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**Part I**

**INTRODUCTION AND METHODOLOGY**

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## INTRODUCTION AND METHODOLOGY

The Seventy third and Seventy fourth Constitution Amendments Acts (1992), heralded a new era, in the chapter of the Local bodies by providing, among other things, the constitution of a State Finance Commission in all the states within one year from the commencement of the Constitutional Amendment Act initially and thereafter for every fifth year. Accordingly, the Government of Tamil Nadu issued two notifications covering Rural and Urban Local bodies in G.O.Ms.No.350, Finance, Dated 23.4.94 and G.O.Ms.No.971, Finance, Dated 6.12.94, constituting the State Finance Commission and specifying the necessary terms of references .

The State Finance Commission of Tamil Nadu effectively started functioning only with effect from March 1995 with the following members:-

- |   |    |  |   |                     |
|---|----|--|---|---------------------|
| - | 1. | Thiru R.Arumugham, IAS (Rtd)                             | - | Chairman            |
|   | 2. | Thiru Kuzha Chelliah<br>Ex-M.L.A.                        | - | Non-official Member |
|   | 3. | The Commissioner of Municipal<br>Administration, Chennai | - | Ex-officio Member   |
|   | 4. | Director of Rural Development                            | - | Ex-Officio Member   |
|   | 5. | Member Secretary<br>State Finance Commission             | - | Member              |

State Finance Commission was to review the financial position of the panchayats and the urban local bodies, in the State and make recommendations for augmenting their resources for the period covering five years from 1.4.97.

The Tamil Nadu State Finance Commission therefore launched its programme by adopting the following methodology:

- 1. Questionnaire** : Prepared in consultation with the National and State Planning Commissions, field tested and then sent (a) to all the local bodies in the State, (b) to select VIPs like MPs, MLAs, experts, eminent persons and persons who are interested in Local Body Administration (c) to interested public and (d) to all the District

- Collectors and Tashildars for obtaining data; their views and suggestions.
2. **Indepth Study** : Taken up for tax payers and beneficiaries in all the categories of Rural and Urban Local Bodies in eight districts by a few non - governmental organisations to elicit their views through questionnaires prepared by Madras School of Economics.
  3. **Data Entry** : Entered the data generated by the filled in questionnaires into computers at the Government Data Centre, Chennai and retrieved.
  4. **Data Interpretation** : The data entered from the various questionnaires were interpreted with the help of Dr.Raja Chelliah, Chairman, Madras School of Economics.
  5. **Task Forces** : Constituted to study specialised subjects in a professional manner to aid and advise the Commission viz.:-
    - a) Institute for - Augmentation of Financial Resources in Local Management Bodies Research, Chennai.
    - b) Kirloskar - Norms for Core Consultants, Civic Services & Chennai. O&M Cost- Possible Areas of Privatisation.
    - c) Anna Institute - Organisation and of Management, Powers of the Chennai. Local Bodies.
  6. **Visits to Other States** : Visited State of Karnataka, Andhra Pradesh, Maharashtra, West Bengal, Orissa and New Delhi to study their systems and obtained their views.

7. **Visits to Other Institutions** : Visited the All India Institute for local self-government, Bombay and National Institute of Rural Development, Hyderabad, National Institute of Public Finance and Policy, New Delhi and held discussions to know their views to augment the resources and improve the service levels in Local Bodies.
8. **National level forums** : Attended National level conferences at Hyderabad, Mussourie and New Delhi to gain national perspective and insight into other states' functioning of Local Bodies.
9. **State Level Conferences** : Held for the Commissioners of Corporations and Municipalities and the Executive Officers of select Town Panchayats to understand the field level problems better.
10. **National Conference at Tamil Nadu** : Held jointly with M.S.Swaminathan Research Foundation and Madras School of Economics to interact with National level policy makers, administrators, experts and field executives.
11. **Interaction with Secretaries to Government of Tamil Nadu** : Held detailed discussions with 17 Secretaries to Government, Tamil Nadu along with their Heads of Departments, and gathered details for the devolution of funds, functions and functionaries to Local Bodies in accordance with 11/12 schedules of 73/74 Constitutional Amendments.
12. **Interaction with line agencies** : Held detailed discussions with funds raising and funds utilising departments to discuss about mobilisation of more resources and to project the unit cost of various items upto 2002.
13. **Interaction with nodal departments** : Held detailed discussions with Secretaries to Government and Heads of Department of Rural Development, Municipal Administration and Water Supply and

- Finance Department to obtain their views on allocation of resources and on various other problems facing the Local Bodies.
14. **Interaction with retired employees of Local Bodies** : Held detailed discussions with Pensioners' Association and Examiner of Local Fund Audit to find out ways and means to set right the problems faced by them.
  15. **Field visits** : Visited a few Local Bodies in the field to assess the problems faced by them in maintenance of assets, improvement of civic services etc.
  16. **District sittings** : Held District sittings in select districts and had interaction with MPs, MLAs, Ex-legislators, Ex-Presidents of Local Bodies and obtained their views through memoranda.
  17. **Sittings with Collectors & Other Senior Officials** : Held discussions with District Collectors and senior Officials of seven districts to obtain their views on the problems confronting the Local Bodies.
  18. **Sittings of the Commission** : Had nine sittings to review the progress and approved decisions that finally emerged and incorporated in the report.