sup> Oommen, M.A. (ed.) (2008) *Fiscal Decentralization to Local Governments in India*, New Castle: Cambridge Scholars Publishing.

<sup>23</sup> Rao, Govinda M.(2000) *Fiscal Decentralization in Indian Federalism*, Bangalore: Institute of Social and Economic Change.

union and states, but we lack literature in terms of analysis to give a complete picture of fiscal federalism incorporating all the three tiers of government. Section-I of the article is an introduction to the background of the paper, Section-II provides a historical background to the evolution of three-tier federalism in India. Section-III analyses the prevailing system of fiscal assignments and intergovernmental transfers. Section-IV examines quantitative magnitudes of fiscal decentralization in Indian federalism. It examines the roles of union, state and urban and rural local governments in raising revenues and in providing public services. Section-V analyzes macroeconomic implications of fiscal decentralization in India. Section-VI analyzes the equity implications of transfers to sub-national governments and Section-VI gives a summary of the major conclusions.

M Govinda Rao, T.R.Raghuandan, Manish Gupta, Polly Datta, Pratap Ranjan Jena, H.K. Amarnath, (2011) *Fiscal Decentralization to Rural Local Self-Government in India*<sup>24</sup> is the outcome of a study undertaken by the researchers in National Institute of Public Finance and Policy, New Delhi on rural fiscal decentralization of India. The study was taken up at the request of the Ministry of Panchayati Raj on selected issues with an objective to give reform options. There are totally six chapters; Chapter-1 outlines the summary and background of the system of decentralization, inter-governmental transfer and reforming rural fiscal decentralization in India. Chapter-2 deals with the theories of federalism and decentralization in India; Chapter-3 highlights the functional devolution to rural local bodies and the progress in activity mapping; Chapter-4 covers the status of own revenues of Panchayats, current state of revenue and survey results of own revenue, reasons for poor revenue of Panchayats and measures to enhance the own revenue of

---

<sup>24</sup> Rao, Govinda M. et al. (2011) *Fiscal Decentralization to Rural Local Self-Governments in India: Selected Issues and Reform Options*, New Delhi: National Institute of Public Finance and Policy.

PRIs; Chapter-5 presents an overview of State Finance Commissions with particular reference to the problems they face in sourcing data, the reasons of lack of database and the measures taken by Union Finance Commission in developing database of local bodies.

M.J.K.Thavaraj's (2003) *Financial Administration in India*<sup>25</sup> is the exhaustive resource on financial administration in India. Evolution of financial administration in India since the pre-British times up to post-independence period is extensively covered. Fiscal federalism, an assessment of centre-state financial relations, reviews of working of Finance Commissions, relations between Planning Commission and Finance Commission are highlighted. The author evaluate the fiscal policy in India, constraints on resource mobilisation from the agricultural sector, finances of local governments – evolution and pattern, taxation administration, performance budgeting, Planning Programming and Budgeting System (PPBS), integrated approach to planning and budgeting, budget cycle and process, financial control and the Ministry of Finance. Delegation of financial powers, system of financial advice, investment decisions in government, role of audit and accounting, parliamentary financial control, functions of Reserve Bank of India and public debt management, financial management of public enterprises since independence are thoroughly incorporated in this book. The author commands the authority on the aspect of financial administration in India.

M.M. Sury's (2010) edited volume on *Finance Commissions of India (I to XIII) 1952-57 to 2010-15*<sup>26</sup> provides a detailed description and analysis of the evolution and the present nature of centre-state financial relations in India. It examines the existing

---

<sup>25</sup> Thavaraj's, M.J.K. (2003) *Financial administration in India*, New Delhi: Sultan Chand & Sons.

<sup>26</sup> Sury, M.M. (ed.) (2010) *Finance Commissions of India (I to XIII) 1952-57 to 2010-15*, New Delhi: New Century Publications.

constitutional arrangements for inter-governmental financial transfers, particularly the principles followed by these agencies to reduce vertical and horizontal imbalances in the availability of resources to various tiers of government in India. Centre-State financial relations under the constitution, sharing of revenue from income tax and excise duties, grants-in-aid, issues in centre-state financial relations and state-local fiscal relations in India are widely incorporated.

The book reproduces extracts from the reports of Finance Commissions constituted by the Government of India from time to time. The volume covers up to Thirteenth Finance Commission. Besides, it contains a very useful time-series data (1950-51 to 2010-11) on India's public finances. It also includes appendices which provides for supplementary information related to the topic and glossary of the fiscal terms.

P.K. Chaubey (2003) in his edited book *Fiscal Federalism in India*<sup>27</sup> addressed the issues of evolution of federal fiscal relations in India, fiscal transfers from union to states, discussing criteria of devolution and alternative mechanism, issues of educational finance and up-gradation of administrative services. It also deals with the financial concerns of governance at local level, dwelling on the role of Finance Commissions, incentive through matching grants and empirical studies of local finances in Haryana and West Bengal.

S.L. Goel and Shalini Rajneesh's (2009) *Panchayati Raj in India, Theory and Practice*<sup>28</sup> presents the analysis of Panchayati Raj Institution (PRI) and made suggestions for concrete improvements. It covers the genesis, growth and diversification of PRI in India, the criticism of 73<sup>rd</sup> CAA and its relations to good governance, organisations and

---

27 Chaubey, P.K. (ed.) (2003) *Fiscal Federalism in India*, New Delhi: Deep & Deep Publications Pvt. Ltd.

28 Goel, S.L. and Rajneesh, Shalini (2009) *Panchayati Raj in India, Theory and Practice*, New Delhi: Deep & Deep Publications Pvt. Ltd.

functions of Gram Sabha along with suggestions for strengthening the Gram Sabha, which is a body to ensure people's participation. Training and capacity building of elected functionaries, financial administration and personnel administration in Panchayati Raj System has also been dealt with. It is seen that the prevalent system of administration has great stronghold over PRIs and does not encourage devolution of powers.

A specific chapter on financial administration of local self-government unveiled a detail and in-depth study of local self-government finances in India. The chapter highlight the need for adequate financial decentralization, commensurate with the structural and functional changes brought about by the 73<sup>rd</sup> CAA. The focus is on the Gram Panchayat as the viable economic unit of local government.

S.L. Goel (2008) in his book *Public Financial Administration*<sup>29</sup> explicitly deals with the organisation, structure and process of financial administration in India. It describes the scope, aspects and ecology of financial administration, centre-state financial relations and the functions and compositions of Finance Commissions in India. The role played by the Ministry of Finance and Reserve Bank of India, the Parliament and its committees – Estimates and Public Accounts Committees and other Parliamentary Standing Committees are described. The principles of budget making, budget cycle, resource mobilization and utilization, taxation administration, accounting and audit system in India, public enterprises and control mechanisms, financial management in Municipal bodies and Panchayati Raj System and the problems they have met are also highlighted. Performance budgeting and Cost-Benefit analysis and marginal costing are also given. Mid-term appraisal of the 9th Five Year Plan (1997-2000) and draft approach paper to the 10th Five Year Plan (2002-2007) is also highlighted in the appendix.

---

<sup>29</sup> Goel, S.L. (2008) *Public Financial Administration*, New Delhi: Deep & Deep Publications Pvt. Ltd.

After thoroughly delving into the above-mentioned books and articles, we found that no systematic study on the Fiscal Decentralization and Local Self-Governing Institutions in Aizawl District has been conducted. And, no articles or books on the topic have been published until date.

### **Statement of the problem**

Rural Local Self-Government in Mizoram is extensively denied financial power by the State Government because the state does not have rural local self-government as per 73<sup>rd</sup> CAA. The existing rural local self-government is Village Council (VC) having inadequate fiscal power. Collection of Ranchhiah(Animal Tax) is the only own source of tax revenue. There is no regular source of non-tax revenue. VCs have judicial power to fine up to the limit of `500/-. The fiscal transfer to the grassroot level is also inadequate. The gap is filled up by the transfer from Central Finance Commission Grants and Centrally Sponsored Scheme.

The gap between the State Government and Village Council is too wide at present with no intermediate channel. Village Councils almost entirely depend on the LAD and other related departments of Government of Mizoram (GoM). There are wide chances of financial irregularities and misappropriation.

Provisions made by Jawaharlal Nehru National Urban Renewal Mission (JNNURM) have given birth, significantly strengthen and empower the role and relative importance of urban local self-government in Mizoram i.e. Aizawl Municipal Council (AMC). Financial grants from Finance Commission in the forms of Basic and Performance Grant, own tax revenue and non-tax revenues have revamped the fiscal positions. Decentralisation of functions and responsibilities to the AMC is in process.

Items in 12<sup>th</sup> Schedule such as Management of transportation terminals, Regulation of land-use and construction of buildings, Solid Waste Management, Cemetery and burial grounds, Management of Parking Lots are already transferred and Property Tax is assigned to AMC by the State Government. Nevertheless, it is still in the incipient stage and much is to be done. Lack of commitment and political will as happened elsewhere in India, hampers the effective growth and development of Urban Local Self-Government. Besides, sharing of taxes and revenue between State Government and Local Self-Governing Institutions haven't been finalised by the State Finance Commission which was set up recently on 30<sup>th</sup> September, 2011.

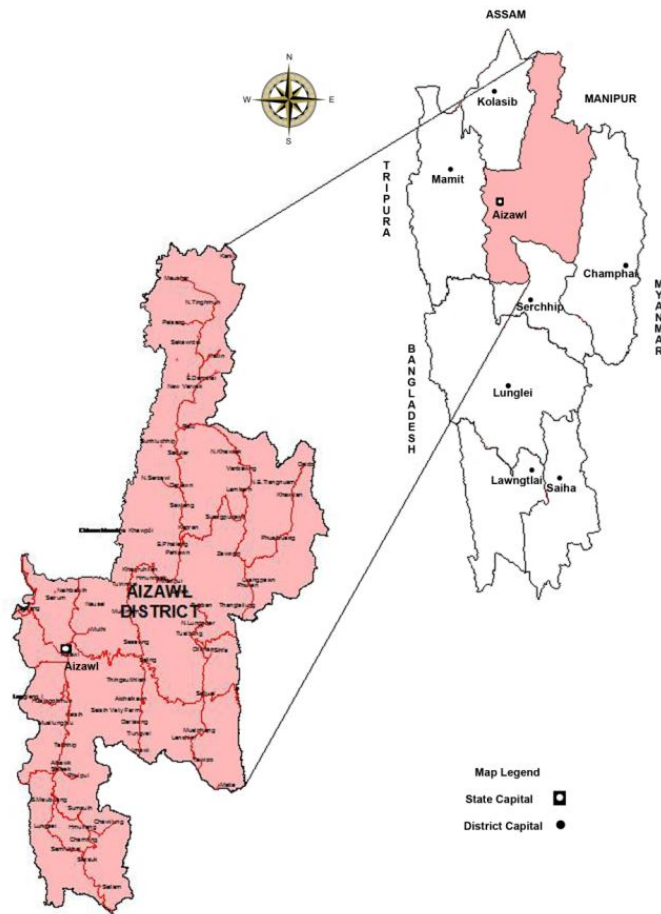
The present fiscal decentralisation to Local Self-Government – rural and urban, was studied from the point of view that adequate measures could be taken in order to enable and strengthen the local self-governing institutions in the state since they do not have fiscal autonomy in the true spirit of decentralization. By fiscal autonomy we mean that they should have their own taxation and borrowing powers as well as a share in the states taxes and duties and grants-in-aid from higher levels of government. Fiscal autonomy is the essential precondition for local self-government to function effectively as decentralised governing institutions.<sup>30</sup>

No research work is conducted so far in this area. It is necessary to carry out the study to provide information for further studies and to find out the problems on fiscal relation between the state and local self-governments and suggest measures to remove the fallacies to have better grassroots governance, which is the need of the hour.

---

<sup>30</sup> Bahl, Roy(1999) *Implementation Rules for Fiscal Decentralisation*, Paper presented at the International seminar on Land policy and Economic Development organized by Land Reform Training Institute, Taiwan, November 17, 1998.

**Map 1.1**  
**Aizawl District**



*Map of Mizoram with the Study Area – Aizawl District*

*Source: Agriculture Department, Govt. of Mizoram*

### **Scope of study**

The nature of the research study is exploratory and was a macro-level study. The study covers fiscal decentralization to local bodies, Village Council in rural areas and Aizawl Municipal Council/Local Council in urban areas by the State and Central Governments within Aizawl District. The study focuses on the revenue aspect, not the expenditure side of the fiscal decentralization. The main thrust of the study is to analyze the shortcoming of the present inter-governmental fiscal transfer arrangement in the wake of decentralization and the study confines to the period from 2005 to till date.



## **Objectives**

1. to study the status of fiscal decentralization and Local Self-Government in Mizoram with special reference to Aizawl District.
2. to find out the underlying implications and challenges in fiscal decentralization and Local Self-Government in Aizawl District.
3. to suggest measures to improve fiscal decentralization to Local Self Government.

## **Research Questions**

1. What is the present status of fiscal decentralization to Local Self-Government in Aizawl District?
2. Is there any hurdle in the way of Local Self-Government becoming financially viable?
3. Can Village Councils be restructured in order to enhance their capacity as a strong local self-government along with more fiscal autonomy?
4. How can the Government of Mizoram improve fiscal decentralization to Local Self -Government in Mizoram?

## **Methodology**

The study is based on primary and secondary sources. Primary data are collected from Local Administration Department, Urban Development and Poverty Alleviation Department, Aizawl Municipal Council, Finance Department and District Rural Development Agency (DRDA), Aizawl. Unstructured interviews were conducted with personnel of various departments. Five villages Aizawk, Kelsih, Maubuang, Lengpui and Sairang were selected for field study by Disproportionate Stratified Random Sampling

Method based on the The Lushai Hills District (Village Councils) Act, 2006 classification of villages into different stratum for the purpose of study as; two villages below 200 houses - 3 members; one village between 200-500 houses - 4 members; one village between 500-800 houses - 5 members; one village above 800 members - 6 members.

Five urban localities Govt. Complex, Maubawk, Melthum, Republic and Salem were selected based on the number of voters in the Local Council,<sup>31</sup> five members in a locality comprising 1500 voters or less and seven members in a locality comprising more than 1500 voters. Unstructured interviews were held with the functionaries of local self-governments.

Fiscal Decentralization is a top-down approach; therefore, data collected from various Departments and Commissions is sufficed to know how much is revenue from own source and transfer. We relied on such data collected for the purpose of our study. But, in order to find out the presence of any resource generated through charge/fees, etc. and to see the actual position of local government in the implementation of rural and urban development programmes, field study is being undertaken. The primary data collected is tabulated to make it suitable for further statistical treatment.

The secondary sources were books, journals, articles, newspapers, e-sources, reports of various Central and State Commissions and publications among others.

## **Chapterization**

The study bears the following chapters:

1. *Introduction* outlines a brief introduction of the topic, meaning and evolution, statement of the problem, scope of study, objectives of the research, research questions

---

<sup>31</sup> Section 16 of the Aizawl Municipal Council Ward Committee and Local Council Rules, 2010.

and the methodology applied. It reviewed a number of literatures concerned with the study area and the limitations of study.

2. *Decentralisation and Fiscal Decentralisation: A Conceptual and Theoretical Study* covers the theories and conceptualization of decentralization and fiscal decentralization.

3. *Local Self-Governance and Fiscal Decentralization in Aizawl District* briefly presents the status and dimension of inter-governmental transfer to Local Self-Governing institutions in Aizawl District along with own source revenue.

4. *Implications and Challenges* deals with the problems and challenges associated with the fiscal decentralization in Aizawl District.

5. *Conclusion* presents the summary of the findings along with the suggestions to remove the fallacies in order to have a viable local self-governance.

### **Limitations of the Study**

1. At the time of collection of primary data, it was found that finance accounts of the Government in many aspects were not properly maintained. And, it was very difficult to collect reliable and accurate time series data in some aspects.

2. While conducting field study, collection of data from non-tax revenue sources like fines and fees, etc. was extremely difficult because Village Council Revolving Fund Account were not maintained at all or not properly maintained by the Village Councils and revenue potential from this source is insignificant. If ever there were non-tax revenue in certain villages, they do not submit their collections to the Government. Therefore, in our study, due to data limitations, income from fines and fees, etc. is excluded.

## CHAPTER – 2

### DECENTRALIZATION AND FISCAL DECENTRALIZATION: A CONCEPTUAL AND THEORETICAL STUDY

---

Governments in different countries of the world are embarking on the path to decentralisation in recent years. There is a growing momentum of decentralization in many countries. According to a survey by Dillinger,<sup>32</sup> out of 75 developing and transitional countries covered, 84 per cent have adopted a certain type of decentralisation process in the last decade. With the collapse of colonialism, different nations especially the third world countries in Asia, Africa and Latin America faces gigantic socio-economic problems like poverty, regional disparity, illiteracy, poor health, education, etc. The common people live in a very pathetic condition. In order to accelerate socio-economic development and to achieve state and nation building, the roles of various levels of government and their partnership with the private and civil society are re-examined and reformed. Centralised state is criticized on account of its many failures; it has lost its legitimacy. Therefore, decentralisation is often suggested with the main purpose of reducing the role of state in general. Better service delivery to the people can be enabled with people's participation through functions, functionaries and financially empowered and proportionately equipped local self-governing institutions at the grassroots level.

Decentralization signifies significant changes of power structure, fiscal devolution and administrative deconcentration to the local bodies. Eventually, this is taken up with the hope of having better delivery of services to the people at the local level as local people are best to know their varied problems and how to solve it. India has experience

---

<sup>32</sup> Dillinger, W. (1994) *Decentralization and Its Implications for Urban Service Delivery*, Washington D.C.: Urban Management and Municipal Finance Discussion Paper No. 16, the World Bank 103, pp. 1210-1235.

decentralization of authorities, responsibilities and resources since more than two decades. However, ultimately, the willingness of the state on how it really wanted to devolve responsibilities commensurate with authorities will result in the success of decentralization.

## **DECENTRALIZATION: A CONCEPTUAL FRAMEWORK**

Decentralization is the process of dispersion or distribution of functions and powers; specifically the delegation of power from a central authority to regional and local authorities.<sup>33</sup> It is the spread of power away from the centre to local branches or governments.<sup>34</sup> The term decentralization may also be regarded as the transfer to the local bodies of functions, functionaries and finances.<sup>35</sup> Decentralization means the transfer of sovereign decision and performance competences to autonomous or partly autonomous sub systems, mainly to member states, local authorities, and area municipalities.<sup>36</sup>

The term decentralization came into usage in the 1820s.<sup>37</sup> In the mid-1800s Alexis de Tocqueville wrote that the French Revolution began with a push towards decentralization...but became in the end, an extension of centralization. And he also mentioned that decentralization has not only an administrative value, but also a civic dimension since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to using freedom. And from the accumulation of these

---

<sup>33</sup> Definition of Decentralization, *Merriam-webster.com* accessed on Dt. 06.09.13

<sup>34</sup> Definition of Decentralization, *Thefreedictionary.com* accessed on Dt. 06.09.13

<sup>35</sup> Rangarajan C. Seminar on “*Rural Fiscal Decentralization*” organized by the NIPFP in collaboration with the World Bank, Also see -

[http://odishapanchayat.gov.in/download/publication/devolution%20of%20powers/3fiscal\\_decentralization.pdf](http://odishapanchayat.gov.in/download/publication/devolution%20of%20powers/3fiscal_decentralization.pdf)

<sup>36</sup> Ruland, Jürgen and Werz, Nicholas, “From the development dictatorship to the dictatorship without development: State and domination in the political science Third World research,” in Nuscheler, Franz (ed.) (1985) *Third World Research: Development Theory and Politics*, Quarterly Special Issue, Opladen, pp. 211-232.

<sup>37</sup> Schmidt, Vivien A. (2007) *Democratizing France: The Political and Administrative History of Decentralization*, Cambridge University Press, p. 22.

local, active, pernickety freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal collective will.<sup>38</sup> As a process of making administration effective, decentralisation has a rather old beginning in ancient times in different countries with the aim of bringing more effective governance.

Decentralization is a complex and multifaceted concept that involves the shifting of fiscal, political, and administrative authority to lower level governments. It is a policy tool for devolving power and resources from central or regional authorities to local governments to achieve equity, efficiency, and accountability.<sup>39</sup> The precondition of decentralisation is the presence of weak sub-national organisations in the periphery, politically, administratively and geographically marked off from the national mainstream, characterised by ineffectiveness, low level of productivity, unaccountable, irrational, and unresponsive to deliver services to the stakeholder. Decentralization first of all implies that the territory of a state needs to be divided into geographically defined sub units. These sub units need to have their own legal personality or at least need to be in charge of independent competences in different policy areas. In this sense, the local self-governance is carried out more or less independently of the central government.<sup>40</sup>

World Bank defines decentralisation as a multi-dimensional process that involves the transfer of political, fiscal and administrative responsibilities and powers from the central government to intermediate and local governments. According to the World Bank, the economic rationale that supports this reform is that local governments being closer to

---

<sup>38</sup> [http://www.ciesin.org/decentralization/English/General/history\\_fao.html](http://www.ciesin.org/decentralization/English/General/history_fao.html) accessed on Dt. 06.09.13

<sup>39</sup> Asfaw, Abay (2007) *Fiscal Decentralization and Infant mortality: Empirical Evidence from Rural India*, in the Journal of Developing Areas, Vol. 41, No. 1, pp. 17-35.

<sup>40</sup> Sauerland, Dirk (1997) "*Federalism between freedom and efficiency, contribution of economic theory to the design of decentralized political systems*," writings on the scientific analysis of law Volume 29, Duncker & Humblot, Berlin.

constituencies may be responsive to local needs and consequently provide services more efficiently. Decentralisation is widely seen as an instrument to improve service delivery, reduce poverty and enhance economic growth.<sup>41</sup>

### **Theories and Conceptualizations**

Decentralisation efforts have been going on in different countries since the 1980-90's in America, Africa and developing countries. Several accepted theories and conceptualizations provide a strong rationale for decentralized decision making and a strong role for local governments, on the grounds of efficiency, accountability, manageability, and autonomy, they are:

**Stigler's Menu:** George Stigler (1957), a key leader of Chicago School of Economics, who won Nobel Memorial Prize in Economic Sciences in 1982, identifies two principles of jurisdictional design. Firstly, it is an emphasis on the closeness of the representative government to the people. The closer the representative government is to the people, the better it works to cater for the citizens. Secondly, people have the right to vote for the kind and amount of public services they want. These principles suggest that decision making should occur at the lowest level of government consistent with the goal of allocate efficiency. Citizens have the power of decision making through relevant organs. In some cases administrative divisions failed to provide services to the people. In many instances, people do not exercise their power as choosing representatives are not done in a right manner. This is especially true during elections when there are irregularities in the election process.<sup>42</sup>

---

<sup>41</sup> <http://www1.worldbank.org/publicsector/decentralization/what.htm> accessed on Dt.10.05.13

<sup>42</sup> Shah, Anwar (2005) "Fiscal Decentralisation in Developing and Transition Economies: An Overview," in Jain, L.C. (ed.) *Decentralisation and Local Governance: Essays for George Mathew*, New Delhi: Orient Longman Pvt. Ltd.

***The Principle of Fiscal Equivalency:*** It is the division of responsibilities among different levels of government. Mancur Lloyd Olson, Jr. (1969) a leading American economist and social scientist and a Professor of Economics at the University of Maryland, College Park argues that economic theory provides a good basis for decisions about which functions ought to be performed through free markets and which by collective or governmental action. It does not tell us what type of government or institution should perform those activities that require collective action and whether a function should be performed by a local, state or, central government, by an ad hoc authority or organisation, by an international organisation, or by some other type of institution. A typical citizen is not only under the jurisdiction of national, state, county and city governments, but sometimes also subject to a single purpose authorities or organizations. The nation has overlapping network of local and functional governments.<sup>43</sup> There is an irrational pattern of political jurisdictions. To avoid diseconomies of large scale operation, local provisions must be ensured where the marginal benefit equals the marginal cost of production, thereby ensuring optimal provision of public services. Equating the political jurisdiction with the benefit area is called the *principle of fiscal equivalency* and requires a separate jurisdiction for each public service. Ideally, the expenditure responsibilities of a government and its revenue capabilities should match. This matching called the ‘principle of fiscal equivalence’ seldom happens in practice especially in a multi-tiered federation. The vertical mismatch between responsibilities and resources has to be bridged and arrangements have to be made for that. Besides the vertical imbalances, the inter-jurisdictional disparities in economic and fiscal capabilities due to differences in resource

---

<sup>43</sup> Olson, M. (1969)*The Principle of Fiscal Equivalence: The Division of Responsibilities among Different Levels of Government*, American Economic Review, Papers and Proceedings, 59 (2), pp. 479-487.



endowments, historical developments and even social disabilities of the residents (a visible phenomenon in caste-ridden India) cannot be ignored.<sup>44</sup>

A related idea on the design of jurisdictions has emerged from the public choice literature. Decentralization also can be defined as a situation in which public goods and services are provided primarily through the revealed preferences of individuals by market mechanisms. Public choice theorists contend that, under conditions of reasonably free choice, the provision of some public goods is more economically efficient when a large number of local institutions are involved than when only the central government is the provider<sup>45</sup>. A large number of providers offer citizens more options and choices. These options can be packaged as different ‘market baskets’ of goods and services that meet the needs of different groups of users. In more advanced economies people can select among local areas providing different combinations of services and facilities by moving to communities with the combination they desire.<sup>46</sup>

***The Correspondence Principle:*** A related concept is proposed by W.A. Oates (1972), a distinguished University Professor Emeritus at the University of Maryland. Correspondence Principle suggests that public goods should be provided at the lowest governmental level, to allow an approximate correspondence between those who benefit, those who decide on the amount provided and those who have to pay.

---

<sup>44</sup> Oommen, M.A. (ed.) (2008) *Fiscal Decentralisation to Local Governments in India*, New Castle: Cambridge Scholars Publishing.

<sup>45</sup> Buchanan, James M. and Gordon Tullock (1962) *The Calculus of Consent*, Ann Arbor: University of Michigan Press.

Also see Ostrom, Vincent, Charles M. Tiebout and Robert Warren (1961) *The Organization of Government in Metropolitan Areas: A Theoretical Inquiry*, *American Political Science Review*, pp. 831-42.

<sup>46</sup> Tiebout, Charles M. (1956) *A Pure Theory of Local Expenditures*, *Journal of Political Economy* 64(5) pp. 416-424, Also see Ostrom, Vincent and Elinor Ostrom (1977) “Public Goods and Public Choices,” in E.S. Savas (ed.) *Alternatives for Delivering Public Services: Toward Improved Performance*, Boulder, CO: Westview Press, pp.7-49.

The jurisdiction that determines the level of provision of each public good should include precisely the set of individuals who consume the good, so as to internalize the benefits from the provision of each good. This principle generally requires a large number of overlapping jurisdictions. Frey and Eichenberger have extended this idea to define the concept of functional, overlapping, and competing jurisdictions (FOCJ). They argue that jurisdictions could be organized along functional lines while overlapping geographically, and that individuals and communities could be free to choose among competing jurisdictions. Individuals and communities express their preferences directly through initiatives and referenda. The jurisdictions have authority over their members and the power to raise taxes to fulfil their tasks.<sup>47</sup>

***The Decentralization Theorem:*** According to this theorem, advanced by Oates (1972), “each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision,” because local governments understand the concerns of local residents; local decision making is responsive to the people for whom the services are intended, thus encouraging fiscal responsibility and efficiency, especially if financing of services is also decentralized; unnecessary layers of jurisdiction are eliminated; and inter-jurisdictional competition and innovation are enhanced.

An ideal decentralized system ensures a level and combination of public services consistent with voters’ preferences while providing incentives for the efficient provision of such services. Concerns of the local people are an underlying cause and effect of local governance. This calls for the people to be involved in planning at various levels from the

---

<sup>47</sup> Shah, Anwar and Boadway, Robin (2009) *Fiscal Federalism: Principles and Practice of Multi-order Governance*, New York: Cambridge University Press, p. 240.

village level and all local government units. High participatory levels encourage innovation to source for the appropriate solutions to the common problems that face society. Some degree of central control or compensatory grants may be warranted in the provision of services when spatial externalities, economies of scale, and administrative and compliance costs are taken into consideration. The practical implications of this theorem, again, require a large number of overlapping jurisdictions.<sup>48</sup>

***The Subsidiarity Principle:*** The Oxford dictionary<sup>49</sup> defines subsidiarity as, “*a principle that a central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level.*” One of the key principles of Catholic social thought is known as the principle of subsidiarity. This tenet holds that nothing should be done by a larger and more complex organization which can be done as well by a smaller and simpler organization. In other words, any activity which can be performed by a more decentralized entity should be. This principle is a bulwark of limited government and personal freedom. It conflicts with the passion for centralization and bureaucracy characteristic of the Welfare State.<sup>50</sup> According to this principle, taxing, spending, and regulatory functions should be exercised by lower levels of government unless a convincing case can be made for assigning them to higher levels of government. This principle evolved from the social teaching of the Roman Catholic Church and was first proposed by Pope Leo XIII in 1891. Subsequently, Pope Pius XI highlighted the principle of subsidiarity as a third way between dictatorship and a laissez-faire approach to governance. The Maastricht Treaty adopted it as a guiding principle for the assignment of responsibilities among members of the European Union (EU). This principle is the

---

<sup>48</sup> Shah, Anwar and Boadway, Robin, *ibid*, p. 245.

<sup>49</sup> <http://www.oxforddictionaries.com/definition/english/subsidiarity?q=Subsidiarity> accessed on Dt.05.09.13

<sup>50</sup> <http://www.acton.org/pub/religion-liberty/volume-6-number-4/principle-subsidiarity> accessed on Dt. 05.09.13

polar opposite of the *residuality principle* typically applied in a unitary country, where local governments are assigned functions that the central government is unwilling or thinks it is unable to perform.<sup>51</sup>

The principle of subsidiarity stipulates that functions shall be carried out closest to citizens at the smallest unit of governance possible and delegated upwards only when the local unit cannot perform the task. The citizen delegates those functions he cannot perform, to the community, functions that the community cannot discharge are passed on to local governments in the smallest tiers, and so on, from smaller tiers to larger tiers, from local government to the State Governments, and from the States to the Union. In this scheme, the citizen and the community are the centre of governance. In place of traditional hierarchies, there will be ever-enlarging concentric circles of government and delegation is outward depending on necessity.<sup>52</sup>

Application of the subsidiarity principle has three great advantages in practical terms. First, local decision-making improves efficiency, promotes self reliance at the local level, encourages competition and nurtures innovation. The demonstration effects of successful best practices will ensure rapid spread of good innovations and there will also be greater ownership of programmes and practices by the local communities. Second, democracy is based on three fundamental assumptions: all citizens are equal irrespective of station and birth; the citizen is the ultimate sovereign; and the citizen has the capacity to decide what is in his best interest. Only when these principles are put in practice can a democratic system derive its full legitimacy. Subsidiarity is the concrete expression of these foundations of a democratic society. Third, once decision-making and its

---

<sup>51</sup> Shah, Anwar and Boadway, Robin, *op.cit.*, p. 245.

<sup>52</sup> Govt. of India, Second Administrative Reforms Commission (2007) *Local Governance an aspiring journey into the future*, New Delhi (Sixth Report), p. 14.

consequences are integrally linked at the local level, people can better appreciate that hard choice need to be made. Such awareness promotes greater responsibility, enlightened citizenship and maturing of democracy.<sup>53</sup>

### **Dimensions of Decentralization**

*Decentralization is defined as the transfer of responsibilities and financial resources from the central government and its bodies to: (1) administrative units in the regions (delegation); (2) regional or local authorities (devolution); (3) public semi-autonomous public organisms at the national, regional or even local-level – (uni- or multi-functional deconcentration); and (4) organisms that are not part of the state or public local authorities, that is to say private for profit or not for profit volunteer organizations (privatization.)<sup>54</sup>*

Decentralization embraces a variety of concepts which emerges during different time periods. The first period occurred in the early 1960s, when the focus was primarily on decentralization as an administrative approach for local-level governance in the post-colonial era.<sup>55</sup> During this period the focus was largely on administrative aspects of decentralization, with particular concern with the legal organization of centre-field office relationships and the role of local authorities or municipalities within a centrally managed government.

The second period took place in the early 1980s when aid agencies were urging governments to consider decentralization strategies both to better reach the rural and urban poor and to increase their participation in the development process.

---

<sup>53</sup> Govt. of India 2<sup>nd</sup> Administrative Reforms Commission Report, *op.cit.*, p. 14.

<sup>54</sup> *Séminaire sur la Décentralisation en Afrique: Tunis, 10-14 Février 1992* (New York: Nations Unies, épartement du Développement Économique et Social, 1992), p. 4.

<sup>55</sup> Alderfer, H. H. (1964) *Local Government in Developing Countries*, New York: McGraw-Hill.

A third and currently ongoing period emerged in the early 1990s. It focuses primarily on political aspects of decentralization, seeking to understand whether decentralization of any form or type can stimulate the emergence of good governance, constrain sub-national ethnic conflict, promote democratic practices, facilitate the growth of civil societies, and increase the privatization of public sector tasks.<sup>56</sup>

According to a slowly emerging consensus, decentralization is subdivided into three major dimensions: political, administrative, and fiscal decentralization, which might include several overlaps between the different dimensions.<sup>57</sup>

**Administrative Decentralisation:** Rondinelli and Nellis defined decentralization from an administrative perspective as ‘the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non-governmental private or voluntary organizations.’<sup>58</sup>

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.<sup>59</sup>

---

<sup>56</sup> Cohen John M. and Peterson, Stephen B. (1996) *Methodological Issues in the Analysis of Decentralization*, Harvard Institute for International Development, Harvard University, p. 4.

<sup>57</sup> Mewes, Katharina (2011) *Decentralization on the Example of the Yemeni Water Sector*, Springer, p. 58.

<sup>58</sup> Rondinelli, Dennis A., McCullough, James S. and Johnson, Ronald W. (1989) *Analyzing Decentralization Policies in Developing Countries: A Political-Economy Framework* in *Development and Change*, SAGE London, Newbury Park and New Delhi, Vol. 20, pp. 57-87.

<sup>59</sup> <http://www1.worldbank.org/publicsector/decentralization/admin.htm> accessed on Dt.10.09.13

It is the focus of lawyers and public administration professionals seeking to describe or reform hierarchical and functional distribution of powers and functions between central and non-central governmental units. It is by far the most common and accepted form of decentralization, insofar as development is concerned. The most elaborated approach to types is found in regard to “administrative decentralization,” namely, deconcentration, devolution, and delegation.

“**Deconcentration**” implies the transfer of authority in geographical term; from headquarter administration to field administration. Deconcentration involves the re-distribution of administrative responsibilities and accountability is upward. It involves the transfer of authority over specified decision-making, financial, and management functions by administrative means from capital city to different levels under the jurisdictional authority of the central government – to those working in the regions, provinces or districts or it can create strong field administration or local administrative capacity under the supervision of central government ministries. This is the least extensive type and considered as the weakest form of decentralization and commonly found in late developing countries.<sup>60</sup>

“**Devolution**” occurs when authority is transferred by central governments to local-level governmental units holding corporate status granted under state legislation. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent

---

<sup>60</sup> Cohen, John M and Peterson, Stephen B, *Administrative Decentralization: A New Framework for Improved Governance, Accountability, and Performance*. (online) p. 30.  
Also available from <http://www.cid.harvard.edu/hiid/582.pdf> accessed on Dt.10.09.13

authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization. Devolution, such as the establishment of chartered municipal authorities is not common in unitary states, largely because many late developing countries are characterized by weak central governments weary of losing political or administrative control to local governmental units.<sup>61</sup> Devolution has political and legal connotation and the accountability is upward and downward-upward to the Central/State governments and downward to the local people who elect them.

**“Delegation”** refers to the transfer of government decision-making and administrative authority and/or responsibility for carefully spelled out tasks to institutions and organizations that are either under its indirect control or independent. Most typically, delegation is by the central government to semi-autonomous organizations not wholly controlled by the government but legally accountable to it, such as state owned enterprises and urban or regional development corporations. Increasingly, central and local-level governmental units are delegating tasks, such as refuse collection and road repair, by contract to private firms. Public Corporation and regional development authorities have been used extensively in developing countries to execute development schemes.<sup>62</sup>

Recently, additional types of administrative decentralization have been suggested like top-down and bottom-up principle agency. In the principal-agent model, local

---

<sup>61</sup> Cohen, John M and Peterson, Stephen B, *op.cit.*, p. 30.

<sup>62</sup> *Ibid*, p. 30.



government serves at the central government's behest or at its instruction. Local government may be elected, but it has so few powers or authorities as to make it incapable of providing services other than those mandated and funded by the central government. If these local governments prepare a budget, this is much the same as any central-government budget entity preparing its annual budget request. A local council or constituency need not review this request. Its approval or alteration is in the hands of a central government agency.<sup>63</sup>

**Privatization-Deregulation** There is a growing interest among governments in developing countries in privatizing many services and facilities that they now provide. Through privatization and deregulation some governments have divested themselves of responsibilities for functions either by transferring those to voluntary organizations or by allowing them to be performed by private businesses.<sup>64</sup> In some cases governments have transferred responsibility to 'parallel organizations' such as national industrial and trade associations, professional groups, religious organizations, political parties or cooperative.<sup>65</sup> These parallel organizations have been given responsibility to license, regulate or supervise their members in performing functions that were previously performed or regulated by the government.<sup>66</sup> Most specialists are of the opinion that principal-agent and privatization-deregulation can be incorporated within the confines of delegation.

---

<sup>63</sup> Boschmann, Nina(2009) *Study on Fiscal Decentralisation*, Development Partners Working Group on Local Governance and Decentralisation, Berlin.

<sup>64</sup> Cheema, G. Shabbir and Dennis A. Rondinelli (eds.) (1983) *Decentralization and Development: Policy Implementation in Developing Countries*, Beverly Hills: Sage Publications.

<sup>65</sup> Rondinelli, Dennis A. and John R. Nellis (1986) "Assessing Decentralization Policies," in Dennis A. Rondinelli et al. *Developing Countries: A Case for Cautious Optimism*, Development Policy Review 4(1), pp. 3-23.

<sup>66</sup> Leonard, David and Dale Rogers Marshall (eds.) (1982) *Institutions of Rural Development for the Poor: Decentralization and Organizational Linkages*, Berkeley: University of California, Institute of International Studies.

**Political Decentralization:** Political forms of decentralization are typically used by political scientists interested in democratization and civil societies to identify the transfer of decision making power to lower-level governmental units or to citizens or their elected representatives.<sup>67</sup>

Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allows elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, the strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups.<sup>68</sup>

Political decentralization can be understood to refer to either or both of the following: (i) Transferring the power of selecting political leadership and representatives from central governments to local governments, and (ii) Transferring the power and authority for making socio-politico-economic decisions from central governments to local governments and communities. Understanding political decentralization only in the first sense would be limiting the meaning of “political” to the choice of political leadership

---

<sup>67</sup> Cohen John M. and Peterson, Stephen B, *op.cit.*, p. 10.

<sup>68</sup> <http://www1.worldbank.org/publicsector/decentralization/political.htm> accessed on Dt. 11.09.13

through elections. Therefore the promotion of political decentralization in this sense would entail only putting in place structural arrangements that would facilitate local people to exercise their voting power with limited hindrance or intervention from central government. Here political decentralization would be referring to only electoral decentralization and participation would be understood only in terms of elections. On the other hand, promoting political decentralization in the second sense, would entail putting in place structural arrangements and practices that would empower and facilitate local governments and communities to exercise not only the voting power in the choice of their local leadership and representatives but also to have strong influence in the making, implementation, monitoring, and evaluation of decisions that concern their socio-politico economic well being and to constantly demand accountability from their local leadership. The first sense of political decentralization refers to the vote while the second one refers to the voice. A combination of both enhances the influence of local people on the decisions that concern them.<sup>69</sup>

Political decentralization is best conceived within these two frameworks so that the power and authority to decide is not limited to electing leaders or representatives but includes the full range transfer of decision-making from central government to local governments/authorities/communities. This requires a structural arrangement that goes beyond putting in place local governments. It requires a process that combines vertical and horizontal decentralization.<sup>70</sup>

---

<sup>69</sup> Kauzya, John-Mary (2007) *Political Decentralization in Africa: Experiences of Uganda, Rwanda and South Africa*. Available from: <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan028411.pdf> accessed on Dt. 11.09.13

<sup>70</sup> Kauzya, John-Mary(2003) "Strengthening Local Governance Capacity for Participation," in Dennis. A. Rondinelli and Shabbir Cheema *Reinventing Government for the Twenty-First Century: State capacity in a Globalizing Society*, Bloomfield, CT, USA: Kumarian Press Inc.

**Spatial Decentralization:** Spatial decentralization is a term used by regional planners and geographers involved in formulating policies and programs that aim at reducing excessive urban concentration in a few large cities by promoting regional growth poles that have potential to become centres of manufacturing and agricultural marketing.<sup>71</sup>

**Market Decentralization:** Market forms of decentralization are generally used by economists to analyze and promote action that facilitates the creation of conditions allowing goods and services to be produced and provided by market mechanisms sensitive to the revealed preferences of individuals. This form of decentralization has become more prevalent due to recent trends toward economic liberalization, privatization, and the demise of command economies. Under it, public goods and services are produced and provided by small and large firms, community groups, cooperatives, private voluntary associations and Non-Governmental Organizations (NGO).<sup>72</sup>

### **FISCAL DECENTRALIZATION: CONCEPTUALIZATION**

Wikipedia-English-The Free Encyclopaedia defines the term ‘fiscal’ to government finance. In this context, it may refer to - Fiscal deficit, i.e., the budget deficit of a government; Fiscal policy, i.e., use of government expenditure to influence economic development; Fiscal year/fiscal quarter, i.e., reporting periods for firms and other agencies.

Business Online Dictionary defines the term “fiscal” as “of or relating to public revenues (taxation), public spending, debt, and finance.”<sup>73</sup>

---

<sup>71</sup> Cohen John M. and Peterson, Stephen B, *op cit.*, p. 10.

<sup>72</sup> *Ibid.*, p. 10.

<sup>73</sup> <http://www.businessdictionary.com/definition/fiscal.html> accessed on Dt. 17.09.13

Oxford Online Dictionaries states, “fiscal relates to government revenue, especially taxes: *monetary and fiscal policy*; relating to financial matters; denoting a financial year.”<sup>74</sup>

According to Encyclopedia Britannica, “Fiscal deficit/deficit financing is a practice in which a government spends more money than it receives as revenue, the difference being made up by borrowing or minting new funds.” Although budget deficits may occur for numerous reasons, the term usually refers to a conscious attempt to stimulate the economy by lowering tax rates or increasing government expenditures.

Fiscal policy is a measure employed by governments to stabilize the economy, specifically by manipulating the levels and allocations of taxes and government expenditures. Fiscal measures are frequently used in tandem with monetary policy to achieve certain goals. The usual goals of both fiscal and monetary policy are to achieve or maintain full employment, to achieve or maintain a high rate of economic growth, and to stabilize prices and wages. The establishment of these ends as proper goals of governmental economic policy and the development of tools with which to achieve them are products of the 20th century. Fiscal policy relates to decisions that determine whether a government will spend more or less than it receives. Until Great Britain’s unemployment crisis of the 1920s and the Great Depression of the 1930s, it was generally held that the appropriate fiscal policy for the government was to maintain a balanced budget. Economist John Maynard Keynes rule briefly, was that the budget should be in deficit when the economy was experiencing low levels of activity and in surplus when boom conditions (often accompanied by high inflation) were in force.<sup>75</sup>

---

<sup>74</sup> <http://oxforddictionaries.com/definition/english/fiscal> accessed on Dt. 17.09.13

<sup>75</sup> <http://www.britannica.com/EBchecked/topic/155782/deficit-financing/fiscal-policy> accessed on Dt. 17.09.13

A fiscal year (or financial year, or sometimes budget year) is a period used for calculating annual (yearly) financial statements in businesses and other organizations. In many jurisdictions, regulatory laws regarding accounting and taxation require such reports once per twelve months, but do not require that the period reported on constitutes a calendar year (i.e. 1 January to 31 December). Fiscal years vary between businesses and countries. The "fiscal year" may also refer to the year used for income tax reporting.<sup>76</sup>

In a federal system functions are divided across different levels of government i.e. central/national, states/provinces and local governments. The economic rationale for decentralisation is based upon the limited geographic extent of the benefits of public goods and the relatively high costs of decision making if everything is centralised.<sup>77</sup>

Financial relations between units of governments and division of governmental functions come under the purview of fiscal federalism. Fiscal federalism is part of broader public finance discipline. The term was introduced by the German-born American economist Richard Musgrave in 1959. The proper distribution of tax authority and expenditure responsibility is an extremely complex issue. Economists generally focus on issues of efficiency and equity, while public administration and political science scholars tend to focus on distribution of powers, responsiveness and accountability, and tax competition and coordination. Economist Richard Musgrave's framework for analyzing roles or functions is widely accepted.<sup>78</sup>

Musgrave (1959) points out that there are mainly three functions to be performed by the various layers of Government and they are allocation function, redistribution

---

<sup>76</sup> [http://en.wikipedia.org/wiki/Fiscal\\_year](http://en.wikipedia.org/wiki/Fiscal_year) accessed on Dt. 17.09.13

<sup>77</sup> Babu, M Devendra (2009) *Fiscal Empowerment of Panchayats in India: Real or Rhetoric?* Bangalore: The Institute for Social and Economic Change.

<sup>78</sup> Edwin Kee, James (2004) "Fiscal decentralization: A theory of reform," in Aman Khan and W. Bartley Hildreth *Financial Management Theory in the Public Sector*, Greenwood Publishing Group.

function and stabilization function.<sup>79</sup> The Stabilization Function involves the role of tax and spending policies and monetary policy in managing the overall level of economic activity. It is widely agreed that this macroeconomic function should be assigned to the national government. This suggests that the national government must have a broad-based tax suitable for this role. For performing stabilization function some degree of coordination is required between the levels and this could be done only at the Central Government level. Oates (1993)<sup>80</sup> analysis of 58 countries demonstrated a positive relationship between economic growth and fiscal decentralization suggesting some role for local governments, especially infrastructure development.

The Allocation Function is government's role in deciding the mix of public and private goods that are provided by the economy or by government. Each level of government may be more efficient in delivering certain governmental goods and services. The superiority of the national government in delivering national defence or national health research is obvious as is the likelihood that certain services such as fire and police protection are more suitable for local government. In attempting to match local revenues and expenditures in the allocation process, economists are concerned about efficiency, vertical imbalances (mismatches between revenues and expenditures), horizontal equity (fiscal capacity among regions), externalities (spillovers), and tax exportation. Additional public management concerns have to do with overlapping of taxes and roles, and responsiveness and accountability for service delivery.

The framework is most helpful in thinking about which taxes are levied at each level of government and the total tax authority of each level. A commonly cited public

---

<sup>79</sup> Musgrave, Richard A. (1959) *The Theory of Public Finance*, New York: McGraw Hill.

<sup>80</sup> Oates, Wallace E. (1993) *Fiscal Decentralization and Economic Development*, National Tax Journal 46 (2): pp. 237-243.

finance principal is ‘finance should follow function.’ If certain expenditure roles are assigned to a level of government, that level must have the resources to meet those responsibilities. Taxes are the principal source of own-source revenue for governments at all levels. If tax collections or fiscal capacity falls short of expenditure responsibilities, then that level of government must have additional taxing authority, develop user fees, or rely on intergovernmental transfers (such as grants and shared taxes) to support its expenditures.<sup>81</sup> Regarding allocation, it differs from States to States and this could be done at the local level. So allocation duty should be done at the local level and stabilization and redistribution function should be done at the Central level.

Fiscal decentralisation refers to the transfer of functions or authority from central levels of government to local institutions regarding local decision making on the allocation of financial resources (i.e. financial discretionary powers) and the powers to levy local taxes. Full fiscal decentralisation requires political decentralisation and, at least to some extent, administrative decentralisation. More precisely, fiscal decentralization generally refers to the devolution of taxing and spending powers from the control of central government authorities to government authorities either at sub-national levels (regional, provincial, municipal, etc). In a much decentralized system, local governments have considerable power to mobilize resources, through taxing authorities accompanied by strong tax bases.<sup>82</sup>

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues either raised locally or transferred from the central government as well as the authority to make decisions about

---

<sup>81</sup> Edwin Kee, James, *op.cit.*, p. 6.

<sup>82</sup> Boschmann, Nina, *op.cit.*, p. 8.



expenditures. Fiscal decentralization can take many forms, including a) self-financing or cost recovery through user charges, b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labour contributions; c) expansion of local revenues through property or sales taxes, or indirect charges; d) intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and e) authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.<sup>83</sup>

---

<sup>83</sup> [http://www.ciesin.org/decentralization/English/General/Different\\_forms.html](http://www.ciesin.org/decentralization/English/General/Different_forms.html) accessed on Dt. 11.09.13

## **CHAPTER - 3**

### **LOCAL SELF-GOVERNANCE AND FISCAL DECENTRALIZATION IN AIZAWL DISTRICT**

---

Resource dependence of the sub-national governments on the higher level government is a common phenomenon. Indian federalism demarcated the revenue and expenditure ambit of the multi-level governance. Central Government collects 65 per cent of tax revenue and the State Governments collect only 35 per cent, whereas the major expenditure is incurred by the State Governments being more close to the citizens. In this chapter, the status of fiscal decentralization to rural and urban local bodies, the legal provisions at the Central and State level, revenue from various sources such as State Plan Budgets, Finance Commission Grants and Centrally Sponsored Scheme are studied in detail.

#### **FISCAL DECENTRALIZATION TO RURAL LOCAL SELF-GOVERNMENT**

##### **Central Legal Provisions**

Local Government comes under the ambit of State List. Even then the Central Government took initiatives in decentralization and empowerment of third tier body. With a view to financially empower and enable the effective functioning of the Panchayati Raj Institution (PRI), the Central Government in its legislations has provided for fiscal powers and transfers to the local government. The Articles 243(H) and 243(I) inserted into the Indian Constitution by dint of 73<sup>rd</sup> CAA outlines the broad provisions regarding fiscal empowerment of the PRIs (Annex 3.1a). Article 243(I) provides for the State Government to constitute the State Finance Commission after every five years to review the financial position of the Panchayats and make recommendations thereto to the Governor (Annex 3.1b) to augment the financial resources. It is Central Finance Commission's

responsibility as per Articles 280(bb) and 280(c) of the Indian Constitution to look into the resources of local bodies and take measures needed to enhance the Consolidated Fund of the State to supplement resources of Panchayats and Municipalities (Annex 3.2).

### **State Legal Provisions**

73<sup>rd</sup> Constitutional Amendment Act, 1992 (CAA) has been implemented in almost all the States and Union Territories as it is compulsorily required by the Act. PRIs have been extensively financially empowered ever since the Act has been implemented in the States. Broadly, the states have accorded taxation powers to the gram/village Panchayats. The Ministry of Panchayati Raj (MoPR), Government of India, has listed 24 taxes and duties entrusted to village/panchayats by various states.<sup>84</sup> They are Property Tax/House Tax, land tax,(other than agriculture land) tax, taxes/tolls on vehicles, license fees, Pilgrim tax, tax/tolls on animals, sanitation/drainage tax, water tax, Octroi, Market Fees, tax on advertisements and hoardings, profession and entertainment tax, factory tax and various cesses, etc.

Uniformity is missing on the practices of states as to the functions, functionaries and funds devolved to the local self-governing institutions. In some states, intermediate and district level bodies are empowered to raise taxes such as mineral cess, land cess, surcharge on stamp duty, entertainment tax, etc. Yet in a few other states, certain taxes such as motor vehicle tax, entertainment tax, profession tax, and stamp duty are shared with different tiers of PRIs. Further, the Panchayats are empowered to raise non-tax revenues from their own properties and assets such as rent from shops and buildings,

---

<sup>84</sup> Ministry of Panchayat Raj (2004) *Fifth Round Table of Minister in-charge of Panchayati Raj*, 28-29 October, 2004, Srinagar, India.

auction of trees and fruits, sale of assets, fee on pilgrims and fairs, grazing lands and shandies (markets) and license fee, etc.

Apart from these, there are provisions for statutory and discretionary transfers and borrowings. The above legislative measures both at the Central and State levels contemplate bestowing a variety of revenue sources to PRIs, own revenue raising powers, assignments, tax sharing, grants-in-aid and borrowing powers.

Mizoram, Nagaland, Meghalaya are the States exempted from the purview of the 73<sup>rd</sup> CAA,<sup>85</sup> hence; they are not required to set up the institution of local bodies as per the insistence of 73<sup>rd</sup> CAA, due to the fact that they have in existence, the traditional local self-governing institutions as democratically viable institutions for local self- governance. The Lushai Hills District (Village Councils) Act, 1953<sup>86</sup> with further amendments provides for collection of tax assigned to the Village Council. The State Government or any other Officer authorized may appoint tax collectors specifying their duties which must be done strictly according to rules. And there shall be a Village Council Fund for every Village Council. The President of VC shall be the treasurer and list of collections shall be kept by the Secretary (Annex 3.3).

The Village Council is entrusted controlling of animals and their taxation by The Mizo Animals (Control and Taxation) Act, 1980 (amended in 1982). The Village Council may levy and collect tax on animals from the owners of such animals according to the rates and manner as prescribed by the rules (Annex 3.4). The Animal Tax levied may be paid at the option of the owner of the animals, annually in one instalment or half yearly in two instalments. Fifty percent of the Animal Tax collected goes to the Local Fund and the other fifty percent goes to the State Government which will be credited to the

---

<sup>85</sup> (1992) *The Constitution 73<sup>rd</sup> Amendment Act*, New Delhi.

<sup>86</sup> *The Lushai Hills District (Village Councils) Act, 1953*.

Consolidated Fund of the State. Every owner of animals have to register their animals on the number of animals (adult and young) and kinds of animals owned by him with a payment of registration fee 50 paisa for an adult animal and 25 paisa for the young one.

The Village Council maintains registers for registration of animal and keep accounts of registration fee. The account books and other registers maintained by the Village Council are subject to checking by an Officer appointed by the Government. A person may be penalised for letting one's animals to stray in any street/ to trespass upon any private or public property amounting to ` 50/-. The animals belonging to the following owners are not covered by Animal taxation: (a) the Central Government (b) the Government of the Union Territory (c) the North-Eastern Council consisted under section 3 of the North-Eastern Council Act, 1971 (Central 84 of 1971) (d) a corporation owned or controlled by the Central Government to the Government of the Union Territory (e) a Town Committee, or (f) a Village Council.

The Village Council have powers to enforce 'Hnatlang'<sup>87</sup> in the interest of the public whenever occasion so demands. Any person who does not comply with the order of 'Hnatlang' shall be liable to 'Run' (fines for failure to render hnatlang) either in kind or in cash which may (be fixed by the government, by order, from time to time not exceeding ` 50 per hnatlâng day) unless he has been exempted from hnatlâng or has obtained commutation. Persons above 60 years of age and below 15 years are exempted and commutation of obligations is enabled by paying the same amount of money to the Village Council.

---

<sup>87</sup> **Hnatlang** is a community labour for the common good of the village called by the Village Council as and when need arises. All adult persons/representative of the family participated. It is a customary practice among the Mizos since the days of the Chief and their council of elders.

In the capacity as administration of justice, judicial administration in the village is taken up by the Village Council. Village Court decides cases of petty nature like drunken disorder, brawling, etc. and can fine an accused, a sum of ` 500/- depending upon the crime one has committed. If the accused person fails to pay the amount, the Village Council has the power to confiscate his property. Moreover, the Village Council has the power to summon a witness, but, if the witness failed to appear in the court he can be fined a sum of ` 100/-.<sup>88</sup> State Government does not have records of Village Council revenue from fines and fees.

### **Revenue Receipt of Mizoram**

In the Indian fiscal federalism, the levels of devolution of resources from the centre determine the fiscal position of the sub-national governments. Being a resource deficit State, the local self-governing institutions in Mizoram are almost entirely depend on the devolution of resources from the Central Finance Commissions on non-plan account and the Planning Commission on plan account. Revenue transfer accounted for more than 90 per cent of the total revenue receipts of Mizoram. The transfer takes place through tax devolutions and grants. Broadly speaking, grants are of two types- plan grants and non-plan grants. Plan grants are meant for new schemes while non-plan grants are allocated for the maintenance of the schemes at the end of the plan period. Grants to Special Category States like Mizoram are provided grants by the Central Government in the ratio of 90:10. This means that the State's matching share in grants is only 10 per cent.

The major source of own tax revenue of the state are direct taxes such as profession tax, tax on property, capital transactions like land revenue, stamp &

---

<sup>88</sup> Rule 15 Sub-section 1 of the *Lushai Hills Autonomous District (Administration of Justice) Rules* 1953.

registration fees and indirect taxes on commodities and services including value added tax, excise duties, tax on motor vehicles, entertainment tax, etc.

Mizoram fiscal health has improved considerably as the State adopts fiscal policy in line with the recommendations of Thirteenth Finance Commission and Planning Commission instructions. FC:XII recommended enactment of Fiscal Responsibility and Budget Management Act (FRBM Act) as a part of an effort to reform and to consolidate respective financial condition. Planning Commission of India also prescribed guidelines that estimate for Annual Plan 2013-14 resources should be exercised on the basis of current economic situation. In fact, various Grants received under Non-Plan and Plan is also assessed as per the stipulations indicated by Planning Commission.<sup>89</sup>

**Table 3.1**

<b>Mizoram: Gross State Domestic Product at Current Prices and Total Receipts ( ` in lakh)</b>							
<b>ITEMS</b>	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>GSDP</b>	2,971	3,290	3,816	4,577	5,284	6,058	6,991
<b>I. Own Source Revenue (OSR)</b>							
<b>i. Own Tax</b>	55	68	78	95	108	130	179
<b>ii. Own Non-Tax</b>	120	133	130	159	127	147	168
<b>Total</b>	175	201	208	253	234	277	347
<b>% of OSR to GSDP</b>	5.89	6.11	5.45	5.53	4.43	4.57	4.96
<b>II. Central Transfer</b>							
<b>i. Shared taxes</b>	226	288	363	383	395	591	828
<b>ii. Grants- in Aid</b>	1253	1480	1469	2016	2335	2507	2837
<b>Total</b>	1479	1768	1832	2400	2729	3098	3665
<b>III. Total Receipts of the State</b>	1654	1969	2040	2653	2963	3375	4012
<b>% of I to III</b>	10.58	10.21	10.20	9.54	7.90	8.21	8.65

**Source:** Budget documents of Govt. of Mizoram, Mizoram Economic Survey & Planning Commission Documents

**Notes:** (1) Percentage of Mizoram's Own Source Revenue to Gross State Domestic Product is calculated in the fifth row.

(2) Figures in the last row, percentage of I to III represents percentage of own revenue to total.

<sup>89</sup> Govt. of Mizoram (2013-14) *Fiscal Policy Strategy Statement*, Aizawl, p. 2.

(3) Gross Domestic Product (GDP) is the market value of all officially recognized final goods and services produced within a country in a given period of time. GDP per capita is often considered an indicator of a country's standard of living.<sup>90</sup>

From the Table 3.1, State's own revenue to Gross State Domestic Product is less than 7 per cent. Major portion of revenue comes from Central Government's shared taxes and Grants-in-aid. State's own revenue significantly increased from ` 175 crore in 2005-06 to ` 347 crore in 2011-12. Out of this, own tax revenue in 2005-06 was ` 55 crore and non-tax consisted of ` 120 crore. The phenomenal rise in the State's own tax revenue is due to the collection of Value Added Tax, Sales Tax, and Excise Duties etc. Own Source Revenue to total receipt of the state (own + transfer) in 2005-06 was 10.58 per cent and 8.65 per cent in 2011-12.

#### **Sources of Revenue: Village Council**

Main sources of revenue for the Village Councils consist of transfer of fund from the higher level government for various expenditure responsibilities and own source revenue. They are:

- 1) Own Source of Revenue through tax, fine, charge etc. The revenue receipt from the Village in the form of Animal Tax.
- 2) State Government Allocation of Plan Fund included in the Budget. These consisted of sectoral allocation for LAD under two heads – 2216 (Urban Housing) and 2217 (Urban Development).
- 3) Non-Plan Grants from the Central Government through Central Finance Commission according to Article 280 of the Indian Constitution also known as TFC grant.
- 4) Specific-Programme Grant under the Centrally Sponsored Schemes (CSS).

---

<sup>90</sup> [http://en.wikipedia.org/wiki/Gross\\_domestic\\_product](http://en.wikipedia.org/wiki/Gross_domestic_product) accessed on Dt. 13.09.13



## Own Source of Revenue

Village Council has a very limited own revenue raising power at its disposal consisting of the Animal Tax and fines.

### Animal Tax

The collection of Animal Tax in Mizoram during the year 2009-10 and collection in Aizawl District during the year 2006-12 are given below in the Tables 3.2 and 3.3.

**Table 3.2**

Own revenue position of VC in Mizoram during 2009-13 ( ` in Lakhs)					
Items	2009-10	2010-11	2011-12	2012-13	Total
<b>State's Own Source Revenue</b>					
<b>i. Own Tax (OT)</b>	10800.00	13000.00	17900.00	19000.00	60700.00
<b>ii. Own Non-Tax</b>	12700.00	14700.00	16800.00	22900.00	67100.00
<b>Total</b>	<b>23400.00</b>	<b>27700.00</b>	<b>34700.00</b>	<b>41900.00</b>	<b>127700.00</b>
<b>Animal Tax(AT)</b>	3.10	1.60	1.40	2.30	8.40
<b>% of AT share in OT</b>	0.024	0.011	0.008	0.010	

Source: Local Administration Department

Note: (1) Animal Tax also known in Mizo language as Ranchhiah is the only tax collected by Village Council. Fifty per cent of the collection is credited into the Local Administration Department and the other half is credited into the Village Council Fund. It is a legitimate tax collection since 1980.

(2) The last row represents the percentage share of Animal Tax to the total own tax of Mizoram.

Table 3.2 has shown that own source revenue in 2009-10 was `23,400 and in 2012-13 it was `41,900 lakhs. Out of which own tax in 2009-10 was `10,800 lakhs, which has increased to `13,000 lakhs in 2010-11, `17,900 in 2011-12 and `19,000 in 2012-13. Percentage of Animal Tax collection to state's own tax was 0.024 per cent in 2009-10, it declined to `1.60 Lakhs in 2010-11 which further decreased to `1.40 lakhs.

The reason for decrease in 2010 to 2012 was that in many villages, rearing and domesticating animals has been prohibited by local authorities for the sake of maintenance of hygiene and health. At the same time, selection of Piggery and Cow trade

in New Land Use Policy (NLUP)<sup>91</sup> has improved the status of Animal Tax since 2012. In terms of percentage, contribution of Animal Tax to the State's own tax in 2009-10 was 0.024 per cent and 0.010 per cent in 2012-13. The contribution made by the rural local self government is very limited, not even one per cent of the total tax and non-tax revenue of the state.

The whole picture of Mizoram is shown in the above table; fiscal domain of the VC is clearly represented while the table below shows the picture of Aizawl District in particular. The district's total collection from Animal Tax is below fifty thousand in all the study years.

**Table 3.3**

Revenue from Animal Tax within Aizawl District during 2006-2012 ( in Lakhs)								
	2006	2007	2008	2009	2010	2011	2012	Total
<b>Aizawl Dist.</b>	0.36	0.33	0.30	0.43	0.44	0.43	0.44	2.73
<b>Mizoram</b>				3.1	1.6	1.4	2.3	8.4
<b>% of Aizawl District to Mizoram</b>				13.84	27.53	30.77	19.34	

Source: District Local Administration Department Office, Aizawl District.

Note: Data on Animal Tax for Mizoram is available from 2009 and Aizawl District from 2006 onwards.

The entire contribution of Aizawl District from the Animal Tax during 2006-2013 is ₹ 2.73 lakhs as is seen from the Table 3.3. Aizawl District's share of revenue from Animal Tax to the total of the State was 13.84 per cent in 2009 and 19.34 in 2012.

### **Non-tax revenue**

The revenue through fines and fees and the sum of money credited into the Village Council Fund comes under the purview of non-tax collections. Village Council rarely

<sup>91</sup> Congress Government of Mizoram's flagship development programme which aimed at developing and giving all farmers in the state suitable, permanent and stable trades.

exercise judicial power due to the presence of modern court of law. Moreover, even if there is collection on these sources, proper records are difficult to find and data cannot be collected, therefore, we left non-tax revenue from our source of study.

### **State Plan Fund Allocation**

State Plan Fund is untied in nature accorded for development works or which may comprise capital works. In the State Government annual plan, every year, sector-wise allocation is made to the Local Administration Department which is the nodal agency of controlling the Village Councils. These consist of sectoral allocation for LAD under two heads—2216 (Urban Housing) and 2217 (Urban Development). Local Development works funded under State Plan Fund including Housing Assistance outside Aizawl City and its agglomeration is listed under the subject of Local Administration Department.<sup>92</sup>

Various schemes under the Head-2216 (Urban Housing) are site & services, land acquisition & development, economically weaker section, building technology, common cemetery, low income group, middle income group, house building advance, and direction & administration. Schemes have been differed from year to year without any fixed allotment for schemes. The department follows on need basis allocation of plan fund. Head-2217 (Urban Development) schemes are minor roads, parks & recreation, retaining wall & footpath, urban forestry, monsoon damage scheme, liquid waste disposal, public utility at urban areas, office building, cleanliness/beautification, environmental improvement of urban slums, information education & communication, and direction & administration.

---

<sup>92</sup> Notification No. A. 46011/22/2008- GAD, the 20<sup>th</sup> October, 2009 (Vide the Mizoram Gazette, Extra Ordinary; Vol. XXXVIII 30-10-2009 Issue No. 490).

Not all schemes highlighted are implemented every year. It depends on the circumstances at hand and need arises. The State Plan allocation to Aizawl District during 2005-2013 is highlighted as under:

**Table 3.4**

<b>State Plan Fund Allocation to Aizawl District ( ` in Lakhs)</b>											
Year		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
		<b>-06</b>	<b>-07</b>	<b>-08</b>	<b>-09</b>	<b>-10</b>	<b>-11</b>	<b>-12</b>	<b>-13</b>	<b>-14</b>	<b>(2005-13)</b>
<b>Mizoram</b>		4375	1796	1438	1314	772	839	742	244.50	269.69	<b>11790.39</b>
<b>Scheme-wise receipt</b>	Head-2216	18.00	15.00	31.50	28.50	24.50	2.20	10.50	13.00	nil	<b>143.20</b>
	Head-2217	27.00	15.53	26.00	19.00	43.50	34.50	41.20	nil	17.50	<b>224.23</b>
<b>Total</b>		<b>45.00</b>	<b>30.53</b>	<b>57.50</b>	<b>47.50</b>	<b>68.00</b>	<b>36.70</b>	<b>51.70</b>	<b>13.00</b>	<b>17.50</b>	<b>367.43</b>
<b>Percentage receipt of total allocation</b>		1.03	1.70	4.00	3.61	8.81	4.37	6.97	5.32	6.49	4.70 (Average)

Source: Local Administration Department

Note : (1) Head 2216 - Urban Housing; Head 2217 - Urban Development

(2) In 3<sup>rd</sup> row, Mizoram's total annual plan fund allocation is shown. 4<sup>th</sup> and 5<sup>th</sup> rows has shown scheme-wise receipt of Aizawl District under Heads- 2216 (Urban Housing) and 2217(Urban Development). Last row represent the percentage receipt of Aizawl district to the total allocation.

From the Table 3.4, during 2005-13, total sectoral allocation of fund for Local Administration Department is ` 11790.39 lakhs. And the total allocation to Aizawl District under Head 2216 is ` 143.20 lakhs and ` 224.23 lakhs in Head 2217. Average allocation to Aizawl District from the State total is 4.7 per cent. In 2005-06 it was 1.03 per cent and recorded significant increased to 8.81 in 2009-10, and again it declined to 6.49 per cent in 2013-14. The increase and decrease in the allocation depends very much on the need based proposals submitted to the District Local Administration Officer, Aizawl, by various Village Councils. Consolidate district wise plans are then submitted to the LAD for final consolidation of the department annual plan allocation.

## Central Finance Commission Grant

Non-Plan Grants from the Central Government through Central Finance Commission (CFC) are scheme specific grants and meant to fill the plan fund gap. The Tenth Finance Commission (FC:X)(1995-2000) started providing *ad hoc* grant<sup>93</sup> to the local self-governing institutions in India subsequent to the passage of 73<sup>rd</sup> and 74<sup>th</sup> CAA.

Some areas in Mizoram fall under the Autonomous District Council (ADC) or Sixth Schedule area. Village Council is formed, managed and controlled by respective ADCs; which is out of the purview of Local Administration Department. Scheduled and non-scheduled areas are categorised as excluded and normal area. Normal area consisted of outside the ADC area, and interior ADC area is termed as excluded area. The normal area comprise the whole Mizoram minus the excluded area which is 17, 124 sq.km.

The 12<sup>th</sup> Finance Commission recognised Village Council as Panchayati Raj Institution as the state being excluded from the mandatory provisions of 73<sup>rd</sup> and 74<sup>th</sup> CAA, 1992. LAD also substitutes Urban Local Bodies.

The Mizoram Village Council Grants-in-Aid Rules 2007 was enacted by the State Government, which is admissible under all the specific purpose schemes granted by the CFC for creation of public assets, preparation of database, wages for the employees implementing the schemes, purchase of stationery, revolving fund for maintenance, TA/DA for Village Council members and miscellaneous functions concerning Village Council (Annex 3.5). Departmental action plan for these schemes are approved by the High Level Monitoring Committee constituted twice so far by the State Government based on the recommendation of the FC:XII on 26<sup>th</sup> May 2005 and 19<sup>th</sup> July 2007.<sup>94</sup>

---

<sup>93</sup> (2010). Report of the Thirteenth Finance Commission (for 2010-2015), New Delhi

<sup>94</sup> Notification No. F. 26017/1//2005- FFC, the 17<sup>th</sup> July, 2007 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVI 19-07-2007 Issue No. 192).

## Criteria of Distribution

The Twelfth Finance Commission (2005-2010) made an allocation to states based on the following indicators: i) Population - 40 per cent, ii) Distance from highest per capita income - 20 per cent, iii) Revenue effort: (a) With respect to state's own revenue- 10 per cent (b) With respect to GSDP - 10 per cent iv) Geographical area -10 per cent v) Index of deprivation - 10 per cent. The Thirteenth Finance Commission (2010-2015) adopted a little deviated criterion from the previous one. i) Population-50 per cent, ii) SCs/STs Population – 10 for rural area, iii) Distance from highest per capita income – 10 for rural and 20 for urban areas, iv) FC grants utilization index – 5, v) Geographical Area – 10, vi) Index of decentralization – 15.

**Chart 3.1**

Criteria Adopted by 12 <sup>th</sup> - 13 <sup>th</sup> Central Finance Commissions			
Criteria		12 <sup>th</sup> FC	13 <sup>th</sup> FC
Population		40	50
SCs/STs population			10 (Rural)
Distance from Highest per capita income		20	10 (PRI) 20 (Urban)
Revenue effort	(w.r.t. State own revenue)	10	
	(w.r.t. GSDP)	10	
FC Grants Utilization Index			05
Geographical Area		10	10
Index of Decentralisation			15
Index of Deprivation		10	
	Total	100	100

Source: Reports of Central Finance Commissions.

Note: (1) Central Finance Commission Grants are formulae based allocations.

(2) Criteria SC/ST population in rural area, distance from highest per capita income in urban area, FC grants utilization index, and index of decentralization are FC:XIII specific and Revenue effort and Index of deprivation are FC:XII specific.

## Twelfth Finance Commission Grant

The 12<sup>th</sup> Finance Commission was appointed on 1st November, 2002 under the chairmanship of Dr. C. Rangarajan and made its report for five years commencing on the 1st April 2005.

FC:XII grants for Panchayati Raj Institutions were mostly utilized for water supply and sanitation schemes. The PRIs recovered at least 50 percent of the recurring costs in the form of user charges. High priority was also given to expenditure on creation of data base and maintenance of accounts through the use of modern technology and management systems. Transfers from State Governments to local bodies were to be taken place within 15 days after released by the Central Government. Grants were not recommended separately for normal and excluded areas under the Fifth and Sixth Schedule of the Constitution. The States having such areas had to distribute grants to all local bodies in a fair and just manner. The 12<sup>th</sup> Finance Commission (2005-10) allocated ₹ 2000 lakhs for rural local bodies in Mizoram during the five years.

**Table 3.5**

<b>Year-wise FC grants for Mizoram (2005-10) (₹ in Lakhs)</b>	
<b>Year</b>	<b>PRIs</b>
<b>2005-06</b>	400.00
<b>2006-07</b>	400.00
<b>2007-08</b>	400.00
<b>2008-09</b>	400.00
<b>2009-10</b>	400.00
<b>TOTAL</b>	2000.00

Source: Local Administration Department

Note: Local Administration Department with the approval of the High Level Monitoring Committee prepared Action Plan at the departmental level and evenly redistributed funds to all Village Councils based on the number of households in Aizawl District, a total number of 91 villages including the Notified Towns Saitual, Darlawn, Sairang, Thingsulthliah and Lengpui. In these NTs, Village Council is the governance body.

Table 3.5 shows the year-wise CFC grants for Mizoram from 2005 to 2010, every year ` 400 lakhs is allotted for rural local body which totally amounts to ` 2000 lakhs.

Schemes like sanitation and drainage system, water supply including community bath, public water points, maintenance of accounts of VCs, creation of database and information and education & communication for Mizoram were implemented during 2005-2010. There are 91 Village Councils in Aizawl District as per the record of Local Administration Department. Villages are categorized into large, medium and small, based on population and number of seats as large (*having 6 or more VC seats*), medium (*having 5 VC seats*) and small villages (*having 3 & 4 VC seats*). The scheme-wise allocations of funds for PRIs in Aizawl District during 2005-10 are shown below:

**Table 3.6**

<b>Scheme-wise Allocation of Fund for PRI in Aizawl District during 2005-10 ( ` in Lakhs)</b>						
<b>Sl No</b>	<b>Name of Schemes</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
1.	Sanitation and Drainage system	29.90	24.75	24.75	46.60	46.39
2.	Water Supply inclusive of Community Bath, Public Water Points, etc.	18.20	22.75	22.75		
3.	Maintenance of Accounts of Village Councils	8.00	4.00	4.00	1.00	-
Total		56.10	51.50	51.50	47.60	46.39

**Total – ` 253.09 lakhs**

Source: Local Administration Department

Note: Unlike 2005-2008, scheme number one and two were clubbed together during 2008-10. Maintenance of Village Council accounts were allocated and managed by the directorate.

From the Table 3.6, funds allocated for Village Councils in Aizawl District in the year 2005-06 was ` 56.10 lakhs. Large villages were Darlawn, Saitual and Thingsulthliah. Medium villages were Keifang, Khawruhlian, Ratu, Sairang, Sesawng, Sialsuk, Sihphir, Sihphir Vengthar and Tlungvel. Besides, there were 79 small villages. In the year 2006-



07, the total fund allocation was ` 51.50 lakhs. Schemes were implemented on priority basis and varied from one village to another. Incomplete scheme was spilled over for the proceeding years. In the year 2007-08 also, the total fund allocation was ` 51.50 lakhs. In 2008-09 financial years, the fund percolated to Aizawl District was ` 47.60 lakhs.

In the financial year 2009-10, most of the villages have created Village Water and Sanitation Committee to monitor the water supply and sanitation in the villages. These Committees were given priority in the implementation of FC grants over and above the selection and execution of the scheme and its maintenance. ` 46.39 lakhs fund was allocated for this purpose. Each Village Council was provided portable Mike for information system and communication purpose in the village. This came in handy for Tlangau (Village Crier) who brings information and notice to the general public on matters such as natural calamities, forest fire, disaster and enforcement of 'Hnatlang.'

### **Grants through 13<sup>th</sup> Finance Commission (2010-15)**

The Thirteenth Finance Commission (FC:XIII) was constituted by the President on 13<sup>th</sup> November 2007 to make recommendations for the period 2010-15. Dr. Vijay Kelkar was appointed the Chairman of the Commission.

FC:XIII recommended grants-in aid from the divisible pool of central taxes which was completely deviated from the *ad hoc* grants of the previous FCs. Grants to local bodies have two components, Basic Grant and Performance Grant. Basic component (grants) is accessed by all states for five years as per criteria and weights mentioned above and, Performance grant was effective from 2011-12. In order for states to receive Performance Grant, they must fulfil nine eligible criteria before every 31<sup>st</sup> March of a year. These conditions are (i) Budget documents for local bodies (separately for PRIs and

ULBs) in State Government Budget (ii) Audit system for all Local Bodies (iii) Independent Local Body Ombudsmen (iv) Transfer of funds electronically within 5 days of the receipt of funds from Central Government (v) Having an act prescribing qualifications of persons eligible for appointment as members of SFC in consistent with Article 243 I (2) of the Constitution (vi) All local bodies should be enabled to collect Property Tax (vii) State level Property Tax Board (viii) To put in place Service standards for four sectors Water Supply, Sewerage, Storm Water Drainage and Solid Waste Management (ix) Fire hazard response and mitigation plan for municipal corporations more than 1 million populations to be published in a State Gazette.

The year wise Basic Grant and Performance Grant for Local Bodies in Mizoram recommended by the 13th Finance Commission for a period of five years i.e. 2010-2015 is as under:

**Table 3.7**

<b>FC:XIII Grants for Local Bodies (2010-15) ( ` in Lakhs)</b>		
<b>Year</b>	<b>Basic Grant</b>	<b>Performance Grant</b>
2010-2011	1855.00	0.0
2011-2012	2176.00	744.00
2012-2013	2545.00	1746.00
2013-2014	3015.00	2060.00
2014-2015	3568.00	5075.00
<b>Total</b>	<b>13159.00</b>	<b>9625.00</b>

Source: 13<sup>th</sup> Finance Commission Report

Note: (1) Basic Grants for 2010-12 and Performance Grant for 2011-12 were already received. It was only on November 2013, utilization certificate was submitted by LAD to CFC for procurement of grants for 2012-13.

(2) Data's for proceeding years are pegged and shows the probable transfer.

From the Table 3.7, the total allocation for Mizoram by the ongoing FC:XIII was ` 22784.00 lakhs. Basic and Performance Grant are ` 13159.00 lakhs and ` 9625.00 lakhs

respectively. Basic Grant in 2010-12 were `4031 lakhs. Performance grant in 2011-12 was `744 lakhs.

VCs are informed to identify their priority area through the District Local Administration Office (DLAO) for schemes to be implemented and LAD ultimately consolidated these proposals. Based on the input, the following schemes were selected for implementation; construction of community water storage tank/rain water harvesting tank, improvement of operational infrastructure, VC house (Panchayat Ghars), community auditorium, photo voltaic alternative energy system for streetlight and other domestic uses, construction of foot-path, retaining wall, foot-steps, bridges, cemetery approach road, village park/recreational centre, capacity building and village data update, training and capacity building.

VC accounting format was prepared in line with the FC:XII recommendation as the prescribed model accounting system of Panchayat contains numerous jargons and confuse able financial terms. Fund for strengthening of DLAO and VC office, furniture for VCs like almirah, steel trunk and plastic chair were allotted.

### **Classification of Village Councils**

Deviating from village categorization under the FC:XII into large, small and medium villages, five categorizations were made under FC:XIII as; Category-I: 401 households and above, Category-II: 301-400 households, Category-III: 201-300 households, Category-IV: 101-200 households, Category-V: below 100 households. In Aizawl District, there are 15 villages under Category-I, 3 under Category-II, 17 under Category-III, 34 under Category-IV, 20 under Category-V. The total comes to 91. Category-wise allotment of CFC Grants to VCs in Aizawl District during 2010-13 is shown below:

**Table 3.8**

<b>Allotment of FC:XIII Grant to VC ( ` in Lakhs)</b>										
<b>Cat egor y</b>	2010-11		2011-12		2012-13		Amount			Total
	Nos	Rate @	Nos	Rate @	Nos	Rate @	2010-11	2011-12	2012-13	
<b>I</b>	15	4.20	15	5.40	17	5.80	63.00	81.00	98.60	242.60
<b>II</b>	5	3.45	8	4.55	6	4.60	17.26	36.40	27.60	81.26
<b>III</b>	17	2.80	14	3.60	16	3.60	47.60	50.40	57.60	155.60
<b>IV</b>	34	2.20	36	2.85	32	2.80	74.80	10.26	89.60	174.66
<b>V</b>	20	1.67	18	1.81	20	1.82	33.41	32.62	36.36	102.39
Total							236.07	210.68	309.76	756.51

Source: Local Administration Department

Note: (1) Categorisation of villages into five broad categories is done by LAD.

(2) FC:XIII Grants during 2010-13 only are presented here, which are actually received and spent.

From the Table 3.8, in 2010-11 the rate of allocation to the Category I (household 401 and above) was ` 4.20 lakhs, increased to ` 5.40 lakhs in 2011-12 and further rose to ` 5.80 in the 2012-13. Likewise, annual increase in the grants was seen in the other categories as well. The total amount allocated to Aizawl District in 2010-11 was ` 236.07 lakhs, in 2011-12 it was ` 210.68 lakhs and in 2012-13 it was ` 309.76 lakhs.

### **Specific-Programme Grant under Centrally Sponsored Schemes (CSS)**

In fiscal decentralization, we are looking at two aspects; firstly, expenditure responsibilities (functions) and secondly, revenue raising powers (own and transfers) of the VC. If VCs are entrusted with planning and implementation of Centrally Sponsored Schemes (CSS) and other flagship programmes and further receives grants for them, we consider the transfers made for these programmes in our study. The grants for CSS and other programmes which are transferred and implemented through other agencies or

through the state departments are not considered as transfers to VC. Hence, we leave these programmes from the purview of our study.

There are multiple ongoing Centrally Sponsored Schemes (CSS) and State Flagship programme like New Land Use Policy (NLUP) in Aizawl District. Only Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) gives centrality of planning, implementation and fund flow to the PRIs as grassroot bodies are increasingly recognised by this scheme. VC is the parallel grassroot institution to PRI. In other rural development schemes, the involvement of VC is few and far, mainly identification of beneficiaries, that too overlaps by the unit ruling political party or other implementing devise at the state, district and local levels. The elected body at the lowest tier in Aizawl district is many times helpless, overlaps and neglect.

MGNREGA was launch in September 2005, which aimed at providing 100 days wage employment in a financial year. Creation of rural infrastructure and alleviating problems of chronic unemployment and poverty was the main aim of this act. This was the first time VCs were given the freedom to plan and execute works and granted substantial resources at their disposal. In Mizoram, it was launched in 2005-06 at Lawngtlai/Saiha Districts and operational in Aizawl District since 2007-08.<sup>95</sup>

Fund allocations to rural local body in Aizawl District through the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) during 2008-09 up to 2012-13 and the total fund available for Aizawl District in the expenditure on wages, on material component and administrative expenses are given below in the table. The entire

---

<sup>95</sup> Interviewed Ms. Esther, APO of District Rural Development Agency, Aizawl on Dt. 21.07.13

fund available was not spent in Aizawl District. Out of the total fund available, in all the years, figure has shown that expenditure per cent is increasing year by year.

**Table 3.9**

<b>MGNREGA Fund Allocation to Aizawl District during 2008-13 ( ` in Lakhs)</b>					
<b>Year</b>	<b>Total Fund</b>	<b>Expenditure</b>			<b>Total Expenditure</b>
		<b>On Wages</b>	<b>On Material</b>	<b>Admin</b>	
<b>2008-2009</b>	1777.42	1488.12	156.63	65.70	1710.45
<b>2009-2010</b>	5235.18	3595.71	1198.57	180.47	4974.75
<b>2010-2011</b>	4364.89	2772.99	1236.70	208.08	4217.77
<b>2011-2012</b>	4739.58	3157.53	1262.16	284.38	4704.08
<b>2012-2013</b>	4710.84	3410.24	1013.45	282.65	4706.34
<b>Total</b>	20827.91	14424.60	4867.51	1021.28	20313.40

Source: District Rural Development Agency, Aizawl

Note: Expenditure was made on three components. Firstly, on wages is the fund available for unskilled labour works, material component for skilled labour and administrative expenditures.

From the Table 3.9, the total fund available was ` 20827.91 lakhs, out of which ` 14424.60 lakhs were spent on wages, ` 4867.51 lakhs on material component and ` 1021.28 lakhs on administrative expenses. The total expenditure was ` 20313.40 lakhs during the years and the percentage of the total expenditure out of the available fund is 97.53 per cent. Initially in 2008-09, total fund available was only ` 1777.42 lakhs. Substantial increase in fund availability was seen on 2009-10 to ` 5235.18 lakhs and constant amount of fund allocations during 2010-13; ` 4364.39 lakhs in 2010-11, ` 4739.58 lakhs in 2011-12 and ` 4710.84 lakhs in 2012-13.

On 20<sup>th</sup> August 2009, Union Panchayati Raj Minister, Dr. C.P. Joshi announced that all the Panchayats will have Bharat Nirman Rajiv Gandhi Sewa Kendra (BNRGSK). The BNRGSK is a single window for providing information on the MGNREGS feedback on the quality of implementation of the program. It also aims at providing space to

facilitate the functioning of the MGNREGA office at the Gram Panchayat/Block levels and to function as a Knowledge Resource Centre. A section of the building will be dedicated towards facilitating interactions with MGNREGA workers and local communities.<sup>96</sup>

Fund for construction of Bharat Nirman Rajiv Gandhi Sewa Kendra was provided as a part of material component in MGNREGA allocated to four rural development blocks in Aizawl District, namely, Darlawn, Phullen, Thingsulthliah and Tlangnuam RD Blocks as follows:

**Table 3.10**

<b>Bharat Nirman Rajiv Gandhi Sewa Kendra Fund Allocation in Aizawl District ( ` in Lakhs)</b>				
<b>Sl. No.</b>	<b>RD Block</b>	<b>No. of Villages</b>	<b>No of Villages covered so far</b>	<b>Amount</b>
<b>1</b>	Darlawn	28	28	234.12
<b>2</b>	Phullen	12	12	110.48
<b>3</b>	Thingsulthliah	20	20	180.56
<b>4</b>	Tlangnuam	36	13	100.58
<b>Total</b>				<b>625.74</b>

Source: Govt. of India, Ministry of Rural Development

Note: Darlawn, Phullen, Thingsulthliah and Tlangnuam are the four rural development blocks within Aizawl District. All villages shall have BNRGSK or a Panchayat House to monitor MGNREGA works.

From the Table 3.10, fund provision is cumulative for all years since 2008-09 until date. All the villages in three RD blocks Darlawn, Phullen, Thingsulthliah were covered so far and fund incorporated in MGNREGA. Out of 36 villages in Tlangnuam RD block, so far 13 villages are covered and 23 villages are yet to cover and it is in the process. The total fund allocated was ` 625.74 lakhs for the entire district.

<sup>96</sup> [http://nrega.nic.in/circular/Manual\\_21012010.pdf](http://nrega.nic.in/circular/Manual_21012010.pdf) accessed on Dt. 12.11.13

## Consolidate revenue through own resources and transfer

In this paragraph, consolidation of the revenue raising power of Village Council through own resources and transfer is attempted, picking up data's from the various revenue dimensions of the VC in order to show the fiscal health and complete financial picture of the rural local self-governing body in Aizawl District, Mizoram. Fund source constitute own-tax and transfers. Transfer comprises state plan fund and CFC grants along with MGNREGA. The table covers the years during 2005-2013.

**Table 3.11**

Rural Fiscal Decentralization in Aizawl District during 2005-2013( ` in Lakhs)										
Fund Source	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total	%
Own Source Revenue										
Own Tax	0.36	0.33	0.30	0.43	0.44	0.43	0.44	0.37	<b>3.47</b>	0.01
Transfers										
State Plan Fund	45.00	30.53	57.50	47.50	68.00	36.70	51.70	13.00	<b>349.93</b>	1.61
Finance Commission	56.10	51.50	51.50	47.60	46.39	236.07	210.68	309.76	<b>1009.60</b>	4.66
MGNREGA				1710.45	4974.75	4217.77	4704.08	4706.34	<b>20313.40</b>	93.71
Total	101.46	83.26	109.30	1805.98	5089.58	4490.97	4966.90	5029.47	<b>21676.39</b>	100
Per capita revenue	135.24	109.78	145.69	2407.20	6783.94	5986.04	5805.51	5878.64		
Per capita own revenue	0.48	0.44	0.40	0.57	0.59	0.57	0.44	0.37		

Source: Local Administration Department & District Rural Development Agency.

Note: (1) Aizawl District rural population in Census 2001 and 2011 were 75,024 and 85,555 respectively.  
 (2) % in the last column (rightmost) indicates share of each fund source in terms of percentage to the total source of fund.

(3) MGNREGS in Aizawl District was launched in 2007-08. Hence, data since 2008 are available.

(4) Last two rows have shown calculation of per capita revenue and per capita own revenue respectively. The per capita revenue is calculated by dividing the total revenue (own+transfer) by the total rural population of the Aizawl District. And. Per capita own revenue is calculated by dividing the own tax by total rural population.



From the Table 3.11, total own revenue (own+transfer) during 2005-2013 is ₹21,676.00 lakhs. Own Source Revenue (Own tax) total figure is ₹3.10 lakhs which constitutes only 0.01 per cent of the total revenue. The total of State Plan Fund is ₹349.93 lakhs that also comprises a meagre 1.61 per cent of the total receipt. Finance Commission transfer amounts to ₹1009.60 lakhs that makes up 4.66 per cent. A whopping ₹20,313 lakhs comes from MGNREGA representing almost the entire transfer received by the Village Council which is 93.71 per cent of the total receipts.

### **Per Capita Revenue**

Per capita revenue of the rural area is calculated for 2005-06 to 2010-11, calculation is based on Aizawl District rural population of Census 2001 and accordingly, per capita income are; in 2005-06, ₹135.24, in 2008-09, ₹2407.20, in 2010-11, ₹5896.04. Calculation 2011 onwards is based on Census 2011 rural population of Aizawl District, and accordingly, per capita revenue of a person resides in a rural area in 2011-12 was ₹5805.51 and 2012-13 is ₹5878.64. The phenomenal increase in per capita since 2008-09 is due to MGNREGA. Own revenue of the district contributes extremely small portion of the entire revenue. Major portion of the revenue comes from transfer from higher levels of governments. Transfer from State Government is also very limited and major devolution comes from Central Government transfer through Central Finance Commission and MGNREGA. The per capita revenue of the rural area would be dismally very low in the absence of MGNREGA. It sure must have a gross impact on the rural economy of Aizawl District.

### **Own revenue as percent of total revenue**

Own revenue of the Village Council constitute a very small portion of the total revenue. Over the years own per capita revenue were 47 paise in 2006-07, 40 paise in

2007-08 and registered increase to 58 paise in 2008-09. At the national level, all state per capita own revenue was ₹ 34.07.<sup>97</sup> The figure has shown that own revenue contribution is extremely low in Aizawl District compared with all India. Local Government revenues accounted for 15% of the total government revenues in the USA in the year 2001.<sup>98</sup>

## **FISCAL DECENTRALIZATION TO URBAN LOCAL SELF-GOVERNMENT IN AIZAWL DISTRICT**

Municipal government is set up in Aizawl as per 74<sup>th</sup> Constitutional Amendment Act, 1992. Fiscal Decentralization process is taking place and AMC is aiming to become self-sustenance in finance as the tax domain is relatively strong along with devolution of functions and responsibilities by the State Government. When we say, urban local self-government, we have to confine it to Aizawl in the real sense as other notified towns are managed by UD & PA as well as LAD and local body in these NTs are Village Councils. Fund is transferred to the urban local body to improve the basic infrastructure, housing, disposal of waste and basic civic amenities.

### **Legislative Provisions**

Chapter XVI of The Mizoram Municipalities Act, 2007<sup>99</sup> amended in 2009 and 2011 provides for Municipal Taxation. According to Section 210 (1), every municipality may levy *Property tax, a profession tax, a tax on carriages and animals, a tax on carts, and advertisement tax other than advertisements published in newspapers*. Chapter XV deals with licenses and fees on *Keeping of Animals, Industries and factories,*

---

<sup>97</sup> Govinda Rao, M. *et al.*, *op cit.* p. 57.

<sup>98</sup> GoI Second Administrative Reforms Commission, *op. cit.*, p. iii.

<sup>99</sup> Notification No. H. 12018/120/2003- LJD/28, the 20<sup>th</sup> April, 2007 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVI 24-4-2007 Issue No. 123).

*Slaughtering, Milk Trade and Markets.* Chapter XXIII Section 352 deals with State Finance Commission (Annex 3.6).

The Mizoram Grants-in-Aid to Aizawl Municipal Council Rules, 2008 provides that all money received from the Central Government for the Municipality and Grants-in-aid from the State Government and from any other source shall be credited into a Government Treasury or into any bank in the Municipal area and shall be credited to any account to be called the account of the Municipality as envisaged in the Chapter-VIII of the Mizoram Municipal Act, 2007.<sup>100</sup>

### **Sources of Revenue: Urban Local Body**

Main sources of revenue of ULB consist of own source revenue and transfer of fund from the higher level governments for various expenditure responsibilities and management of different functions. They are:

- 1) Own Source of Revenue through Property Tax, Fine, Charge, Fees etc.
- 2) Non-Plan Grants from the Central Government through Central Finance Commission.
- 3) State Government Allocation of Plan Fund Budget.

### **Own Source Revenue**

The revenue raised through own tax and non-tax component of the ULB like Property Tax, Fees, Charges, Rent, sale of forms, etc.

### **Tax revenue**

Property Tax in the form of Zoramchhiah, Land Tax and Tax Clearance certificates are the components. According to Govt. of Mizoram, Urban Development & Poverty Alleviation Department notification on 8<sup>th</sup> October 2012, collection of Property

---

<sup>100</sup> Notification No. B. 13017/22/2008- UD&PA, the 13<sup>th</sup> August, 2008 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVII 20-8-2008 Issue No. 301).

Tax was assigned to Aizawl Municipal Council from Land Revenue & Settlement Department with retrospective effect from 7<sup>th</sup> August 2011.<sup>101</sup> Three Revenue Assistants were, therefore, posted on deputation to AMC from Land Revenue & Settlement Department to collect Property Tax within the Aizawl Municipal area (Annex 3.6). It is the most important element of own source revenue for ULB and contribute substantially to the collections of the AMC. However, the collection from Property Tax was paid into the Government account. The table below shows the Property Tax collected by AMC during 2011-13:

**Table 3.12**

Collection of Property Tax during (2011-13) ( ` in Lakhs)					
Years	Zoramchhiah	Land Tax	HTPC	TCC	Total
2011-12		127.91			127.91
2012-13		223.54	0.80	0.03	224.36
2013-14	0.03	27.00	0.16	0.03	27.21
	0.03	378.45	0.96	0.06	379.46

Source: Aizawl Municipal Council

Note: (1) HTPC- House tax Pay Certificate; (2) TCC- Tax Clearance Certificate

(3) Zoramchhiah – Zoram Tax, ` 30.00 per every family per annum which was also paid in urban areas but not collected between 2007-08 up to 2012-13 due to challenge of this provision in a Court of Law.

According to Table 3.12, the total Property Tax collected in 2011-12 was ` 127.91 lakhs and Land Tax was the only component. In 2012-13, it was ` 224.36 lakhs, Land Tax, House Tax Pay Certificate and Tax Clearance Certificate were the components for which revenue was accumulated. In 2013-14, the collection so far is ` 27.21 lakhs, the financial year is not ended; the total collection during 2011 – 2013 is ` 379.46 lakhs.

State Level Property Tax Board was set up by the Governor of Mizoram which shall exercise its power and function as enumerated in chapter 10.161 (vii) of the 13<sup>th</sup>

<sup>101</sup> Annual Technical Report (ATR) of the Comptroller and Auditor General of India (C&AG) on Urban Local Body, Govt. of Mizoram for the year ended 31 March 2012.

Finance Commission (Annex 3.7). The Board was set up to assist the municipalities in the State and put into place independent and transparent procedure for assessing Property Tax.<sup>102</sup> It will enumerate all properties within the municipal area, review present Property Tax system and make suggestions for suitable basis for assessment and valuation of properties. It will prepare a work plan indicating how it proposes to achieve this coverage target and the human and financial resources it proposes to deploy.

### **Non-tax revenue**

The first actual transfer of functions from the State Government to the AMC was on the transfer of management at Ch.Chhunga Bus Terminal at Thuampui and Ch.Saprawnga Truck Terminal at Rangvamual<sup>103</sup> on 27<sup>th</sup> May, 2009. Other functions transferred are Solid Waste Management taken up on Private-Public Partnership mode since 4<sup>th</sup> July 2011 where each Local Council are entrusted collection and disposal of solid waste within their jurisdictions in which 90 per cent of expenditure is borne by AMC and 10 per cent by the public contribution,<sup>104</sup> provision of Civic Services and Street Vending, management of Market Shed, management of Parking Lots and Licensing.

The AMC collects Parking Fees/Rent in Ch.Chhunga Bus Terminal (CCBT) and Ch. Saprawnga Truck Terminal (CSTT), Aizawl City Parking Bid Price, Parking Permit Fees, Building Permission/Regulation Fees, Tender/Quotation sale in relation to Parking and Building Permission and rent collection from Zemabawk Market.

The collection of AMC from fees, charge, rent, etc. during 2009-13 are shown below:

---

<sup>102</sup> Notification No. B. 13019/4/2010- UD&PA(TFC), the 23<sup>rd</sup> July, 2010 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXIX 28-7-2010 Issue No. 262).

<sup>103</sup> Bus and Truck Terminal located in Thuampui and Rangv amual locality in Aizawl were named after the first Mizoram Chief Minister and first Chief Executive Member of Mizo District Council respectively.

<sup>104</sup> <http://www.icrier.org/pdf/mizoram.pdf> accessed on Dt.10.11.13

**Table 3.13**

<b>Collection of Aizawl Municipal Council from fees/charge/rent, etc. during 2009-13 ( ` in Lakhs)</b>										
Years	Ch. Chhunga Bus Terminal		Ch.Saprawng Truck Terminal		Aizawl City Parking Bid price	Parking Permit Fees	Bldg. Permsn/Reg Fees	Zemabawk Market Rent	Tender Sale	Total
	Parking Fees	Rent	Parking Fees	Rent						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2009-10	9.19									<b>9.19</b>
2010-11	21.18									<b>21.18</b>
2011-12	13.42	0.07	4.30	4.58		1.00	5.23		0.02	<b>28.62</b>
2012-13	4.37	4.98	12.53	0.04	21.99	1.44	26.09	0.32	2.12	<b>73.88</b>
2013-14	10.47	10.41	27.26	0.15	32.29	2.90	31.86	0.56		<b>115.90</b>
<b>Total</b>	<b>58.63</b>	<b>15.46</b>	<b>44.09</b>	<b>4.77</b>	<b>54.28</b>	<b>5.34</b>	<b>63.18</b>	<b>0.88</b>	<b>2.14</b>	<b>248.77</b>

Source: Aizawl Municipal Council

Notes: Parking Fee and Rent in column (1-4) are totalled for 2009-10 and 2010-11 in the column (1). In the AMC register account book, 2009-11 revenue from column (1) to (4) are entered in lump sum. From 2011 onwards, collection from fees, rent (deposit money) are entered separately. Parking Bid Price and Permit fees are shown in column (5) and (6). AMC also collects building permission fee/regulation fee. Column (8) shows the Zemabawk Market Rent and column (9) shows the collection from tender form sale.

From the Table 3.13, in 2009-10, the only revenue source was parking fees from Ch.Chhunga Bus Terminal and Ch.Saprawnga Truck Terminal, an amount of ` 9.19 lakhs. Next year, it then went on to increase collection of fees manifold ` 21.18 lakhs. The source of revenue from all sources in 2012-13 was ` 73.88 lakhs. It rose to ` 115.90 lakhs in 2013-14. The total collection during the year 2009-13 is ` 248.77 lakhs.

### **Grants through Central Finance Commission**

Finance Commission Grant also known as FC grant is tied fund and earmarked. Fund transfers are utilized on the purpose for which they are allocated and are activity specific. With the formation of Aizawl Municipal Council in 2010, and FC grant for

urban local body is transferred from UD&PA to AMC. Although we have 23 Notified Towns, none comes under the realm of grants for ULB.

### Twelfth Finance Commission

Fifty per cent of FC:XII grants to ULB are earmarked for solid waste management through public-private partnership as provided in the guideline along with instructions that municipalities should concentrate on collection, segregation and transportation of solid waste and the cost of these activities, whether carried out in house or out sourced, could be met from the grants. The Twelfth Finance Commission allocates equal amount of ` 200/- lakhs each year for five years to the urban area. The scheme-wise fund allocations to urban local bodies during 2005-10 are shown as under:

**Table 3.14**

<b>FC:XII scheme-wise Fund Allocation to ULB during 2005-10 ( ` in lakhs)</b>							
SN	Name of Schemes	05-06	06-07	07-08	08-09	09-10	Total
<b>Solid Waste Management Centre (SWMC)</b>							
1	Site preparation and approach road	60.00	60.00	50.00	33.00	-	203.00
2	Garbage transfer station near Zemabawk	10.00	10.00	-	-	-	20.00
3	Water Supply for SWMC	10.00	10.00	-	5.00	-	25.00
4	Consultancy Charges on DPR	10.00	10.00	-	1.80	-	21.80
5	Creation of database	6.00	6.00	-	-	4.00	16.00
6	IE&C	4.00	4.00	-	10.00	8.00	26.00
7	Machineries and Equipments	-	-	50.00	-	-	50.00
8	Rigid Pavement of approach road to Sakawrhmutuai Dumping Ground	-	-	-	10.00	6.20	16.20
9	Functional Vehicle hiring charges for Operational Project Works	-	-	-	7.00	-	7.00
10	Extension of Project ground @ Tuirial	-	-	-	43.20	81.80	125.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>110.00</b>	<b>100.00</b>	<b>410.00</b>
<b>Civic Services in Urban Areas</b>							
1.	Pavement, Steps, Roads, bridge etc.	100.00	100.00	100.00	90.00	100.00	
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>90.00</b>	<b>100.00</b>	<b>490.00</b>
<b>Grand Total</b>		<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>1000.00</b>

Source: Local Administration Department & Urban Development & Poverty Alleviation Deptt.

Note: IE&C- Information, Education & Communication; DPR-Detail Project Report

From Table 3.14, half of grants were spent on Solid Waste Management. Garbage dumping ground is located in Tuirial, 30 kms away from Aizawl. Half the funds allocated went for preparation of garbage dumping ground. The other half was spent on civic services, e.g. Pedestrian pavements, retaining wall, drain, bridges as well as renovation and beautification of the city, etc. within Aizawl city.

` 203.00 lakhs for site preparation and approach road to dumping ground, ` 20.00 lakhs for construction of garbage transfer station near Zemabawk, ` 25.00 lakhs for water supply to the dumping ground, ` 21.80 lakhs for consultancy, ECONOVA Consultancy & Services Pvt. Ltd. is engaged for making detail project report. Others are creation of database regarding urban local governments ` 16.00 lakhs, and ` 26.00 lakhs for information, education and communication purposes, ` 50 lakhs for procurement of machinery and equipments for use in the dumping ground, ` 16.20 lakhs for site preparation and roads, etc. for alternative dumping ground at Sakawrhmutuai dumping ground, Sihphir. Govt. of Mizoram acquired neighbouring plots of land at Tuirial dumping ground in 2008 for staff quarters, administrative buildings, etc. For this purpose ` 125.00 lakhs was allocated.

All FC-XII grants since 2007-08 percolated to the urban area through the UD&PA. However, grants in the two preceding years 2005-06 and 2006-07 were managed and allocated by the LAD.

### **Thirteenth Finance Commission Grants**

The FC:XIII grants for Urban Local Bodies during the year 2010-11, 2011-12, 2012-13 were utilized by the AMC for providing basic services to the people. Specific schemes taken up with the grants for urban local body are categorized into two; firstly, core services comprising drinking water, solid waste management, sewerage, street



lighting and other civic amenities like construction work of steps, retaining wall, drain, roads and bridges, etc. and secondly, non-core services like facilities and remuneration of elected councillors, stationery of ward committees and local councils, information, education & communication for a newly established municipality, maintenance of AMC assets, and hardware for adoption of double entry accrual based accounting system.

**Table 3.15**

<b>FC:XIII Year-wise allocation of FC grants to ULB ( ` in Lakhs)</b>				
Year	Grant		Total (Rs in Lakhs)	Remarks
	General Basic Grant	General Performance Grant		
2010-11	864.00	NIL	864.00	Utilized
2011-12	1014.00	346.00	1360.00	1175.05 lakhs actual released
2012-13	1185.00	814.00	1999.00	2408.76 lakhs actual released
Total	<b>3063.00</b>	<b>1160.00</b>	<b>4223.00</b>	<b>4447.81</b>

Source: Aizawl Municipal Council

Note: Actual released is shown in the last column of the table.

From the Table 3.15, the general Basic Grant ` 864 lakhs was utilized on core and non-core services in 2010-11. In 2011-12, ` 1175.05 lakhs was actually released and in 2012-13, ` 2408.76 lakhs was released. The actual released exceeded the allocation which meant that performance of AMC fulfilled the criteria laid down by the FC:XIII (see page 43). Each performing state is awarded with grants earmarked for them plus forfeited by non-performing states awarded to performing and non-performing states the amount of 50% of aggregated so forfeited; based on this condition, ` 68.05 lakhs and ` 128.06 lakhs respectively are awarded to ULB in 2011-12 and 2012-13. Again, the

remaining 50% forfeited is divided among performing states only and based on this, 182.23 lakhs is received.

### **Allocation of State Plan Fund**

UD & PA department is the state line department implementing various urban development's and poverty alleviation programmes, including JNNURM and urban development schemes to be funded under Asian Development Bank (ADB).<sup>105</sup> Sector-wise allocation in the Govt. of Mizoram's annual plan budget for urban development head is outlined every year. And this department looks after the redistribution of plan budget to several agencies and local bodies. Local development works funded under the state plan fund including Housing Assistance within Aizawl City and its agglomeration is allocated to UD & PA Department<sup>106</sup> by the Rule 3 of the Government of Mizoram (Allocation of Business) Rules, 1987.

There are various schemes under the Head-2217, major/minor heads of development, they are link roads within urban area, local parks & recreation centre, steps, retaining wall, footpath & flyover, monsoon damage and rehabilitation scheme, solid waste management, dumping ground, urban forestry, domestic waste disposal line, public utility in urban area, beautification of city and towns, disaster management, contingency to support assets created, contingency to support special occasion, common cemetery, direction & administration, sanitation, services to urban poor, clean Mizoram, land & buildings. Implementation is directly done by the department through contractors and other agencies. Fund for development purpose isn't percolated down to the Aizawl Municipal Council from the annual plan budget, the UD&PA department and related

---

<sup>105</sup> <http://udpamizoram.nic.in/> accessed on Dt. 15.11.13

<sup>106</sup> Notification No. A. 46011/22/2008- GAD, the 20<sup>th</sup> October, 2009 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVIII 30-10-2009 Issue No. 490).

departments like Public Health Engineering (PHE), Public Works Department (PWD), etc. directly executed works in their own convenience. Hence, we put it out of the purview of our study.

In the State Government's Annual Plan Budget, since 2007-08 Grants-in-aid is allocated to the Aizawl Municipal Council as under:

**Table 3.16**

<b>Grants-in-Aids to AMC during 2008-13( in Lakhs)</b>		
<b>Sl. No.</b>	<b>Year</b>	<b>Amount</b>
1	2008-09	40.00
2	2009-10	60.00
3	2010-11	145.50
4	2011-12	200.00
5	2012-13	300.00
6	2013-14	300.00

Source: UD & PA

Note: The grants-in-aid are primarily meant for office establishment and administrative expenses not for development works.

From the Table 3.16, Grants-in-Aid to the AMC in 2008-09 were ` 40.00 Lakhs. In 2009-10 it was ` 60 Lakhs, and it further increased to ` 145.50 Lakhs in 2010-11 and ` 200.00 lakhs in 2011-12. In 2012-13 and 2013-14, it is ` 300.00 Lakhs. Increase in transfer through grants-in-aid has shown that Govt. of Mizoram is actually trying to capacitate and enlarge the strength of the urban local body.

### **Revenue Position of ULB**

Revenue of ULB during 2009-13 from own source of revenue (tax and non-tax) and transfer from higher level as Central Finance Commission Grants and Grants-in-aids from State Government is highlighted as under:

**Table 3.17: Aizawl District revenue position of ULB during 2009-13**

Items	Rupees in Lakhs				Total
	2009-10	2010-11	2011-12	2012-13	
<b>I. Revenue raised by Aizawl Municipal Council</b>					
i. Own Tax	-	-	128.00	224.00	<b>352.00</b>
ii. Own Non-Tax	9.00	21.00	29.00	74.00	<b>133.00</b>
<b>Total of ( i+ii)</b>	<b>9.00</b>	<b>21.00</b>	<b>157.00</b>	<b>298.00</b>	<b>485.00</b>
<b>II. Transfer</b>					
Finance Commission Grants	200.00	864.00	1175.05	2408.76	<b>4647.81</b>
Grants-in-Aids	60.00	145.50	200.00	300.00	<b>705.50</b>
<b>Total of II</b>	<b>260.00</b>	<b>1009.50</b>	<b>1375.05</b>	<b>2708.76</b>	<b>5353.31</b>
<b>Grand Total (I+II)</b>	269.00	1030.50	1532.05	3006.76	<b>5838.31</b>
<b>Per capita revenue</b>	117.84	451.42	524.99	1030.34	
<b>Per capita own revenue</b>	3.94	9.20	53.80	102.12	

Source: Aizawl Municipal Council, UD&PA

Note: (1) Aizawl City population in 2001 and 2011 Census were 2,28,280 and 2,91,822 lakhs respectively. Per capita revenue is calculated by dividing the total revenue by Aizawl population; based on 2001 Census in 2009-10 and 2010-11; based on 2011 Census in the consequent years.

(2) Per capita own revenue is calculated by dividing own revenue by total population; based on 2001 Census in 2009-10 and 2010-11; based on 2011 Census in the consequent years.

From the Table 3.17, revenue position of ULB in Aizawl District is shown during the period of 2009-13. The total revenue is ` 5132.81 lakhs out of which majority of the revenue comprise of transfer from Central Finance Commission amounts to ` 4647.81 lakhs, which is 90.55 per cent of the total revenue. Own revenue accumulation during the study period is ` 485.00, which consisted of 9.05 per cent of the total revenue of ULB.

### **Per Capita Revenue**

The revenue through own and transfer comprises ` 209.00 lakhs in 2009-10 and phenomenally jumped to ` 2706.76 lakhs in 2012-13. Per capita revenue in 2009-10 was ` 117.84, while it is ` 1030.34 in 2012-13.

## **Per capita own revenue**

Per capita own revenue is calculated by dividing own revenue of the ULB in the study years by the total population. Per capita revenue in 2009-10 was ` 3.94 and ` 102.12 in 2012-13. There has been a substantial increase in the per capita own revenue of the urban area.

## **State Finance Commission**

It is the handiwork of the pressure put by interest groups like Mizoram Municipal Steering Committee (MMSC) and other bodies. However, ultimately, the conditionality lay down by the reform checklist of the JNNURM scheme has brought to limelight the reality of the urban local government and State Finance Commission (SFC) in line with the 74<sup>th</sup> CAA.

The first Mizoram Finance Commission (MFC) was constituted on 30<sup>th</sup> September 2011 as per the Mizoram Municipalities Act, 2007.<sup>107</sup> Initially, the MFC report was scheduled to be available by 30<sup>th</sup> November 2012. However, the period has been extended and is due to submit its report by 31<sup>st</sup> October 2014. The recommendations will cover a five year period commencing from 1<sup>st</sup> April 2015.

In order to look after the gap in revenue and expenditure assignments, assessing the needs of the various levels of governments, recommending the sharing of taxes, allocation of funds and functionaries according to the dimension of functions performed by the lower tiers of the government, the presence of Union Finance Commission and State Finance Commission is felt. The terms of reference of the MFC includes making recommendations on the principles which should govern the distribution between the State and the Village Councils, Aizawl Municipal Council and the Autonomous District

---

<sup>107</sup> Section 352 of *The Mizoram Municipalities Act, 2007*.

Councils of the net proceeds of the taxes, duties, tolls and fees and the grant-in-aid which may be given to these local bodies from the Consolidated Fund of Mizoram and the measures needed to improve the financial position of these bodies. In making its recommendations, the Commission shall have regard, among other considerations, the need to enhance disaster management at the local levels so as to avoid minor disasters such as landslips, etc at the local levels the need to manage ecology, environment and climate change at the local levels and the need to improve the quality of public expenditure to obtain better outputs and outcomes through innovative monitoring and appraisal system at the local levels.<sup>108</sup>

The First MFC Act, 2010 (Annex 3.8) specifically provides for reforming the weak financial resource base of the rural local government in Mizoram. Stating that Part-IX of the Constitution exempted Mizoram from its purview and Part IX-A exempted the Sixth Schedule areas in Mizoram. And the MFC through its provisions will enable all the local bodies to have financial autonomy to perform functions analogous to the functions of other local bodies constituted under Part-IX and Part IX-A while retaining the distinctive tribal identity protected by the Sixth Schedule to the Constitution of India which is foundational to the local bodies of the state.

### **Accounts and Audit**

Articles 243J and 243Z of the Constitution provides that the States should make provisions by way of legislation for maintenance and audit of accounts of the panchayats and the municipalities. Central Finance Commission tries to integrate the provisions in its several recommendations. Govt. of Mizoram, therefore, in conformity with the provisions of the CFC made legislations known as The Mizoram Local Funds (Accounts and Audit)

---

<sup>108</sup> <http://mizofincom.nic.in/index.html> accessed on Dt. 04.10.13

Acts 2006 which received the assent of the Governor on 20<sup>th</sup> October 2006. The act provides for the examiner of local fund accounts and also provides auditor to local fund account in consultation with the examiner. Every examiner and auditor appointed is to be treated as public servants according to the provisions of the Section 21 of the Indian Penal Code. When the auditor completed audit of accounts of any local authority, he shall prepare a report on them and shall submit the report to the Examiner of Local Fund Accounts, who in turn shall furnish a copy to the local authority. The auditor in his report will mention the inaccuracy of the accounts, if any, payment contrary to law, loss/deficiency incurred due to negligence or misconduct of the one responsible for accounting, the amount of sum which have been deliberately omitted/not included in the account. The examiner will take actions as to give show cause to the responsible person and finally recover the amount losses.<sup>109</sup>

The FC:XIII insisted Government of Mizoram to entrust the Technical Guidance and Supervision over the audit of all the local bodies to the Comptroller & Auditor General of India (that is the Accountant General (Audit) of Mizoram) whose Annual Technical Inspection Report as well as the Annual Report of the Examiner of Local Fund Accounts must be placed before the State Legislative Assembly. The CAG, therefore, is empowered by the Governor on 1<sup>st</sup> June 2011 to conduct the Annual Technical Inspection/Audit under the provisions of section 20 of the C&AG (Duties, Powers and Conditions of Service) Act, 1971. Over and above the audit of the C&AG, the Examiner of Local Fund Accounts will be responsible for the audit of the accounts of the local bodies.<sup>110</sup>

---

<sup>109</sup> *The Mizoram Local Funds (Accounts and Audit ) Act, 2006.*

<sup>110</sup> GoM, Finance Commission vide No.G.11023/4/2008-FCC, Dt. 01.06.2011

## **District Planning and Local Governance**

State Government was keen on institutionalizing planning body at the district level. The earliest effort was on 10<sup>th</sup> January 1981, District Development Board (DDB)<sup>111</sup> was set up in Aizawl, Lunglei and Chhimtuipui, the then three districts in Mizoram. Deputy Commissioner (DC) was the chairman and there were officials and non-official members. Its main functions were preparation of district annual and five year plan; review progress of various development schemes implemented by different departments; integrated implementation of plans, efficient utilization of funds allotted and suggest priorities.

On 29<sup>th</sup> November 1985, District Development Board<sup>112</sup> was reconstituted with DC as chairman along with official and non-official members. Besides the objectives lay down by the previous DDB, two more objectives were added to promote public participation and cooperation in development programmes and expand local community efforts in urban and rural areas. And, to help allocation and preparation of schemes for utilization of grants made available for various development works under plan & non-plan and for CSS.

The nomenclature was changed into District Planning Committee (DPC)<sup>113</sup> in line with Article 243-ZD of the Indian Constitution which was formed on 2007 at Aizawl, Champhai, Serchhip, Kolasib and Mamit Districts with the objective of making district draft development plan. Again, in 2011, DPC<sup>114</sup> was reconstituted, extent its territorial jurisdiction to Saiha and Lawngtlai districts. The objectives were having a framework of

---

<sup>111</sup> GoM, Community Development Department Letter No.:DEV.45/73/30, Dt. 10.01.1981

<sup>112</sup> GoM, Planning Department Letter No. G. 28014/52/85-PLG, Dt. 29.11.1985

<sup>113</sup> GoM, Planning & Programme Implementation Deptt. Letter No. G.28014/54/2006-PLG, Dt. 17.05.2007

<sup>114</sup> GoM, Planning & Programme Implementation Deptt. Letter No. G.28014/54/2006-PLG, Dt. 09.05.2011



multi-level planning; crystallization of local needs and objectives, listing and mapping of amenities and formulation of district plan.

The body was restructured once again in the year 2013. District Development Committee (DDC)<sup>115</sup> was created at Aizawl, Champhai, Mamit, Kolasib and Serchhip Districts. Now, the chairman is one sitting member of State Legislative Assembly (MLA) within the district appointed by the Chief Minister and there are other members, co-chair is DC and member secretary is Project Director, DRDA. The objectives are, formulation and implementation of district level plan out of the outlay earmarked as discretionary and incentive fund/separately earmarked to meet the local aspirations; to examine all district level plan proposals under normal state plan, CSS and other funding agencies and forward to the State Planning Board (SPB) along with its recommendations; to undertake review and monitoring of all district level plan and projects under state plan, CSS and other Central Assistance; to draw up developmental projects and schemes considered necessary for the district; and to promote public participation and cooperation in development programmes and expand local community efforts in the area.

### **Revenue Position of the Local Body**

The status of the local bodies in Aizawl District is shown in the previous pages in the same chapter. Multi-functions are entrusted to the rural local body without any corresponding expenditure responsibilities, which is evidently pointed out by the fact that all State and Central Governments schemes/funds percolate to the local level is implement either through their own implementing body or VCs are employed as mere execution agency without any financial decentralization. Similar picture is shown in urban local body. And, in terms of the capacity to raise revenue they are indeed a very

---

<sup>115</sup> GoM, General Administration Deptt. Letter No. J-1101/3/2013-GAD/38-39, Dt. 31.01.2013

weak local body without any fiscal autonomy. Below table shows the revenue position of the local bodies in Aizawl District:

**Table 3.18: Aizawl District revenue position of Local Bodies during 2009-13**

Items	Rupees in Lakhs				Total
	2009-10	2010-11	2011-12	2012-13	
<b>I. Revenue raised by the State Government</b>					
i. Own Tax	10800.00	13000.00	17900.00	19000.00	<b>60700.00</b>
ii. Own Non-Tax	12700.00	14700.00	16800.00	22900.00	<b>67100.00</b>
<b>Total</b>	<b>23400.00</b>	<b>27700.00</b>	<b>34700.00</b>	<b>41900.00</b>	<b>127800.00</b>
<b>II. Revenue raised by Aizawl Municipal Council</b>					
i. Own Tax	-	-	128.00	224.00	<b>352.00</b>
ii. Own Non-Tax	9.00	21.00	29.00	74.00	<b>133.00</b>
<b>Total of ( i+ii)</b>	<b>9.00</b>	<b>21.00</b>	<b>157.00</b>	<b>298.00</b>	<b>485.00</b>
<b>III. Revenue raised by Village Council</b>					
i. Own Tax	0.43	0.44	0.43	0.44	1.74
ii. Own Non-Tax	-	-	-	-	-
<b>IV. Total revenue raised by Local Bodies</b>					
i. Own Tax	0.43	0.44	128.43	224.44	<b>353.74</b>
ii. Own Non-Tax	9.00	21.00	29.00	74.00	<b>133.00</b>
<b>Total</b>	<b>9.43</b>	<b>21.44</b>	<b>157.43</b>	<b>298.44</b>	<b>486.74</b>
VC's Contribution	4.55	2.05	0.27	0.15	
AMC's Contribution	95.45	97.95	99.73	99.85	
Local Body to State's own revenue (Item IV:I)	0.04	0.08	0.45	0.71	

Source: Aizawl Municipal Council, LAD, UD&PA

Note: Item I represents own source revenue (tax and non-tax) of Mizoram during 2009-13. Item II represents revenue raised by Aizawl Municipal Council and III has shown revenue raised by Village Council in Aizawl District. Item IV is consolidate revenue position of rural and urban local bodies. VC's contribution to total revenue and AMCs contribution to total revenue is also shown in the last two rows.

The Table 3.18 shows that revenue raised by AMC was merely `9.00 lakhs in 2009-10 and then it has shown upward trend in the recent years. Revenue in 2010-11 was

`21.00 lakhs and has increased to `298.00 lakhs in 2012-13. Rural local body revenue is stagnant over the years and absolutely minimal compared with the urban local body. It was `0.43 lakhs in 2009-10 and `0.44 lakhs in 2012-13. The total revenue raised by the local bodies in 2009-10 was `9.43 lakhs and it has jumped to `298.44 lakhs in 2012-13. Village Councils contribution to the total revenue was 4.55 per cent in 2009-10 and has declined to 0.15 per cent. Revenue of urban local body has been increased over the years. In 2009-10 and 2012-13, ULB contributed 94.45 per cent and 99.85 per cent respectively of the local bodies' total revenue. In the last row is shown the contribution of local body to the state own revenue which are merely below 1 per cent. Local Body did not raised significant revenue and did not contribute much to the states revenue.

## **CHAPTER – 4**

### **IMPLICATIONS AND CHALLENGES**

---

The sub-state fiscal decentralization in Aizawl District rests on three organizational structures. We have Urban Development & Poverty Alleviation Department having jurisdictional area of urban area within Aizawl District; Aizawl Municipal Council on eighty-two Local Councils within Aizawl City and Local Administration Department on ninety-one Village Councils in Aizawl District. The study based on primary and secondary data collections and through interviews with functionaries of the above mentioned organizational structures brings into limelight the various implications and challenges in the process of fiscal transfer which are highlighted as under.

#### **IMPLICATIONS AND CHALLENGES IN FISCAL DECENTRALIZATION TO VILLAGE COUNCIL**

##### **Revenue Mobilization**

Local governance broadly encompass the direct and indirect roles of formal institutions as well as the roles of informal norms, networks, community organisations and neighbourhood associations in pursuing collective action for local government and include the diverse objectives of vibrant living, working and environmentally preserved self-governing communities.<sup>116</sup> Better service delivery depends very much on the capacity and ability of the local government in the immediate neighbourhood to raise revenue through resources available at the local level. While PRI are somehow fiscally empowered by the 73<sup>rd</sup> CAA 1992, the VC in Aizawl District (Mizoram) is not sufficiently equipped with financial power to levy taxes in their area of jurisdiction. The

---

<sup>116</sup> Boadway, Robin and Anwar Shah (2009): *Fiscal Federalism: Principles and Practice of Multi-order Governance.*, New York: Cambridge University Press.

local governments should not only have the power to raise revenues but the own source of revenues should constitute a very significant share in the total revenues.<sup>117</sup> Own source of tax revenue of Village Councils is the collection of Animal tax and occasional fines. In fact the own source of revenue collection is very limited and in spite of many attempts on amendments to the Village Council Acts, there is lack of political will to decentralise financial powers to the Village Council. Village Council have no choice but to rely on higher level governments for revenues as there is no system of levying taxes or avenue for mobilization of resources at present.

Various studies claim that local revenue generation is positively associated with the establishment of accountable and responsible state-citizen relations.<sup>118</sup> The more capacity local governments have to extract revenue from their own tax bases, the greater their accountability to citizens. Conversely, the more fiscally dependent on other non-local sources of revenue, the less locally accountable to citizens they would be. In order to have local government which is accountable and to build positive state-citizen relations, widening tax domain of VC is the challenge ahead. This is because local level is where the most intense state-citizen engagement takes place and where citizens experience the highest levels of political representation.<sup>119</sup>

### **Village Council and Rural Development Programmes**

Multiple development programs are implemented in the rural area within the district. Swarnajayanti Gram Swarajgar Yojana (SGSY), Indira Awas Yojana (IAY), Integrated Watershed Management Programme (IWMP), Integrated Wasteland

---

<sup>117</sup> Bahl, Roy (1999) *Implementation Rules for Fiscal Decentralisation*, paper presented at the International Seminar on Land Policy and Economic Development, organised by Land Reform Training Institute, Taiwan, November 17, 1998.

<sup>118</sup> Jones, G. and J. Stewart (1983) *The Case for Local Government*, London: Allen & Unwin.

<sup>119</sup> Raich, Uri (2005) *Fiscal Determinants of Empowerment*, World Bank Policy Research Working Paper 3705.

Development Project (IWDP), etc. These are implemented through different parastatal bodies and implementing agencies with or without involvement of VC. In the aspect of fiscal transfer, the VC is almost totally overlapped in this process. A separate delivery mechanism devised for these schemes and programmes has left the importance and status of the VC undermined and helpless. Even the State Government's flagship development programme, New Land Use Policy is not routed through the VC, it is rather execute through the ruling unit political party at the village level. The role played by VC in many of these programmes is a mere identification and selection of beneficiaries.<sup>120</sup>The only exception is MGNREGA where VC involves in planning, execution and fund is transferred through them. Implementation of Schemes through different agencies and involvement of Village Council is shown as under:

**Chart 4.1**

S.N.	Scheme	Agency	VC involvement
1	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	Rural Development	Plan, Execution and Monitor and fund is transferred
2	New Land Use Policy (NLUP)	Departments	Participate in identification of beneficiary
3	Indira Awaas Yojana (IAY)	Rural Development	Participate in identification of beneficiary
4	National Rural Drinking Water Programme (NRDWP)	State Water & Sanitary Mission	Maintenance of water and sanitation scheme carried out by the Village Water Sanitation Committee under the chairmanship of the VC President
5	Integrated Wasteland Development Project (IWDP)	District Rural Development Agency	VCs participate in execution of the schemes

Chart Contd.

<sup>120</sup> Interviewed Village Council Secretaries of Maubuang, Aibawk, Kelsih, Sairang and Lengpui during field study on Dt. 14-15.06.13

6	Integrated Watershed Management Programme (IWMP)	Mizoram Watershed Development Agency	VCs participate in execution of the schemes
7	Swarnajayanti Gram Swarojgar Yojana (SGSY)	District Rural Development Agency	People are informed through community information network under VC before selection of beneficiary

Source: Government Departments and Field Survey

It is to be noted that mere inclusion of Village Council representatives in the committees formed under a scheme or participate in execution or identification does not amount to the involvement of institutions of Village Council. If VC participates in planning, execution and receives fund, then consequently it can be said that schemes are financially decentralized.

Besides there are other implications as well, we will mention the observation made by the C&AG that there was no single agency monitoring the funds directly transferred by the Government of India and there was no readily available data on how much was actually spent in any particular year on major flagship schemes and other schemes being implemented by the State Implementing Agencies and funded directly by the Government of India. Also, funds transferred directly from the Union Government to the State Implementing Agencies run the risk of poor oversight and therefore, unless uniform accounting practices are followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.<sup>121</sup>

<sup>121</sup> *Report of the Comptroller and Auditor General of India on State Finances*, Govt. of Mizoram, end-March 2012.

## **Village Council and Ruling Unit Political Party**

Political party unit dominates the mechanism of fund transfer, procure development works and contract works for various minor schemes. This depend on the political bargaining capability of the VC, when the ruling party formed the VC, political masters allot for favour works to the VC members and other party members which should ideally be routed through the VC. This is a problem especially when the Village Council is formed by opposition party at the village level. In 2009 Village Council election, in Aizawl District, out of 167 village councils, Mizoram Congress party swept 145 VCs, Mizo National Front 5, Hmar People Convention 1, Independent 3, and drawn VC 13.<sup>122</sup> Domination of ruling unit party overlaps the presence of elected local self-governing body. An interview<sup>123</sup> with Village Council secretaries in different villages reveals that fund transfer is very limited when there are opposition party formed Village Councils within the district except under the MGNREGA and Finance Commission Grants.

One of the features of political mobilization at the grassroots in Mizoram is the politicization of Village Council. Households are identified by their political party affiliations which influence allocation of public goods. This is inevitable and obvious that in situations like Mizoram, political parties' encouraged political competition, the consequences of this can easily spiral down to individual households.

## **Mizoram Finance Commission and Village Council**

Mizoram is comparatively very late in setting up State Finance Commission to other states especially north-eastern states of India. It was only in 30<sup>th</sup> September 2011, the first Mizoram Finance Commission was set up by the Govt. of Mizoram. It is

---

<sup>122</sup> Mizoram State Election Commission website: <http://secmizoram.in/> accessed on Dt.11.10.13

<sup>123</sup> Interviewed Village Council Secretaries of Maubuang, Aibawk, Kelsih, Sairang and Lengpui. Maubuang on Dt.14-15.06.13. Kelsih and Aibawk VCs are formed by Mizo National Front, the opposition party. While in Sairang and Lengpui, coalition VC is formed by Congress, MNF and Zoram Nationalist Party (ZNP).



expected to submit its report latest by 31<sup>st</sup> October 2014.<sup>124</sup> In Tripura, it was set up in 23.04.1994 and submitted its recommendations in 12.01.96, Manipur formed Finance Commission in 12.04.1994 and recommendations were submitted on December 1996. Even Nagaland, which is also exempted from the purview of 73<sup>rd</sup> CAA, already formed State Finance Commission on 01.08.2008 and the date of submission of its recommendations was on 22.10.2009 and the recommendations is still under consideration.<sup>125</sup>

State Finance Commission will assess the local governance institutions in Mizoram, Village Council, Municipal Council and Autonomous District Council on the degree of functions delivered in terms of civic amenities by these institutions and their significance for the society, the financial resources and vertical allocations from higher level and the extent to which they are equipped with functionaries, as also capacity to govern with the present resources available. The Central Finance Commission gives grants based on the report of the State Finance Commission and the report of the MFC would be very crucial in determining the financial resources of the local governments in Mizoram.

The Second Administrative Reforms Commission (SARC) in its report has highlighted that the Union Government usually accept the recommendations of the Central Finance Commissions *in toto*, while the State Governments are always reluctant to implement the recommendations made by the State Finance Commission.<sup>126</sup>

---

<sup>124</sup> Finance Department, Govt. of Mizoram, in its Memo No. G.11021/13/93-FCC : Dated the 30th August, 2012 has stated that the Chairman of the first MFC would be Mr. Vanhela Pachuau IAS, and Lalthansanga MF&AS as member-secretary. They will be assisted by Dr. P.C. Lalawmpuia, Deputy Secretary, Finance Department, Govt. of Mizoram. The Commission is expected to submit the report latest by 31<sup>st</sup> October 2014 covering the period of Five Years commencing from Dt.01.4.2015.

<sup>125</sup> Annexure 10.02(para 10.92) (2004) *Report of the Eleventh Finance Commission- 2005-10*, New Delhi.

<sup>126</sup> (2007) *Second Administrative Reforms Commission Report*, New Delhi.

The challenge before the first MFC would be how much to recommend for devolution- a part and piecemeal assignment of tax powers and share from States' revenues or global sharing, i.e. sharing of total own revenues of the state with VCs. SFC of states like Rajasthan, Karnataka and West Bengal recommended global sharing.<sup>127</sup>

### **Maintenance of Accounts & Audit and Village Council**

There is no standing state level base data or district level base data on Village Council finances. Even the nodal department Local Administration Department did not have financial statistics of the Village Councils while it has sophisticated Village data's for Mizoram. State Finance department also have no data resources on Village Council finances. This inherits difficulty in the meaningful analysis of Village Council finances.

Local Administration Department allocated funds for creation of database and accounts which is based on the grants provided by the Union Finance Commission since the year 2000. However, the field study reveals that many Village Councils maintain accounts to reflect the Finance Commission's grants and CSS like MGNREGA as audit was done by the nodal agency at regular intervals. Regarding other funds like VC revolving fund, proper accounts aren't maintained by many Village Councils. Records of the previous VCs are difficult to find and maintenance of accounts done in a haphazard manner.<sup>128</sup> This has made difficulty in the collection of accurate data regarding the revenue of VCs. Another problem regarding maintenance of accounts and records is that the Village Council term is three years, and when the term is over and a new local government is formed with new elected members, whatever records maintained by the VC is either destroyed for fear of enquiring into the malpractices or any local level

---

<sup>127</sup> Rajiv Gandhi Foundation (2000) *Panchayati Raj in India: Status Report-1999*, New Delhi.

<sup>128</sup> Interviewed Village Councils of Maubuang, Aibawk, Kelsih, Sairang and Lengpui on Dt. 14-15.06.13

corruption. This is a practice in many of the Villages with whom interview were conducted. Moreover, many Village Council Secretaries are below matriculation who did not know how to maintain proper accounts in the absence of any training for maintenance of accounts.<sup>129</sup> This has led to the inept and inaccurate account maintenance which further led to many difficulties in the study of those records.

### **State's Plan/Non-Plan Fund and Village Council**

Allocation is the correct usage in this aspect as actual transfer to grassroot level through plan or non-plan is questionable. After 58 years of its formation until today, the State Government's budget has no separate sectoral line for VC. Urban Development and housing sectoral line is shared by rural local body. Arbitrary political allocation of fund is a feature of state plan fund. In fact, distribution of work to VC on regular basis is absent and equitable distribution of fund does not happen. This depends on the will of the political masters. Fund diversion with a different objective in mind is a common phenomenon. Many VCs are sometimes unaware of the development works funded through LAD in their jurisdiction. Preference given to local elites, party men and unit ruling party is a common and regular feature undermining the importance of the elected representative at the grassroot level. Plan fund allocation overlaps Village Council. Besides, formulae base transfer is not followed and population of the village does not occupy much importance on work distribution.

Village development related schemes are few in number, namely, minor roads, steps & retaining wall, monsoon damage scheme for protection of landslide, internal improvement of towns & villages. Major devolution comes under schemes covered by Head-Urban Development even though separate allocation of funds for urban area is dealt

---

<sup>129</sup> Interviewed Village Councils of Maubuang, Aibawk, Kelsih, Sairang and Lengpui on Dt. 14-15.06.13

by the newly created department of Urban Development and Poverty Alleviation since 2006. District level planning and development body is formed by the State Government without real function and coordination.

### **Central Finance Commission and Village Council**

The 13<sup>th</sup> Finance Commission Grants to local bodies is allocated on two components, such as Basic Grant, and Performance Grant. State Governments will be eligible for the general performance grant if they comply with the prescribed conditions laid down by the Commission. While the State Government met some of the eligible criteria, it hasn't actually met some of the specified conditions and the manners prescribed as shown below:

**Chart 4.2**

#### **Status of State Government on FC:XIII Eligible Criteria to access Performance Grant**

<b>Sl. No.</b>	<b>Prescribed Eligible Criteria</b>	<b>Status of State Government</b>
1	Budget documents for local bodies (separately for PRIs and ULBs) in State Government Budget.	Yes, there is separate budget documents for VC(PRI) & AMC
2	Audit system for all Local Bodies.	Technical Guidance and Supervision over the audit of all the local bodies by the C &AG (that is the Accountant General (Audit) of Mizoram)
3	Independent Local Body Ombudsmen.	The Mizoram (Establishment of Independent Local Body) Ombudsman Act, 2011
4	Transfer of funds electronically within 5 days of the receipt of funds from Central Government.	Yes
5	Having an act prescribing qualifications of persons eligible for appointment as members of SFC in consistent with Article 243 I (2) of the Constitution.	The Mizoram Finance Commission Act, 2010

Table Contd.

6	All local bodies should be enabled to collect Property Tax.	Only ULB not VC <sup>130</sup>
7	State level Property Tax Board.	Only ULB not VC <sup>131</sup>
8	To put in place Service standards for four sectors Water Supply, Sewerage, Storm Water Drainage and Solid Waste Management.	Only ULB not VC <sup>132</sup>

Source: Aizawl Municipal Council and Local Administration Department

The LAD faced problems in acquiring Performance Grants as per the FC:XIII recommendations because the state failed to fulfil the requirements as specified and prescribed. In the criteria number six, it is given that all local bodies should be enabled to collect Property Tax. So far the Village Council is not assigned collection or appropriation of Property Tax by the State Government, the Land Revenue & Settlement Department collects Property Tax in the rural area.

The Local Administration Department submitted utilization certificate along with relevant documents for withdrawal of General Performance Grants for the year 2012-13 to the Ministry of Panchayati Raj, Government of India. Misinformation was fed to procure Performance Grants on criteria numbers six and seven. Property Tax is shown as assigned for collection to VC which actually is not assigned and Property Tax Board shown in the document as constituted for RLB is in fact constituted only for ULB.

Another notable implication is that without any legislative arrangement, the Local Administration Department<sup>133</sup> with the approval of the Finance Department<sup>134</sup> and the

<sup>130</sup> Urban Development & Poverty Alleviation Department notification on 8<sup>th</sup> October 2012, collection of Property Tax was assigned to Aizawl Municipal Council from Land Revenue & Settlement Department with retrospective effect from 7<sup>th</sup> August 2011.

<sup>131</sup> Notification No. B. 13019/4/2010- UD&PA (TFC)/, the 23<sup>rd</sup> July, 2010 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXIX 28-7-2010 Issue No. 262).

<sup>132</sup> Notification No. B. 13019/4/2010- UD&PA (TFC)/, the 10<sup>th</sup> March, 2011 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XL 18-3-2011 Issue No. 122).

<sup>133</sup> Govt. of Mizoram, Local Administration Department Letter Memo No. B-13015/12/2012-LAD/VC 25<sup>th</sup> April 2013.

General Administration Department<sup>135</sup> of Government of Mizoram declared the District Local Administration Offices/Local Administration Offices (in Autonomous District Councils) as the Zila Parishad, the Deputy Commissioner (DC) as the ex-officio Chief Executive Officer of the Zila Parishad and the District Local Administration Officer/Local Administration Officer (in ADCs) as the ex-officio Executive Officer in respect of Central Finance Commission Grant. Moreover, the Village Council is recognised as Panchayati Raj Institution.

The challenge is that unless there are parallel institutions of Zila Parishad and Panchayati Raj Institution in Mizoram or a new legislation/amendment is passed incorporating two tier body of rural local self-government, until then there is no alternative but to show false evidence in order to procure Finance Commission Grants.

### **District Development/Planning Board/Committee and Village Council**

District Planning Committee (DPC) was formed on 2007 according to Article 243-ZD of the Indian Constitution which have been reconstituted in the name of 'Aizawl District Rural Development Committee' for Aizawl District in 2013. Functions specified in the order were to formulate and implement district level plan out of the outlay earmarked and incentive fund separately earmarked to meet the local aspirations; besides it has to review and monitoring of all district level plan and projects. The DPC is not mandated to provide any technical support to the Village Council for the preparation of plan documents as well as to prepare integrated plans. The draft plan prepares by the DPC is forwarded to the General Administration Department for administrative approval and expenditure sanction. The chairman of DPC is appointed by the Chief Minister from the sitting MLA from the district. Secretary is Project Director of DRDA of the district. There

---

<sup>134</sup> Govt. of Mizoram, Finance Department Letter I.D. No. FIN (E) 1427/2012 Dt. 05.02.2013.

<sup>135</sup> Govt. of Mizoram, General Administration Department Letter I.D. No. GAD 743/2013 Dt. 11.04.2013.

is no provision for staffing DPC as per the order and service staff of the DRDA is utilized. Besides, no infrastructural support is available and DRDA office is utilized for the purpose. Hence, function of DPC is ineffective till today.

### **Legislations relating to fiscal autonomy**

Within the Village, the Village Council is entrusted collection of Animal Tax by The Mizo Animals (Control and Taxation) Act, 1980 (amended in 1991). The Village Council may levy and collect tax on animals from the owners of such animals according to the rates and manner as prescribed by the rules. If the State Government is really willing to devolve and empower the Village Council, then reviewing legislation and amendments to the Lushai Hills (Village Council) Act, 1953 would be it's first and foremost task. This is because amendments made so far to the act were never in congruence with this aspect. They mostly aimed at enhancing administrative effectiveness and changes on the election procedure of the VC.

There is a question of the validity of the rural local self-governing institutions in the age of better governance and decentralization. The existing Village Council is not delivering decentralized responsive governance in the absence of structure and mechanism along with necessary fiscal autonomy.<sup>136</sup> This can be done by political willingness through adopting some of the features of 73<sup>rd</sup> CAA 1992 related to the financial powers. This is where the limitations of the VC are mostly visible. It already is endowed with multi-functions. The Gram Panchayat is comparatively financially empowered by the act and there is a need to reform Village Council.

---

<sup>136</sup> Interviewed Mr. A. Biaklawma, Director, Local Administration Department on Dt. 16.06.13

## **IMPLICATIONS AND CHALLENGES IN FISCAL DECENTRALIZATION TO URBAN LOCAL GOVERNMENT**

ULB in Aizawl set up according to 74<sup>th</sup> CAA 1992 is expected to perform better in term of funds, functionaries and functions to its counterpart at the rural area. It may be too early to arrive at a conclusion because it has only been three years since the Aizawl Municipal Council was established in the year 2010. However, a general glimpse of the comparison of RLB and ULB is attempted below:

### **Functions, Functionaries and Funds**

Different indicators have shown that both the RLB and ULB have same level of capacity in the aspect of functionaries. Provisions for functionaries are based on number of households/voters. Four different categories at the Village Council based on number of households and two categories for Local Council (LC), i.e., Five members for locality comprising 1500 voters or less and seven members in a locality comprising more than 1500 voters. Both the local governing institutions do not have permanent staff. Multi-functions have already been entrusted to the Village Council as under:

- (i) The Lushai Hills District (Village Council) Act, 1953 as amended from time to time;*
- (ii) The Lushai Hills District (House Site) Act, 1953 and the Mizoram Land Holding and Settlement Act, 2000;*
- (iii) The Lushai Hills Autonomous District (Administration of Justice) Rules, 1953 as amended from time to time;*
- (iv) The Lushai Hills (Jhumming) regulation, 1954;*
- (v) The Mizo District (Forest) Act, 1955;*
- (vi) The Mizoram Animal (Control and Taxation) Act, 1980 and the Mizoram Animal (Control and Taxation) Rules, 1982;*



(vii) *The Mizoram (Prevention and Control of Village Fire in the Village Ram) Rules, 2001.*

Functions already entrusted to the ULB are; Management of transportation terminals, Regulation of land-use and construction of buildings, Solid Waste Management, Cemetery and burial grounds, Management of Parking Lots and Property Tax. The Local Council formed by Aizawl Municipal Council in every locality of Aizawl is entrusted with common civic services and common benefit of the community and other matters in accordance with the Mizo traditions, customs and practices as provided under sub-section (3) of section 23 of the Mizoram Municipalities Act, 2007.<sup>137</sup>

With regard to RLB, fiscal decentralization in its true sense is not yet practised. The Village Council depends solely on State and Central transfer. In the sphere of ULB, fiscal decentralization has been started. Nonetheless, a number of problems arise in the dimension of fiscal decentralization. The implications in the fiscal decentralization and the challenges faced in the realms of fiscal transfer to the Urban Local Body are highlighted as under:

### **Sharing of Tax Revenue**

The real devolution of fiscal power to the AMC so far is the collection of Property Tax, Parking Lots, fees, charges and licensing among the many functions it is expected to devolve.

Property tax collection is assigned to the AMC. Majority of the accumulated fund from Property Tax is credited to the State Government Account. AMC deposited ` 176.50 Lakhs into the State Government A/c on 4<sup>th</sup> April 2013<sup>138</sup> which will enhance the State's own revenue for the year 2013-14. In an interview with the Executive Officer of

---

<sup>137</sup> Section 20 and 21 of The Mizoram Municipalities (Ward Committee and Local Council) Rules, 2010.

<sup>138</sup> AMC register of financial transactions and as told by the Executive Officer, AMC.

the AMC,<sup>139</sup> it appears that sharing of tax revenue between the State Government and the AMC haven't been finalized. The first State Finance Commission hasn't submitted its report regarding sharing of taxes between the State Government and the AMC. Unless the recommendation of the SFC is laid down, we have financial constraint on the ULB. The challenge is that collection of Property Tax is a temporary devolution. Full devolution of power and function is yet to be seen, and hence, AMC is only temporarily assigned this functional item, the final authority remains with the State Government.

### **Central Finance Commission Grant and ULB**

Central Finance Commission Grant for the urban area has been implemented by the LAD (2005-07), UD&PA (2008-2010) and Aizawl Municipal Council (2010–till date).<sup>140</sup> While it is found that the FC Grants are allocated to the Village Council based on the population and number of households, it is rather found to be absurd that in the urban area where ULB is set up as per 74<sup>th</sup> CAA 1992, FC Grants are implemented on need basis by the nodal agencies not on the basis of population of the Local Council. The Ward Councillors execute and manage distribution of fund allocated to the Local Council. This shows the element of politicization of FC Grants in the urban area overlapping the importance of the grassroot level elected bodies. Transfer of FC Grant is routed through the ULB but the mechanism and the process of transfer downwards to the Local Council is politicized.<sup>141</sup> Besides, release of FC grants by UD&PA to AMC is usually delayed ranging from 05 days to 125 days from the stipulated date of transfer which are in contravention to Central Government's order.<sup>142</sup>

---

<sup>139</sup> Interviewed Mr. Vanlalsawma, Executive Officer of Aizawl Municipal Council on Dt. 15.09.13

<sup>140</sup> Action Plan by the LAD, UD&PA and AMC.

<sup>141</sup> Interviewed Local Council Secretaries of Govt. Complex, Maubawk, Melthum, Republic and Salem on Dt. 17-18.07.2013

<sup>142</sup> *Report of the CAG on State Finances*, end-March 2012, *op. cit.*, p. 12.

## **State Plan Fund and ULB**

Aizawl Municipal Council and Local Council at the grassroots level aren't financially empowered by the State Government. In the State Plan Fund meant for the development of the urban area, the presence of ULB is still not felt. State Plan Fund of ` 2272.18 lakhs sidelined for the development of the urban area during 2007-13 has been directly transferred by the UD&PA<sup>143</sup> overlapping the AMC which is in the realm of political bargaining. The transfer pattern highlights some of the political economy features. AMC is a newly created urban local body and State Plan Fund is now beyond the scope of ULB.

## **JNNURM and AMC**

Jawaharlal Nehru Urban Renewal Mission (JNNURM) has selected Aizawl as one of the 63 cities for implementation of massive city modernization scheme launched by the Government of India under Ministry of Urban Development. It was launched in 2005 for a seven-year period (up to March 2012) to encourage cities to initiate steps for bringing phased improvements in their civic service levels. The government has extended the tenure of the mission for two years, i.e., from April 2012 to March 31, 2014. JNNURM is a huge mission which relates primarily to development in the context of urban conglomerates focusing to the Indian cities. JNNURM aims at creating 'economically productive, efficient, equitable and responsive Cities' by a strategy of upgrading the social and economic infrastructure in cities, provision of Basic Services to Urban Poor (BSUP) and wide-ranging urban sector reforms to strengthen municipal governance in accordance with the 74th CAA 1992.<sup>144</sup> JNNURM requires certain reforms to be

---

<sup>143</sup> Interviewed Mr. Lalfinga, UDC, UD&PA on Dt. 16.08.13

<sup>144</sup> [http://en.wikipedia.org/wiki/Jawaharlal\\_Nehru\\_National\\_Urban\\_Renewal\\_Mission#Funding\\_shares\\_by\\_city\\_categories](http://en.wikipedia.org/wiki/Jawaharlal_Nehru_National_Urban_Renewal_Mission#Funding_shares_by_city_categories) accessed on Dt. 04.10.13

undertaken by states/ cities in implementing the 74th CAA in its letter and spirit. The State should ensure meaningful association and engagement of Urban Local Bodies in the entire gamut of urban management functions, including but not limited to the service delivery function by parastatal agencies. Over a period of seven years, the Mission aims to ensure that all special agencies that deliver civic services in urban areas to ULBs are either transferred and /or platforms are created for accountability to ULBs for all urban civic service providers in transition.

No ULB was formed at the time when JNNURM was availed. Therefore, in the absence of the ULB, UD & PA Department acted as both the ULB and State Level Nodal Agency. Now, Government of Mizoram set up Aizawl Municipal Council in conformity with the reform agenda of JNNURM. However, UD & PA has not yet decentralized the process of implementation to the AMC.

### **Urban Development Programme and ULB**

There are multiple ongoing CSS and NLUP implemented in the urban area, JNNURM along with its two sub-mission, viz., Urban Infrastructure and Governance (UIG) and Basic services to the Urban Poor (BSUP). And, two more programmes to cover other small and medium cities/ towns, namely, Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) and Integrated Housing & Slum Development Programme (IHSDP), Swarna Jayanti Shahari Rojgar Yojana (SJSRY), Solar City and Interest Subsidy for Housing the Urban Poor (ISHUP). Implementation mechanism overlaps the ULB till now. State line departments administer and utilize transferred funds through the CSS and NLUP and are taking up the responsibility of execution without decentralization.

**Chart 4.3**

**CSS and State Flagship Programme implementing agency in urban area**

<b>Sl. No.</b>	<b>Scheme</b>	<b>Agency</b>	<b>AMC involvement</b>
1	JNNURM	UD & PA	None
2	New Land Use Policy (NLUP)	UD & PA	None
3	Rajiv Awas Yojana	UD & PA	None
4	10% Lump Sum Grant for North-East	UD & PA	None
5	Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	UD & PA	None
6	Solar City	UD & PA	None
7	Interest Subsidy for Housing the Urban Poor (ISHUP)	HUDCO	None

Source: Urban Development & Poverty Alleviation Programme

An interview held with Local Council Secretaries<sup>145</sup> reveals that none of the LC involved in planning and execution of CSS and fund transfer through them is also absent. Hence, fiscal decentralization to urban local bodies with regard to Centrally Sponsored Scheme is yet to be seen in Aizawl District. However, New Land Use Policy (NLUP) is executed by some Local Council like Maubawk where Congress party formed Local Council. In Govt. Complex, NLUP is not implemented through Local Council. Hence, the picture is comparatively same as rural local body where opposition party formed local body is very dry in fund receive and fiscal transfer is almost absent through the state flagship development programme.

---

<sup>145</sup> Interviewed Local Council Secretaries of Govt. Complex, Maubawk, Melthum, Republic and Salem on Dt. 17-18.07.2013

## **CHAPTER - 5**

### **CONCLUSION**

---

The people living in proximity having common interest need management to provide them with common services. Local Self-Government is an institution which performs a wide range of services and local affairs. They are created by the State legislature and can only function if there is decentralization of functions, funds and functionaries. Decentralization wave has swept the world recently overcoming the centralized paradigm in different countries after the Second World War. The third world nation faces gigantic socio-economic problems and in order to achieve state and nation building and to alleviate the role of various levels of government in their partnership with the private and civil society and to enhance people's participation, decentralization is adopted as a panacea. It is a multi-dimensional process that involves the shifting of fiscal, political and administrative authority to lower levels of governments and is widely seen as an instrument to improve service delivery, reduce poverty and enhance economic growth.

'Fiscal' relates to the government finance, government revenue especially taxes, public spending, debt and also denotes a financial year. Fiscal Decentralization is the substantial element of decentralization. To carry out decentralized functions effectively, adequate level of revenues either raised or transferred is the utmost requirement. Full fiscal decentralization requires political as well as administrative decentralization.

The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, 1992 are important landmark for fiscal decentralization in India. These acts basically try to reconstruct the fiscal landscape of the local bodies. Mizoram is unfortunately excluded from the purview of the

73<sup>rd</sup> and 74<sup>th</sup> CAA 1992. State Government can make legislations if it is willing to enforce the acts. The reform checklist of the Jawaharlal Nehru National Urban Renewal Mission pushed for the State to reform its Urban Local Body in order to procure the city renewal fund. In conformity with the reform list, legislation for formation of Aizawl Municipal Council (AMC) was enacted in line with the 74<sup>th</sup> CAA on 2007.

The rural local self-governing institution known as Village Council are entrusted with taxation of animals and fines apart from multi-functions based on Mizo traditions and customs. Decentralization of functions is asymmetrical to the weak fiscal transfer of the State Government. The Aizawl Municipality along with its subordinate bodies, Ward Committee and Local Council in every locality are recently constituted and fiscal decentralization is in process. However, a problem still persists on urban and rural local bodies to become viable local self-governing institutions. Devolution of functions, funds and functionaries to AMC is underway, yet it is still in the incipient stage. Local Council Rules 2010 did not provide tax base to the Local Council and have to perform multi-functions more or less per Village Council. Rural local body is extensively denied fiscal autonomy and the State Government is not interested to devolve financial powers. Gap between State and Local Government is too wide without any intermediary institution.

Fiscal Decentralization and Local Self-Governing Institutions in Aizawl District since 2005 till date have been explicitly dealt in the previous chapters. It explores the evolution of local self-government in India and Mizoram, the emergence of fiscal federalism in India and Mizoram and the fiscal decentralization landmark through 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts (CAA), 1992. It also looks into how decentralization wave is sweeping Mizoram with the formation of the Aizawl Municipal

Council and its subordinate the Local Council, different theories and conceptualizations of decentralization are briefly traced particularly the fiscal aspects and the concept of fiscal decentralization. The status of fiscal decentralization in Aizawl District, dimensions of revenue through own and transfers, the own source of revenue, transfer through State Plan & Non-Plan budgets, transfer from Central Finance Commission since Twelfth Finance Commission (2005-2010), tied fund through the Centrally Sponsored Scheme known as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are briefly highlighted.

The implications and challenges of fiscal decentralization in Aizawl District are also discussed and with regard to Village Council, they are very weak in revenue mobilization and are not fiscally empowered. Rural development programmes/schemes implemented through multiple bodies and parastatals overlap elected local bodies. State Plan Fund diversion is a common phenomenon and mostly these funds does not route through local bodies. Improper maintenance of accounts and audit mechanism is one of the hindrances to fiscal decentralization. The 13<sup>th</sup> Finance Commission lays down required criteria to fulfil for procurement of performance grants and rural local body structures and organizations is inadequate to meet some of the requirements. Besides, decentralized planning mechanism is very weak as a result of ineffective planning body at the district level.

The problem faced by Urban Local Body is also highlighted such as partial decentralization resulted into asymmetrical expenditure responsibility and revenue raising capacity of the ULB. Sharing mechanism of tax revenue between state and AMC is not finalised. AMC is overlapped in transfer under state plan fund as well as Centrally



Sponsored Scheme and New Land Use Policy to the lower level. Urban Development & Poverty Alleviation Department and other related line departments still managed urban management functions, transfer of which was necessitated by the Jawaharlal Nehru Urban Renewal Mission Reforms checklist to the control and supervision AMC.

The central focus of the research was to appraise the fiscal decentralization process between the three levels of Governments, the Central and State Governments along with the grassroot institutions – Village Council, Aizawl Municipal Council and the Local Council, the mechanism, allocation and status of fiscal autonomy; the underlying implications and challenges thereto and to suggest ways to overcome the inherent difficulties so that they can be a viable institution in the delivery of services to the people. The findings of the study are highlighted along with the suggestions.

### **Rural Local Self-Governing Institution (Village Council)**

The role played by Village Council in raising revenue is negligible, lacks tax autonomy and extremely weak tax resource mobilization which constitutes a mere 0.024 per cent to the own tax revenue of the State Government in 2009-10, 0.011 per cent in 2010-11 and 0.010 per cent in 2012-13. Aizawl District contribution from its own revenue to the total state was 13.84 per cent in 2009 and 19.44 per cent in 2012. The tax base appears weaker in the offing as many villages prohibits rearing and domesticating animals which is the only constituent of tax in the rural area for the sake of health and hygiene. VCs fiscal needs are almost entirely transferred by Central and State Government and we observed fiscal dependency on inter-governmental fiscal relation. Looking at the rural areas, the tax base is very weak; nevertheless, collection of property tax or local retail sales tax may be devolved. Gradually, State Government should also

demarcate fiscal domain of the local body by assigning the power to levy some more taxes. And, to share a part of states own revenue, i.e. piecemeal assignment or sharing of net proceeds of own revenue of state, i.e., global sharing of taxes will enhance the revenue resource of the rural local government.

There are different Centrally Sponsored Schemes and State Flagship Development Programme implemented through different parastatal bodies and agencies. The Central and State Governments devise separate delivery mechanism for such schemes without or with nominal involvement of local bodies. Most of the Centrally Sponsored Schemes and the State's Flagship Development Programme, New Land Use Policy fund flow bypasses the Village Council. Such scenario shows lack of clarity in assignment system and overlapping in implementation and inter-institutional gap coordination. In order to resolve these problems, a two tier local body must be set up, District Village Council and VC at the grassroot. Two tier local body is satisfactory enough for State having less than 20 lakhs population. There is also an imperative need for separate Village Council Department and the existing District Local Administration Department may be restructured as District Village Council. The rationale is that in non-scheduled areas of Mizoram, there is the opinion that the gap between LAD and VC is too wide without any intermediary channel. Besides, the State and Central Government should make it mandatory that at least majority of the funds percolated to the local level may be routed through this department. Convergence of the rural development schemes is also necessary. Institution like District Rural Development Agency may be merged with the proposed District Village Council. All other development works for the rural area through different departments like Public Health Engineering, Public Works Department and

Social Welfare Departments, etc. may be channelized through the District Village Council so that possible overlapping of same schemes may be prevented.

Bureaucracy-political nexus makes over-size ruling unit political party who exerts their dominance in procuring contracts and minor works and schemes for development at the local level overlapping the elected representatives, especially in Village Council formed by opposition party. Political economy of the fund flow through political bargaining undermines the elected local body in the rural area. Allocation of State Plan fund is not transparent and its politicization hampers socio-economic development at the village level because destructive political competition tends to spiral down in allocation of public goods. It is suggested that State Government may be conscious not to show too much favouritism to party men in allocating development works. As far as possible, annual allocation of fund to the VC must be made transparent so that they can expect what is to be given for them in a financial year. And, Village Council should not be fought on party affiliations; capable men of the village should be contested.

State Finance Commission is set up very late in Mizoram which can recommend augmenting the fiscal resources of local self-governing institutions. It was only in 30<sup>th</sup> September 2011, the first Mizoram State Finance Commission was set up by the Govt. of Mizoram which is expected to submit its report latest by 31<sup>st</sup> October 2014. Even Nagaland, which is also exempted from the purview of 73<sup>rd</sup> Constitution Amendment Act, already formed state Finance Commission on 01.08.2008 and the date of submission of its recommendations was on 22.10.2009 the recommendations is still under consideration. In the absence of State Finance Commission, financial resource base and transfer mechanism of the Village Council is very weak, resulting into a very weak rural local

self-government. State Government should as far as possible accept the recommendations of the State Finance Commission as is done at the Central level where CFC recommendations are usually accepted in its entirety by the Central Government. It is hoped that SFC will be very generous in giving more fiscal autonomy to the Village Council when the report is submitted.

Local Administration Department allocated Central Finance Commission funds to the Village Council since 2000 for creation of database and accounts. Accounts were maintained only for Finance Commission's Grants and CSS like MGNREGS as audit was done by the nodal agency at regular intervals. VC revolving fund accounts aren't properly maintained by many Village Councils, records of the previous VCs are difficult to find and maintenance of accounts done in a haphazard manner. Audit is not done regularly contrary to the provision of The Mizoram Local (Audit and Account) Act, 2006. Another problem is that the Village Council term is three years, and when the term is over and a new VC is formed with new elected members, old VCs are sometime hesitant to handover the records maintained by them, may be for fear of enquiring into the malpractices or any local level corruption. Besides, many Village Council secretaries do not know how to maintain accounts as many are below matriculation or because of absence of orientation training for maintenance of accounts. LAD in collaboration with Principal Accountant General should issue an account book written in vernacular which should be easily maintained by all the VC members even for those who are living in the remotest area. Proper audit should be done regularly by the auditor appointed by the Government of Mizoram.

There is no separate Head Allocation of Plan Fund in the State Budget for Village Council. LAD's two major Head are Urban Housing, Head-2216 and Urban

Development, Head-2217. There is no equitable allocation of Plan Fund based on village population and no adopted formulae of fund transfer as is seen on Finance Commission Grants. Diversion of fund is a major feature, sometimes fund for development schemes are re-allocated for different purposes other than which it was allocated. Many VCs are unaware of the schemes to be implemented in their jurisdiction. Village development related schemes are few in number, namely, minor roads, steps & retaining wall, monsoon damage scheme for protection of landslide, internal improvement of towns & villages. It is suggested that political masters should end arbitrary allocation and diversion of Plan Fund. There should be a restructure in the budget head for sectoral allocation, inserting separate head for Village Council. It must be made sure Fund is allocated separately and in a transparent manner for every Village Council without any deviation.

Thirteenth Finance Commission doled out eight criteria to be fulfilled before every 31<sup>st</sup> March of a year in order to receive Performance Grant. Out of the eight eligible criteria, the State couldn't fulfil three requirements, such as; all local bodies should be enabled to collect Property Tax, creation of State level Property Tax Board and to put in place Service standards for four sectors, Water Supply, Sewerage, Storm Water Drainage and Solid Waste Management. The State Government fed false information to the Ministry of Panchayati Raj by saying that it fulfilled all criteria. Without any legislative arrangement, the LAD with the approval of the Finance Department and the General Administration Department, Government of Mizoram declared the District Local Administration Offices/Local Administration Offices (in Autonomous District Councils) as the Zila Parishad, the Deputy Commissioner (DC) as the ex-officio Chief Executive Officer of the Zila Parishad and the District Local Administration Officer/Local Administration Officer (in ADCs) as the ex-officio Executive Officer in respect of

Central Finance Commission Grant. Besides, the Village Council is recognised as Panchayati Raj Institution. It is suggested that legislative arrangement should be made in the Lushai Hills (Village Council) Act, 1953 incorporating necessary institutions of local government in order to procure Central Finance Commission Grants and to devolve necessary functions, functionaries and funds as such. Government notification is only piecemeal arrangement. Empowerment of local government is seen as compulsory so that they can be viable institutions for delivery of services at the grassroots level.

There is no standing State level data base or district level data base on Village Council finances. Even the nodal department Local Administration Department did not have financial statistics of the Village Councils while it has sophisticated Village survey data's for Mizoram which can be utilized for different purposes. State Finance department also have no data resources on Village Council finances. This inherits difficulty in the meaningful analysis of Village Council finances and to look into the prevailing economic and financial condition of the grassroots level. The suggestion is that proper financial management information system should be set up in Mizoram with a view to create reliable database on finance of the local bodies and to remove the difficulties in non-availability of data on the finances of the local bodies, database on the finances of the panchayats and municipalities needs to be developed at the District, State and Central Government levels and be easily accessible by computerising it and linking it through V-SAT. The data could be collected and compiled in standard formats as prescribed by the C&AG.

District Planning Committee (DPC) formed on 2007 according to Article 243-ZD of the Indian Constitution and reconstituted in 2013 with different nomenclature as 'Aizawl District Rural Development Committee' is not actually strengthened to fulfil the

objectives and purposes for which it was formed. Technical support to the Village Council for the preparation of plan documents and integrated plans is absent. The draft plan prepared by the DRDC is forwarded to the General Administration Department for administrative approval and expenditure sanction and not to the State Planning Board which may integrate the plans from all districts. The chairman of DPC is politically appointed who does not have any knowledge and orientation to the process and technicalities of plan. Member Secretary of DRDC is Project Director of DRDA of the district and there is no provision for staffing to the DRDC while service staff of the DRDA is utilized. No infrastructural support is available to the body and DRDA office is utilized for the purpose. Hence, function of DPC is ineffective till today in Aizawl District. It is suggested that formulation and implementation, monitoring and reviewing of the district plan of all Village Councils should be seriously taken up by the State Government and experts from Economic and Public Administration should be appointed as members of the DRDC so that the state can utilize the statutory body to the fullest possibility.

Legislative provisions on fiscal decentralization are relatively weak for Village Council. In the Lushai Hills District (Village Council) Act, 1953, the only fiscal related provision is that the State Government can assign local body/officers/any persons to collect tax on its behalf in the rural area. Govt. of Mizoram's, Land Revenue & Settlement Department periodically collects Property Tax in the rural area with the help of VC. The Mizo Animals (Control and Taxation) Act, 1980 and rules 1982 are also very weak fiscal provisions which befit the economic condition of the 1980s. The fiscal power of the contemporary rural local government, Panchayati Raj Institution is comparatively stronger.

In order to have better decentralized governance in the rural area and to have financially empowered local government, the State Government should review legislations, making amendments to the Lushai Hills (Village Council) Act, 1953 in tune with 73<sup>rd</sup> CAA along with necessary modifications which may be suited to the prevailing condition of Mizoram and the state of its economy.

Village Council is indeed a very old local self-governing institution set up to suit the traditions and customary practise of the Mizos. It performs multi-functions and is entrusted with numerous activities such as the guardian, custodian of justice, helper in times of need, administer all matters relating to the welfare of the village people, distribute jhum land, prevention of outbreak of fire in the territorial jurisdiction, etc. However, the relevancy of Village Council in the decentralized and globalized world is questionable and the inadequacy of this institution to deliver new norms of development appeared very clearly in the study. The structure and legislative provisions were not designed to carry out socio-economic development at the grassroot level. Financial inability is one of the largest barriers. Therefore, the State Government must take immediate actions in order to have empowered and meaningful rural local body.

### **Urban Local Self-Governing Institution**

Devolution of functions by the State Government to AMC specified in the 12<sup>th</sup> Schedule of the Indian Constitution is taking place. Functions like collection of Property Tax, Solid Waste Management, Parking Fees, Market Rent, etc. is already assigned to the AMC. Prior to this, Land Revenue & Settlement Department used to collect Property Tax both in rural and urban areas, Parking Fees by the Mizoram State Transport Department and Zemabawk Market Rent by Trade & Commerce Department. The rate of Property



Tax collection was revised in 2011. Property Tax collection during 2011-13 was ` 379.46 lakhs and ` 248.77 lakhs is collected from fees, charge, rent, etc. during 2009-13. However, the so called revenue has not yet trickle down at the Local Council level since a quantum of collection by AMC is made a part of State Government's revenue and credited into the Government Account. Tax sharing arrangement is not finalized. Income from other sources is spent for administrative set up. It is suggested that transparent annual allocation of revenue from own source to the AMC should be adopted by the State Government. The amount to be appropriated every year by the AMC for development works should be pre-determined based on percentage share. A system must be put in place to make known the AMC and LC, the extent of funds to be allocated a year for specific schemes from State Plan and Non-Plan.

Central Finance Commission Grant is the most important financial resource base of the Aizawl Municipal Council. The FC:XII and FC:XIII makes financial provisions for basic services to the people in the urban area. It is found that the distribution of FC grants by AMC to the Local Council is done on political will. Even though proposals for minor works were received by AMC from the Local Council, funds are not allocated on population base of Local Council. There are 19 wards and each ward have more than one Local Council. Councilors influence the distribution of FC grants based on work list in his/her ward jurisdiction. This has created horizontal imbalance in the allocation of fund and breeds corruption and possible misappropriation of funds. It is suggested that allocation of FC Grants should follow equitable distribution of fund based on population of the locality and as far as possible, funds should follow perspective plan of each Local Council.

A meager fund is allocated to the AMC from the State Plan budget as Grants-in-aid to the AMC since 2008-09. The provision is to meet the establishment expenditure and salaries of the employees. The ULB isn't really functioning as empowered local government as was expected before. As of now, Local Council acts as the local level agency for State Government in implementation of works overlapping the AMC. Suggestion is that the State Government must be willing to devolve more functions to the ULB as per 12<sup>th</sup> Schedule of the Constitution of India, functions along with corresponding expenditure responsibilities and necessary fiscal resources at their disposal. And, infrastructural support in terms of space and staff, etc. is also required. Political willingness is the first and foremost step to devolution.

Municipality has been set up in Aizawl as the reform agenda of Jawaharlal Nehru National Urban Renewal Mission insisted implementation of 74th CAA in its letter and spirit along with effective association and engagement of ULB in urban management functions including service delivery function by parastatal agencies. The Mission aimed at all special agencies that deliver civic services in urban areas are either transferred to the AMC and /or platforms are created for accountability to ULBs for all urban civic service providers in transition. ULB was non-existent at the time when JNNURM was availed. Therefore, in the absence of ULB, UD & PA Department acted as both the ULB and State Level Nodal Agency. Now, we have Aizawl Municipal Council in conformity with the reform agenda of JNNURM, yet UD & PA has decentralized/hand over the process of implementation of JNNURM to the AMC. The State Government/UD & PA has to make sure decentralization of functions to the AMC on urban civic service within Aizawl City bit by bit and AMC should be accordingly enlarged administratively to be able to deliver all urban related development programmes/schemes.

A large number of urban development programmes are implemented in urban area. Involvement of AMC in various urban development schemes is zero or absent. The UD & PA and other related/concerned departments through or without Local Council execute and implement those schemes. Absence of clear cut assignment system and overlapping is a major problem with regard to ULB. The State Flagship development programme, New Land Use Policy is also on the same side of a coin. Opposition party formed Local Council always bear the burden of overlapping functional assignment. It is suggested that effective synchronization of UD&PA, State Finance Commission, related departments and Aizawl Municipal Council must be ensured in order to have viable mechanism for delivery of civic and non-civic services within urban area. State Government must now realize that Local Council is a part and parcel of Aizawl Municipal Council, therefore, clear cut boundary should be demarcated in assignment system involving AMC and LC.

Aizawl District Planning Committee (DPC) was constituted on 2007, three years prior to the formation of AMC according to Article 243-ZD of the Indian Constitution. The objectives framed by GoM correspond with Section (3) of the said article. It was reconstituted in 2013 with different nomenclature as 'Aizawl District Rural Development Committee.' Planning mechanism for ULB per the Constitution is taken away as the name itself suggests. The chairman of ADRDC is the sitting MLA of Aizawl District, and other members are politically appointed. While at the same time, the Constitution provided that not less than four-fifths of the members shall be elected from the elected members of the Panchayat and Municipalities at the district level in proportion to the ratio between the population of the rural and urban areas in the district. The provision is not actually followed by the State Government and Municipality for now is devoid of

planning mechanism which is unlikely of any ULB set up as per the 74<sup>th</sup> CAA 1992. Besides, the ADRDC did not have office and staffs and DRDA office is utilized for this purpose. It is suggested that District Planning Committee should be revived and entrust them with broad based objectives of integrated spatial planning, development of infrastructure and the extent and type of available financial and other resources within the rural and urban areas. Experts from related fields should be appointed as members of the DPC so that we can have effective and responsive delivery mechanism for urban development.

ULB is en route in line with the 74<sup>th</sup> CAA since 2010 with the initiative of the Central Government and not the State Government. Fiscal Decentralization to AMC is top-down approach as transfer and devolution system is still half-hearted and fiscal autonomy is missing. Some functions are not actually decentralized but they are assigned, and revenue sharing mechanism between state and ULB is absent and bleak. No clear cut demarcation of fiscal domain has resulted into the ULB a mere institution of fiscal deconcentration and not decentralization as per with the other departments of the State Government having little autonomy. Besides, ULB does not play meaningful role in the implementation of Central and State development scheme/programme. As per the provisions of the Municipal Act 2007, with prior permission of the State Government, AMC can borrow loan from public financial institution/bank/lending institution, but so far this did not happen. All these factors at the moment have left Aizawl Municipal Council and its subordinate Local Council a very weak and ineffective local body. Therefore, it appears that either political masters are ignorant of the process of decentralization mechanism or they are afraid of losing their political kingdom.

Willingness on the part of them will only enhance the status of ULB to be able to function as decentralized urban local body.

### **SUGGESTED AREA FOR FURTHER RESEARCH**

The following topics are suggested for further research area:

- (1) Political Economy of Fiscal Decentralization in Aizawl District/Mizoram.
- (2) Expanding the resource/tax base of the Rural Local Government in Mizoram.
- (3) Fiscal Decentralization to Rural Local Government and Centrally Sponsored Scheme in Mizoram.

**The 73<sup>rd</sup> CONSTITUTIONAL AMENDMENT ACT, 1992**

---

The Articles 243(H) and 243(I) inserted into the Indian Constitution by dint of 73<sup>rd</sup> Constitutional Amendment Act (CAA) outlines the broad provisions regarding fiscal empowerment of the PRIs.

- (a) It authorize the panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;*
- (b) assign to a panchayat such taxes, duties, tolls and fees levied and collected by the state government for such purposes and subject to such conditions and limits;*
- (c) provide for making such grants-in-aid to the panchayats from the Consolidated Fund of the state; and*
- (d) Provide for the constitution of such funds for crediting all moneys received respectively, by or on behalf of the panchayats, and also, for the withdrawal of such moneys there from, as may be specified in the law.*

**Annex 3.1b (Page 35)**

---

Article 243(I) provides for the State Government to constitute the State Finance Commission after every five years to review the financial position of the Panchayats and to make recommendations to the Governor as to

*(a) the principles which should govern*

*(i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;*

*(ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayat;*

*(iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;*

*(b) the measures needed to improve the financial position of the Panchayats;*

*(c) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.*

**Annex 3.2** (Page 35)

---

It is Central Finance Commission's responsibility as per Articles 280(bb) and 280(c) of the Indian Constitution to look into the resources of local bodies and take -

*(bb) measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State; and*

*(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.*

**Annex 3.3** (Page 37)

---

### **THE LUSHAI HILLS DISTRICT (VILLAGE COUNCILS) ACT, 1953**

---

#### *Collection of Taxes*

*(1) The (State Government) or any Officer authorised by it in this behalf, shall either appoint tax collectors or allot the work of collection of taxes to suitable persons, specifying their duties and any other matters connected with the collection of taxes.*

*(2) Collection of Taxes shall be done strictly in accordance with rules or under the instructions and directions given by the (State Government) authorised by [it] in that behalf.*

#### *Village Council Fund*

*There shall be formed for every Village Council a fund to be called "Village Council Fund". Any collection authorised by law other than District revenue and taxes made in a village for the good of the people shall be paid into the said Fund. The*

*President shall be the treasurer of the fund and list of the collections shall be kept by the secretary. This account shall be open for inspection by any subscriber to the collection.*

*[Provided that Village Council may appoint a Treasurer from amongst the members who shall keep developmental grants and other fund exclusive of a collection authorised by law, and maintain the accounts thereof which will be liable to inspection by the Village council in sitting and by an official authorised to do so by the Government.*

**Annex 3.4 (Page 37)**

**Schedule-II of THE MIZORAM ANIMAL (CONTROL AND TAXATION) ACT,  
1980 (amended in 1982)**

<b>Rates of Animal Tax</b>			
<b>Sl No</b>	<b>Animal</b>	<b>Rates per</b>	
		<b>Adul</b>	<b>Young</b>
<b>1</b>	Pigs kept in confinement	5.00	2.50
<b>2</b>	Goat kept separately under the management of a farm with a keeper without causing inconvenience to public	5.00	2.50
<b>3</b>	Cattle reared under a stall feeding or under the management of a farm with a keeper without causing inconvenience to public	5.00	2.50
<b>4</b>	Bullocks engaged for carrying purposes, Wet rice cultivation, Sugarcane crushing with a keeper.	5.00	2.50
<b>5</b>	Animal kept in any manner other than those specified in clause (1) to	10.00	2.50

Daily feeding charges of animals which are seized by the Village Councils

<b>Sl.No.</b>	<b>Animal</b>	<b>Charges per animal per day</b>	
		<b>Adult</b>	<b>Young</b>
<b>1</b>	Pigs	3.00	2.00
<b>2</b>	Goat	2.00	1.00
<b>3</b>	Cattle, Mithun, Horse, Buffalo	2.00	2.00
<b>4</b>	Other animal	2.00	1.00



## Fines for seized animals

Sl.No.	Animal	Fines per animal per day	
		Adult	Young
1	Pigs	2.00	1.00
2	Goat	2.00	1.00
3	Cattle, Mithun, Horse, Buffalo	2.00	1.50
4	Other animal	2.00	1.50

Annex 3.5 (Page 45)

## MIZORAM GRANTS-IN-AIDS TO VILLAGE COUNCILS RULES 2007

---

### ***Purpose of Grants-in-aids***

*The grants-in-aids under these rules are admissible for all the schemes under Action Plan duly approved by the High Level Monitoring Committee:*

- 1) Construction of Public Assets of different items.*
- 2) Operation and maintenance of Public assets.*
- 3) Preparation of Data Base/Statistics.*
- 4) Wages for employees for the implementation of schemes, etc.*
- 5) Purchase of Stationeries.*
- 6) Revolving Funds for maintenance, etc.*
- 7) TA/DA for Village Council members, etc.*
- 8) Miscellaneous expenditure concerning function of the Village Council.*

### ***Condition of Grants***

*The grants admissible under these rules shall be subject to the fulfilment of the following conditions, namely:*

- 1) The Government of Mizoram shall give grants to the Village Council with specific purposes as per guidelines made by the Government.*
- 2) The grants shall be spent excessively for the purpose for which it has been sanctioned.*

3) *All accounts relating to the specific grants made by the Government shall be subject to audit by approved auditor or anyone appointed for the post by the Government of Mizoram or Accountant General concerned.*

4) *The Village Councils shall submit detail report of the work done with the grant together with Utilization Certificate, Statement of Accounts supported by required vouchers to the Government through the District Level Controlling Authority.*

5) *The Village Councils shall have no authority to disposed of or encumber wholly or partially any assets or acquire out of the grants. In the event of the Village Council building wound up, dissolved, abolished, the ownership of such capital assets, etc. will vest in the Government.*

6) *The Village Council shall maintain Register containing expenditure of the whole amount.*

7) *The unspent balance of grants if any shall be surrendered to the Government by the Village Council before the close of the financial year unless extension of the time for the utilisation of the grants is approved by the Government, failing which the Village Council shall be debarred from receiving more grants.*

8) *The non recurring expenditure, if any, shall be accounted separately from the recurring expenditure,*

9) *No fresh recurring or non-recurring grants shall be given before receiving utilization certificate duly supported by statement of accounts for grants given in the previous year.*

### ***Sanctioning Authority***

1) *All grants in aids-under these rules shall be sanctioned by the Department in the name of the Governor, after obtaining concurrence of the Finance Department subject to availability of Funds and the grant-in-aid may be sanctioned by the Government on the recommendation of the Director.*

2) *The Director shall transfer the allotted funds to the District Level Controlling Authority who will remit the share of each Village Council by way of ' Demand Draft or*

*Money Order as the case may be within one week from the date of receipt of the funds from Director.*

### ***Records and Maintenance of Accounts***

*The accounts of the Village Councils shall be maintained and recorded at its Register proper books of accounts containing accurate entries in respect of column:*

- 1) All sums of money received and the sources thereof and all sums of money spent by the Village Councils or which sums are spent.*
- 2) All sales and purchase of goods by the Village Council.*
- 3) All receipts collected or received from other sources.*

### ***Audit and Accounts***

- 1) The accounts shall be audited by Auditor appointed by the state Government Or Accountant General.*
- 2) The Village Council shall submit all accounts to be audited to the District Level Controlling Authority within a stipulated time as called for Audit will be conducted in the Office of the District Level Controlling Officers concerned. The auditor if felt necessary can visit the Village Council for physical inspection.*
- 3) The auditors shall specify all Cases in respect of*
  - a. Irregular, illegal or improper expenditure.*
  - b. Failure or omission to recover money or other properties belonging to the Village Councils.*
  - c. Loss or waste money or other property thereof.*
  - d. State whether such expenditure, failure, omission, loss or waste was caused in consequent of Breach of Trust of misapplication of money or other property belonging to the Village Council or of any other misconduct on the part of Village Council or any other person.*

4) Auditor shall submit the reports and audited accounts showing the exact state of financial affairs of the Village Councils to the State Government failing which grants shall not be realized by the State Government.

Annex 3.6 (Page 57)

**GOVT. OF MIZORAM, LAND REVENUE & SETTLEMENT DEPARTMENT**  
**REVISION OF RATE OF TAXES AND LAND REVENUE ETC. – 2011**

**TAXES ON HOUSE / ZORAMCHHIAH / STALL / SHOP**

Sl. No.	Item	Grade	Rate per plot per annum		
			Rate as per 2005 (₹)	Rate as per 2006 (₹)	Revised rate 2011. (₹)
1	Zoramchhiah		25.00	15.00	30.00
2	Stall at Aizawl		300.00	200.00	400.00
3	Shop at Aizawl	I	1,500.00	800.00	1,600.00
		II	1,000.00	600.00	1,200.00
		III	750.00	200.00	400.00

**NON AGRICULTURAL LAND**

**(A) SHOP / STALL PASS AND HOUSE SITE PASS**

	Grade	PREMIUM						Annual land revenue for House site rate per sq m.	
		Shop/Stall Pass rate per sqm.			House Site rate as per sqm.			Rate as per 2006 (₹)	Revised Rate 2011 (₹)
		Rate as Per 2005	As per Rate 2006	Revised Rate 2011 (₹)	Rate as Per 2005 (₹)	Rate 2006 (₹)	Revised Rate 2011 (₹)		
State Capital	Grade-I	1000.00	200.00	300.00	10.00	10.00	18.00	2.00	4.00
	Grade-II	500.00	150.00	200.00	50.00	8.00	14.00	1.50	3.00
	Grade-III	100.00	100.00	150.00	10.00	6.00	10.00	1.00	2.00
	Grade-III 'A'	90.00	90.00	140.00	8.00	5.00	8.00	0.50	0.80

Table Contd.

	Grade-III 'B'	80.00	80.00	130.00	7.00	4.00	6.00	0.25	0.45
	Grade-III 'C'	70.00	70.00	120.00	6.00	3.00	5.00	0.15	0.25
	Grade-III 'D'	60.00	60.00	100.00	5.00	2.00	3.00	0.10	0.20

**(B). HOUSE SITE LSC**

	<i>Land Recording Fees</i>		<i>Redemption for Excess Area</i>		<i>Annual Land Revenue per sqm.</i>	
	<i>Rate as per Sqm. 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>	<i>Rate as per Sqm. 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>	<i>Rate as per Sqm. 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>
(1) AIZAWL						
Grade - I	2.00	5.00	150.00	200.00	3.00	6.00
Grade - II	1.70	3.00	130.00	150.00	2.00	4.00
Grade - III	1.50	2.00	110.00	140.00	1.00	2.00
Grade - III 'A'	1.30	2.00	80.00	100.00	0.75	1.40
Grade - III 'B'	1.20	2.00	60.00	80.00	0.50	0.90
Grade - III 'C'	1.00	2.00	40.00	60.00	0.30	0.55
Grade - III 'D'	0.90	2.00	20.00	40.00	0.20	0.35

**A. AGRICULTURAL LAND, PERIODICAL PATTA**

Grade	Premium per hectare			Annual Land Revenue per hectare		
	<i>Rate as per 2005 ( )</i>	<i>Rate as 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>	<i>Rate as per 2005 ( )</i>	<i>Rate 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>
Grade-I	250.00	130.00	250.00	150.00	100.00	200.00
Grade-II	200.00	110.00	200.00	100.00	80.00	160.00
Grade-III	150.00	100.00	150.00	70.00	60.00	108.00
Grade-IV	100.00	80.00	100.00	50.00	40.00	72.00

**B AGRICULTURAL LAND LSC**

Grade	Land Recording Fees per sq.m.			Land redemption fee per sq.m.			Annual land revenue per hectare		
	<i>Rate as per 2005 ( )</i>	<i>Rate as 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>	<i>Rate as per 2005 ( )</i>	<i>Rate as 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>	<i>Rate as per 2005 ( )</i>	<i>Rate as 2006 ( )</i>	<i>Revised Rate 2011 ( )</i>
Grade-I	0.10	0.05	0.10	1.00	0.50	1.00	250.00	200.00	400.00
Grade-II	0.08	0.05	0.10	0.80	0.30	0.60	200.00	180.00	360.00
Grade-III	0.06	0.05	0.10	0.60	0.20	0.40	150.00	150.00	Table Contd.
Grade-IV	0.04	0.05	0.10	0.40	0.10	0.20	100.00	100.00	180.00

## BUILDING TAX

No.	Type of Building	Rate as per 2006 Annual Tax	Revised Rate 2011 (Rs.)	Rate as Per 2006 Surcharge for Independent flat Or apartment	Independent flat or apartment Revised Rate 2011 ( ` )
a)	Reinforce Cement Concrete Building	100.00	150.00	50.00	100.00
b)	Semi, Pucca Building	75.00	100.00	40.00	80.00
c)	Assam Type Building	50.00	75.00	30.00	50.00
d)	Other Building	10.00	20.00		

**Annex 3.7 (Page 58)**

### STATE LEVEL PROPERTY TAX BOARD

---

*State Governments must put in place a State Level Property Tax Board, which will assist all municipalities and municipal corporations in the state to put in place an independent and transparent procedure for assessing property tax. The Board*

*(a) shall, or cause to, enumerate all properties within the jurisdiction of the municipalities and corporations;*

*(b) shall review the present property tax system and make suggestions for a suitable basis for assessment and valuation of properties; and*

*(c) shall make recommendations on modalities for periodic revisions. The findings, suggestions and recommendations of the board will be communicated to the respective urban local bodies for necessary action. The exact model to be adopted is left to the respective state. The board should be staffed and equipped in such a manner as to be able to make recommendations relating to at least 25 per cent of the aggregate number of estimated properties across all municipal corporations and municipalities in the state by 31 March 2015. The board should prepare a work plan indicating how it proposes to achieve this coverage target and the human and financial resources it proposes to deploy. Passage of the relevant legislation or issue of the necessary executive instructions by the State Government for creation of the Property Tax Board as well as publication of the work plan by the Board in the State Government gazette will demonstrate compliance with this condition.*

**MIZORAM STATE FINANCE COMMISSION ACT, 2010**

---

*(1) The Governor shall constitute every five year a State Finance Commission to review the financial position of the Municipalities at all levels and to make recommendation to the Governor as to -*

*(a) the principles which should govern*

*(i) the distribution between the Government and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them under this Act and allocation between the Municipalities at all levels, of their respective shares of such proceeds;*

*(ii) the determination of the taxes, duties, tolls, rates and fees which may be assigned to or appropriated by the Municipalities;*

*(iii) the grants-in-aid to the Municipalities from the consolidated Fund of the State;*

*(b) the measures needed to improve the financial position of the Municipalities; or*

*(c) any other matter referred to the State Finance Commission by the Governor in the interest of sound finance of the Municipalities.*

*(2) The State Finance Commission shall consist of two or more members of whom one shall be the Chairman.*

*(3) To be appointed as a Chairman or a member of the State Finance Commission, a person must possess such qualifications or experience as the Government may, by rules, prescribe.*

*(4) The Finance Commission shall determine its procedure and shall have such powers in the performance of their functions as the Government may, by rules, prescribe.*

*(5) The Chairman or a member of the State Finance Commission may resign his office by writing under his hand and addressed to the Governor but he shall continue in Office until his resignation is accepted by the Governor.*

*(6) The casual vacancy created by the registration of the Chairman or a member under sub-section (5) or for any other reason may be filled up by fresh appointment and the Chairman or the member so appointed shall hold Office for the remaining period for which the Chairman or the member in whose place he was appointed would have held Office.*

*(7) The State Finance Commission shall have the following powers in the performance of its functions, namely -*

*(a) to call for any record from any Officer or authority;*

*(b) to summon any person to give evidence or produce any record; and*

*(c) such other powers as may be assigned to it by the Governor.*

*(8) The Governor shall cause every recommendation made by the State Finance Commission under this Section, together with an explanatory memorandum as to the action taken thereon to be laid before the Legislative Assembly of Mizoram.*



## BIBLIOGRAPHY

### BOOKS

Alderfer, H. H. (1964) *Local Government in Developing Countries*, New York: McGraw-Hill.

Boadway, Robin and Anwar Shah (2009): *Fiscal Federalism: Principles and Practice of Multi-order Governance.*, New York: Cambridge University Press.

Buchanan, James M. and Gordon Tullock (1962) *The Calculus of Consent*, Ann Arbor: University of Michigan Press.

Chaubey, P.K. (ed.) (2003) *Fiscal Federalism in India*, New Delhi: Deep & Deep Publications Pvt. Ltd.

Cheema, G. Shabbir and Dennis A. Rondinelli (eds.) (1983) *Decentralization and Development: Policy Implementation in Developing Countries*, Beverly Hills: Sage Publications.

Cohen John M. and Peterson, Stephen B. (1996) *Methodological Issues in the Analysis of Decentralization*, Harvard Institute for International Development, Harvard University.

Goel, S.L. (2008) *Public Financial Administration*, New Delhi: Deep & Deep Publications Pvt. Ltd.

Goel, S.L. and Rajneesh, Shalini (2009) *Panchayati Raj in India, Theory and Practice*, New Delhi: Deep & Deep Publications Pvt. Ltd.

Lalneihzovi (2006) *District Administration in Mizoram*, New Delhi: Mittal Publications.

Leonard, David and Dale Rogers Marshall (eds.)(1982) *Institutions of Rural Development for the Poor: Decentralization and Organizational Linkages*. Berkeley: University of California, Institute of International Studies.

Maheshwari, S.R. (2005) *Local Government in India*, Agra: Lakshmi Narain Agarwal.

Mewes, Katharina (2011) *Decentralization on the Example of the Yemeni Water Sector*, Springer.

- Musgrave, Richard A. (1959) *The Theory of Public Finance: A Study in Public Economy*, New York: McGraw-Hill.
- Nunthara, C. (2003) *Panchayati Raj nge Village Council*, Shillong: Calron Impressions.
- Oommen, M.A. (ed.) (2008) *Fiscal Decentralization to Local Governments in India*, New Castle: Cambridge Scholars Publishing.
- Prasad, R.N. (1998) *Public Administration in North-East India*, New Delhi: Vikas Publishing House.
- Prasad, R.N. and Agarwal, A.K. ed. (1995) *Landmarks: A Study of Public Administration in Mizoram*, Aizawl: Lengchhawn Press.
- Patnaik, Jagadish K. (ed.) (2008) *Mizoram Dimensions and Perspectives, Society Economy and Polity*. New Delhi: Concept Publishing Co. Pvt. Ltd.
- Rondinelli, Dennis A. and John R. Nellis (1986) "Assessing Decentralization Policies," in Dennis A. Rondinelli et al. *Developing Countries: A Case for Cautious Optimism*, Development Policy Review 4(1).
- Shah, Anwar and Boadway, Robin (2009) *Fiscal Federalism: Principles and Practice of Multi-order Governance*, New York: Cambridge University Press.
- Singh, Sahib and Singh, Swinder (2002) *Public Personnel & Financial Administration*, Jalandhar: New Academic Publishing Co.
- Sinha, Harendra (2012) *Bureaucracy and Rural Development in Mizoram*, New Delhi: Concept Publishing Co. Pvt. Ltd.
- Schmidt, Vivien A. (2007) *Democratizing France: The Political and Administrative History of Decentralization*, Cambridge University Press.
- Sury, M.M. (ed.) (2010) *Finance Commissions of India (I to XIII) 1952-57 to 2010-15*. New Delhi: New Century Publications
- Thanhranga, H.C. (2007) *District Council in the Mizo Hills (Updated)*. Aizawl: Lengchhawn Press.

Thavaraj, M.J.K. (2003) *Financial Administration of India*, New Delhi: Sultan Chand & Sons.

## ARTICLES

Asfaw, Abay (2007) *Fiscal Decentralization and Infant mortality: Empirical Evidence from Rural India*, in the Journal of Developing Areas, Vol. 41, No. 1.

Bahl, Roy(1999) *Implementation Rules for Fiscal Decentralisation*, Paper presented at the International seminar on Land policy and Economic Development organized by Land Reform Training Institute, Taiwan, November 17, 1998.

Bruno, Frey S., 'Functional Overlapping Competing Jurisdictions, Redrawing the borders of adiministration' European Journal of Law Reform, Vol V No 3/4.

Devendra Babu, M. (2009) *Fiscal Empowerment of Panchayats in India: Real or Rhetoric ?*, Bangalore: Institute for Social and Economic Change.

Dillinger, W. (1994) *Decentralization and Its Implications for Urban Service Delivery*, Washington D.C.: Urban Management and Municipal Finance Discussion Paper No. 16, the World Bank 103.

Edwin Kee, James (2004) "Fiscal decentralization: A theory of reform," in Aman Khan and W. Bartley Hildreth *Financial Management Theory in the Public Sector*, Greenwood Publishing Group.

Govinda Rao, M. (2000) *Fiscal Decentralisation in Indian Federalism(an unpublished paper)*, Bangalore: Institute for Social and Economic Change.

Kauzya, John-Mary(2003) "Strengthening Local Governance Capacity for Participation," in Dennis. A. Rondinelli and Shabbir Cheema *Reinventing Government for the Twenty-First Century: State capacity in a Globalizing Society*, Bloomfield, CT, USA: Kumarian Press Inc.

Mohaprata, Bishnu Prasad (2012, Sept. – Oct.) *Local Self -Governing Institutions in India and Fiscal Decentralisation: Issues, Challenges and Policy Prescriptions*, IOSR Journal of Humanities and Social Science (JHSS), 1(6).

Oates, Wallace E. (1993) *Fiscal Decentralization and Economic Development*, National Tax Journal 46 (2).

Olson, M. (1969) *The Principle of Fiscal Equivalence: The Division of Responsibilities among Different Levels of Government*, American Economic Review, Papers and Proceedings, 59 (2).

Ostrom, Vincent, Charles M. Tiebout and Robert Warren (1961) *The Organization of Government in Metropolitan Areas: A Theoretical Inquiry*, American Political Science Review.

Ostrom, Vincent and Elinor Ostrom (1977) "Public Goods and Public Choices," in E.S. Savas (ed.) *Alternatives for Delivering Public Services: Toward Improved Performance*, Boulder, CO: Westview Press.

Rondinelli, Dennis A., McCullough, James S. and Johnson, Ronald W. (1989) *Analysing Decentralization Policies in Developing Countries: A Political-Economy Framework in Development and Change*, SAGE London, Newbury Park and New Delhi, Vol. 20.

Ruland, Jürgen and Werz, Nicholas, "From the development dictatorship to the dictatorship without development: State and domination in the political science Third World research," in Nuscheler, Franz (ed.) (1985) *Third World Research: Development Theory and Politics*, Quarterly Special Issue, Opladen.

Sauerland, Dirk (1997) "*Federalism between freedom and efficiency, contribution of economic theory to the design of decentralized political systems*," writings on the scientific analysis of law Volume 29, Duncker & Humblot, Berlin.

*Séminaire sur la Décentralisation en Afrique: Tunis, 10-14 Février 1992* (New York: Nations Unies, épartment du Développement Économique et Social, 1992).

Shah, Anwar (2005) "Fiscal Decentralisation in Developing and Transition Economies: An Overview," in Jain, L.C. (ed.) *Decentralisation and Local Governance: Essays for George Mathew*, New Delhi: Orient Longman Pvt. Ltd.

Tiebout, Charles M. (1956) *A Pure Theory of Local Expenditures*, Journal of Political Economy 64(5).

## **DOCUMENTS**

Aizawl Municipal Council Ward Committee and Local Council Rules, 2010.

Boschmann, Nina(2009) *Study on Fiscal Decentralisation*, Development Partners Working Group on Local Governance and Decentralisation, Berlin.

Govt. of Mizoram (2013-14) *Fiscal Policy Strategy Statement*, Aizawl.

Govt. of Mizoram, Local Administration Department (2010) *Compilation of Acts, Rules and Regulations (With latest Amendments)*, Aizawl,

Notification No. H. 12018/120/2003- LJD/28, the 20<sup>th</sup> April, 2007 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVI 24-4-2007 Issue No. 123).

Notification No. B. 13017/22/2008- UD&PA, the 13<sup>th</sup> August, 2008 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVII 20-8-2008 Issue No. 301).

Notification No. A. 46011/22/2008- GAD, the 20<sup>th</sup> October, 2009 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVIII 30-10-2009 Issue No. 490).

Notification No. H. 12018/120/2003-LJD, the 19<sup>th</sup> Nov., 2009 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXVIII 24-11-2009 Issue No. 534) Viz. the Mizoram Municipalities (Amendment) Act, 2009 (Act No. 14 of 2009).

Notification No. B. 13019/4/2010- UD&PA(TFC), the 23<sup>rd</sup> July, 2010 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXIX 28-7-2010 Issue No. 262).

Notification No. B. 13017/21/2008-UD & PA, the 2<sup>nd</sup> Nov., 2010 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XXXIX 4-11-2010 Issue No. 436).

Notification No. B. 13019/4/2010- UD&PA (TFC)/, the 10<sup>th</sup> March, 2011 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XL 18-3-2011 Issue No. 122).

Notification No. H. 12018/120/2003-LJD, the 7<sup>th</sup> April, 2011 (Vide, the Mizoram Gazette, Extra Ordinary; Vol. XL 13-4-2011 Issue No. 169) Viz. the Mizoram Municipalities (Amendment) Act, 2011 (Act No. 3 of 2011).

Roadmap for the Panchayati Raj (2011-16): All India Perspective, Ministry of Panchayati Raj, February, 2011.

The Lushai Hills Autonomous District (Administration of Justice) Rules 1953.

The Lushai Hills District (Village Councils) Act, 1953.

The Lushai Hills District (Village Councils) (Amendment) Act, 2006.

The Constitution 73<sup>rd</sup> Amendment Act, 1992. New Delhi.

The Constitution 74<sup>th</sup> Amendment Act, 1992. New Delhi.

The Mizoram Local Funds (Accounts and Audit ) Act, 2006.

The Mizoram Municipalities (Ward Committee and Local Council) Rules, 2010.

## **REPORTS**

*Annual Technical Report (ATR) of the Comptroller and Auditor General of India (C&AG) on Urban Local Body, Govt. of Mizoram for the year ended 31 March 2012.*

Commission on Centre-State Relations Report, Volume – III, *Centre-State Financial Relations and Planning*, March, 2010, New Delhi.

Document of the World Bank: *Fiscal Decentralisation to Rural Governments*, Report No – 26654 IN, Rural Development Unit, South Asia Region, January 7, 2004.

Second Administrative Reforms Commission Sixth Report, Local Governance, *An inspiring journey into the future*, October 2007, New Delhi.

Report of the Eleventh Finance Commission (2000-05). New Delhi.

Report of the Twelfth Finance Commission (for 2005-2010). New Delhi

Report of the Thirteenth Finance Commission of India (for 2010-2015). New Delhi.

## **INTERVIEW**

- Mr. Lalthlengliana, Secretary, Village Council, Aibawk on Dt. 14.06.13
- Mr. Lalthantluanga, Secretary, Village Council, Kelsih on Dt. 14.06.13
- Mr. Lalrammuana, Secretary, Village Council, Maubuang on Dt. 14.06.13
- Mr. F. Vanlalhriata, Secretary, Village Council, Lengpui on Dt. 15.06.13
- Mr. K. Laltanpuia, Secretary, Village Council, Sairang on Dt. 15.06.13
- Mr. R. Lalnunpuia, Secretary, Local Council, Govt. Complex, on Dt. 17.07.13
- Mr. Vanlalnghaka Tlau, Secretary, Local Council, Maubawk, on Dt. 17.07.13
- Mr. Alvin Laltlanmawia, Secretary, Local Council, Melthum, on Dt. 17.07.13
- Mr. Lalramchhana Pachuau, Secretary, Local Council, Republic, on Dt. 18.07.13
- Mr. H. Lalthangchuanga, Secretary, Local Council, Salem, on Dt. 18.07.13
- Mr. A. Biaklawma, Director, Local Administration Department on Dt. 25.06.13
- Ms. Esther, APO, District Rural Development Agency on Dt. 21.07.13
- Mr. Lalfinga, UDC, Urban Development & Poverty Alleviation Department on Dt. 16.08.13
- Mr. Vanlalsawma, Executive Officer, Aizawl Municipal Council on Dt. 15.09.13

## **WEB SOURCES**

- <http://www.acton.org/pub/religion-liberty/volume-6-number-4/principle-subsidiarity>*
- <http://amc.mizoram.gov.in/>*
- <http://www.britannica.com/EBchecked/topic/155782/deficit-financing/fiscal-policy>*
- <http://www.businessdictionary.com/definition/fiscal.html>*
- <http://www.cid.harvard.edu/hiid/582.pdf>*
- [http://www.ciesin.org/decentralization/English/General/Different\\_forms.html](http://www.ciesin.org/decentralization/English/General/Different_forms.html)*
- [http://www.ciesin.org/decentralization/English/General/history\\_fao.html](http://www.ciesin.org/decentralization/English/General/history_fao.html)*
- <http://en.wikipedia.org/wiki/Fiscal>*
- [http://en.wikipedia.org/wiki/Fiscal\\_year](http://en.wikipedia.org/wiki/Fiscal_year)*
- [http://en.wikipedia.org/wiki/Gross\\_domestic\\_product](http://en.wikipedia.org/wiki/Gross_domestic_product)*

[http://en.wikipedia.org/wiki/Jawaharlal\\_Nehru\\_National\\_Urban\\_Renewal\\_Mission#Funding\\_shares\\_by\\_city\\_categories](http://en.wikipedia.org/wiki/Jawaharlal_Nehru_National_Urban_Renewal_Mission#Funding_shares_by_city_categories)

<http://www.icrier.org/pdf/mizoram.pdf>

<http://lad.mizoram.gov.in/>

<http://www.livemint.com/Opinion/ZniMs1nB14nSHHAM9yKA4N/Panchayati-raj-challenges.html>

<http://mizofincom.nic.in/index.html>

[http://nrega.nic.in/circular/Manual\\_21012010.pdf](http://nrega.nic.in/circular/Manual_21012010.pdf)

[http://odishapanchayat.gov.in/download/publication/devolution%20of%20powers/3fiscal\\_decentralization.pdf](http://odishapanchayat.gov.in/download/publication/devolution%20of%20powers/3fiscal_decentralization.pdf)

<http://www.oxforddictionaries.com/definition/english/subsidiarity?q=Subsidiarity>

<http://secmizoram.in/>

<http://www1.worldbank.org/publicsector/decentralization/what.htm>

<http://udpamizoram.nic.in/Index.html>

<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan028411.pdf>