

**Appendix No.1**

**G.O.Ms.No.350, Finance (Resources) Department, Dated 23rd April 1994**

**(Chithirai 10, Bhava, Thiruvalluvar Aandu 2025)**

**COMMISSION** - Finance Commission - To study the financial position of panchayats - Constitution of Finance Commission - Tamil Nadu Panchayats Act 1994 (Tamil Nadu act 21 of 1994) - Orders - Issued.

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**Order-No.350, Finance (Resources) department, dated 23rd April 1994.**

The appended Notification will be published in an Extra Ordinary issue of Tamil Nadu Government Gazette, dated the 23rd April 1994.

(BY ORDER OF THE GOVERNOR)

**T.V. VENKATARAMAN,**  
CHIEF SECRETARY TO GOVERNMENT

**NOTIFICATION**

In exercise of the powers conferred by the sub-section(1) of Section 198 of the Tamil Nadu Panchayats Act, 1994 (Tamil Nadu Act 21 of 1994), the Governor of Tamil Nadu hereby constitutes a Finance Commission referred to in Article 243-I of the Constitution, with a Chairman and four other Members. Thiru M.A.Gowrishankar, I.A.S. is appointed as a Member who will be the Member-Secretary of the Commission.

2. The Chairman and other members of the Commission shall hold office from the date on which they respectively assume office upto the 31st day of October 1995.

3. The Commission shall review the financial position of the panchayats and make recommendations as to:-

(a) the principles which should govern,-

(i) the distribution between the State and panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them, and allocation between the district panchayats panchayat union councils and village panchayats 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 panchayats;

(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.

4. In reviewing the financial position of the panchayats, the Commission shall,-

(i) assess the financial position of the Panchayat unions as on 31st March 1994 with reference to revenue receipts and expenditure and the debt position;

(ii) assess, as far as may be practicable, the financial position of the village panchayats as on 31st March 1994 with reference to revenue receipts and expenditure.

5. In making its recommendations, the Commission shall have regard, to the resources of the State Government, the demand thereon and the need to generate adequate surplus on revenue account for State's commitments on capital account.

6. The Commission shall also have regard to:-

(i) the existing level of devolution of resources to the Panchayats and the adequacy of such devolution;

(ii) the maintenance and upkeep of capital assets owned by, or entrusted to, the panchayats;

(iii) the tax efforts of the panchayats and incentives to increase such tax efforts.

7. The Commission may suggest changes, if any, in the existing classification of panchayat unions on the basis of their financial position.

8. The Commission may suggest measure to improve financial management of panchayats and to reduce unproductive expenditure in Panchayats.

9. The Commission shall make its report available by 31st October 1995, covering the period of five years commencing on 1st April 1997.

**T.V. VENKATARAMAN,**  
Chief Secretary to Government

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Appendix No.2

GOVERNMENT OF TAMIL NADU

ABSTRACT

CONSTITUTION of the State Finance Commission - Appointment of Chairman and other Members - Notification issued.

RURAL DEVELOPMENT (C.II) DEPARTMENT

G.O. (Ms) No.161

Dated: 06-09-1994

Read:

G.O.(Ms) No. 350, Finance, dated 23-4-1994.

**ORDER:**

In G.O.Ms.No.350, Finance, dated 23rd April, 1994, the Government have constituted a Finance Commission with Thiru M.A.Gowri Shankar, I.A.S., as Member Secretary of the Commission.

2. The appended notification will be published in the extra-ordinary issue of the Tamil Nadu Government Gazette dated the 7th September, 1994.

(BY ORDER OF THE GOVERNOR)

J.T.ACHARYULU  
SECRETARY TO GOVERNMENT

**NOTIFICATION-I**

In exercise of the powers conferred by sub-Section (1) of Section 198 of the Tamil Panchayats Act, 1994 (Tamil Nadu Act 21 of 1994), the Governor of Tamil Nadu hereby appoints the following persons as Chairman and other members of the Finance Commission constituted and published in Finance Department notification No.II(1)/FIN/38(C)/94, dated the 23rd April 1994, at pages 1-2 of Part II-Section 1 of the Tamil Nadu Government Gazette Extraordinary, dated the 23rd April 1994:-

- |    |  |    |                     |
|----|--|----|---------------------|
| 1. | Thiru R.Arumugham, I.A.S., ( Retired)            | .. | Chairman            |
| 2. | The Director of Municipal Administration, Madras | .. | Ex-Officio Member   |
| 3. | The Director of Rural Development, Madras        | .. | Ex-Officio Member   |
| 4. | Thiru Kuzha Chelliah, Ex-M.L.A.                  | .. | Non-Official Member |

J.T. ACHARYULU,  
SECRETARY TO GOVERNMENT

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**Appendix No.3**

**LIST OF DISTRICTS SELECTED FOR INDEPTH STUDY**

Sl. No.	Name of the District	Names of Institutions selected		
		Panchayat Unions	Town Panchayats	Municipalities
I.	Chengalpattu MGR	1. Minjur	1. Thiruthani	1. Kanchipuram
		2. Achirapakkam	2. Chinnasekkadu	2. Pallavapuram
		3. Gummidipoondi	3. Potturpettai	
		4. Villivakkam	4. Pallikaranai	
II.	Coimbatore	5. Pollachi (South)	5. Valaparai	3. Thiruppur
		6. Palladam	6. Avinashi	
		7. Annur	7. Komaralingam	
		8. Thiruppur	8. Veerakeralam	
			9. Thirumalayanpalayam	
III.	Pasumpon Muthuramalinga Thevar	9. Sivaganga	10. Thiruppathur	4. Karaikudi
		10. Thirubuvanam	11. Pallathur	
		11. Kallal		
IV.	Tiruchirapalli	12. Thiruverumbur	12. P.Pugalur	5. Manapparai
		13. Manaparai	13. Ariyalur	
		14. Ariyalur	14. Thiruverambur	
		15. Krishnarangapuram		
		16. Perambalur		
V.	The Nilgiris	17. Kothakiri	15. Gudalur	6. Udagamandalam
			16. Bikketti	
VI.	Dharmapuri	18. Palacode	17. Bargur	7. Dharmapuri
		19. Thalli	18. Mallapuram	
		20. Bargur		
VII.	Nagapattinam Quid-e-Milleth	21. Nagapattinam	19. Velanganni	8. Thiruvarur
		22. Sembanarkoil	20. Koradacheri	9. Thiruthurai- poondi
		23. Mannargudi		
VIII.	Kanyakumari	24. Thuckalay	21. Kilkulam	10. Kuzhithurai
		25. Agastheeswaram	22. Thiruvattur	
			23. Vellimalai	
			24. Agastheeswaram	
			25. Thingalnagar	

#### Appendix No.4

##### LIST OF OFFICERS INVOLVED IN THE TABULATION SCHEMES

- 1) Thiru. R. Alakiri Raju  
Joint Secretary  
State Finance Commission
- 2) Thiru. S .Ramachandran  
Officer on Special Duty  
State Finance Commission
- 3) Thiru. S. Venkataraman  
Joint Director  
Government Data Centre
- 4) Dr. Shanmugam  
Madras School of Economics

Approval of Tabulation Schemes by Dr. Raja J. Chelliah, Chairman, Madras School of Economics, Chennai. They had several sittings during September and October 1995 and prepared the draft tabulation scheme.

This was scrutinized and adopted by a special team consisting of the following

- 1) Thiru. R.Arumugham, IAS.  
Chairman  
State Finance Commission
- 2) Dr. Palanidurai  
Full-Time Member  
State Planning Commission
- 3) Dr. Shankar  
Director  
Madras School of Economics
- 4) Thiru. Rameshram Mishra , IAS.,  
Member Secretary  
State Finance Commission

## Appendix No. 5

### DETAILS OF THE STUDY BY THE THREE TASK FORCES

#### I. Anna Institute of Management - Organisation and Powers

- |    |   |                  |
|----|---|------------------|
| 1) | Thiru. Sukavaneshvar, I.A.S.<br>Director, Anna Institute of Management  | Chairman         |
| 2) | Thiru. J.V. Chandrasekaran, I.A.S.<br>Joint Secretary (Rtd.),<br>Municipal Administration & Water Supply Dept., | Convenor         |
| 3) | Tmt. Dr. Nandhitha Krishnan,<br>Director, C.P.R.Environmental Education Centre,<br>Chennai-18.                  | Member           |
| 4) | Thiru. C.Andrew Mariados Pakiaraj<br>Faculty Member, Anna Institute of Management.                              | Member           |
| 5) | Thiru. V.Balasubramaniam<br>Additional Director of Municipal Administration.                                    | Member           |
| 6) | Thiru. K.Vallinayagam<br>Additional Director of Rural Development. (Rtd.)                                       | Member           |
| 7) | Thiru. M.Sankarapandian<br>Pay and Accounts officer (Rtd.)  | Member           |
| 8) | Thiru. R.Alakiri R aju<br>Joint Secretary, State Finance Commission.  | Member Secretary |

The terms of reference issued to this Task Force were as follows:-

1. a. Reconstitution of Village Panchayats Town Panchayats, Municipalities and Corporations - Fixing norms based on population, area etc.
- b. Classification, re-classification of Village Panchayats, Panchayat Union Councils, Town Panchayats, Municipalities, Municipal Corporations for the purpose of Government assistance/administrative convenience.
- c. Review of the staff strength sanctioned to the Local Bodies including recruitment procedure redeployment, fixing norms for creation with reference to the devolution of powers to the Rural and Urban Local Bodies contemplated in the 11th and 12th Schedule of the Constitution and Schedule (iv) of the Tamil Nadu Panchayats Act 1994 and Schedule 10 of the District Municipalities Act 1920 and Schedule of the Municipal Corporation Act and also the workload position upto 2002. Periodical training of staff in the proper maintenance of accounts and in administration.

d. Review of the Technical staff sanctioned to Local Bodies with reference to the workload, Administrative and Technical control, measures to strengthen the system including periodical training to the staff. Training local residents (select) with the help of N.G.Os. for effective maintenance of core civic services.

e. Review of adequacy of powers of Local Bodies for effective implementation of schemes viz., Schemes of their own and also State and Centrally sponsored and externally aided. Need for liberalisation and delegation of powers.

f. (a) Review of the works procedure, rules for calling tenders, Technical and Administrative sanction powers for works, sanction of powers for excess over estimates etc.

(b) Accountability of the Executing Agencies to the Local Bodies.

g. Review of the Financial and Accounting procedure in Local Bodies for incurring expenditures, control mechanism, review of the accounts and registers maintained in the Local Bodies and suggest measures for simplification and improvement.

h. Review of the present system of Audit of the accounts of the Local Bodies and suggesting ways and means for improvement and audit mechanism for Village Panchayats. Fixing joint responsibilities for officials and non-officials for omissions, commissions and mis-use of powers.

i. Data Base for Local Bodies - Computerisation - for Civic Services, Administration and for accounts.

Government in G.O. Rt. No.692, Finance (Resources) Department, Dated 27.9.95, sanctioned the required amount to the above Institute. Mid-term reviews were held on 5.11.95, 21.12.95, 23.2.96 and 5.3.96. The final report of this Task Force was submitted to the State Finance Commission on 8.5.1996.

## **II. M/s Kirloskar Consultants Limited - Norms for Core Civic Services**

The task force constituted to examine the norms for core civic services and possible areas of privatisation, started to function with effect from 28.9.1995. The following members on the Government side were identified by the above consultants headed by Thiru K.Mukundan, Associate Vice-President as experts for the proposed study.

- |    |                    |  |
|----|--------------------|--|
| 1) | Thiru. P. Dorairaj | Additional Director of Rural Development (Rtd.)        |
| 2) | Thiru. Ramalingam  | Additional Director of Municipal Administration (Rtd.) |

Prominent among the Kirloskar Consultants was also Thiru. Brij Gopal Lada who liaised with the Tamil Nadu State Finance Commission along with Thiru. K.Mukundan and brought out valuable indices in respect of all Local Bodies. Thiru. S.Ramachandran, Officer on Special Duty, State Finance Commission assisted them with all the information and help required, from time to time

The objectives of their study were as follows:-

1. To arrive at norms for the minimum acceptable level for the core services in the various types of Local Bodies both in urban and rural.
2. Norms for Operation and Maintenance, for existing services and minimum level of expenditure needed.
3. Projection of need for services for the period upto the year 2002.
4. The resources needed for providing the minimum level of services and for the Operation and Maintenance on a reasonable level.
5. Possibility of induction of private agencies for services and for effective management and economy.

The above institute was also provided with the required finance by the Government. The said Task Force for norms for Core Civic Services and Possible area of Privatisation was subjected to mid term review on 23.11.95, 8.1.96, 23.2.96 and 24.5.96. It submitted its final report on 30.7. 1996.

### **III. Institute for Financial Management and Research, Madras - Augmentation of Resources**

This institute constituted the task force on 'Tax and non-tax resources of the Local Bodies in Tamil Nadu' and launched its programme with effect from 10.10.1995. The members who handled this task force were as follows:-

- |    |                           |                |   |
|----|---------------------------|----------------|---|
| 1) | Dr. P.S. Iyer             | Director       | Institute for Financial Management and Research |
| 2) | Prof. D.S. Hanumantha Rao | Faculty Member | Institute for Financial Management and Research |
| 3) | M/s. Shanthi and Malathi  | Faculty Member | Institute for Financial Management and Research |
| 4) | Dr. C.B. Padmanabhan      | Economist      |   |

Thiru. S. Ramachandran, Officer on Special Duty, State Finance Commission, assisted them on behalf of the State Finance Commission, and provided them with all the help and materials required. For this institution the Government had sanctioned the required amount towards travel, stay, consultant charges, charges for data collection, research assistance and for printing reports.



The scope of their study was as follows:-

1. To study the existing tax and non-tax structure, rates, basis, procedure for levy and collection.
2. Strategy for mobilization of additional resources through existing tax and non-tax sources and the base for rationalization of procedure and plugging loop-holes in collection.
3. New tax domains, additional assignment of taxes of the State and widening of tax base through new taxes.
4. Adequacy of existing assignment and to suggest additional assignment of taxes of the state to the Local Bodies to determine the principle to govern assignments.
5. Principles to govern grants-in-aid.

Mid-term review were held on 24.11.95, 31.1.96 and 30.4.96

The above Task Force submitted its report on - -1996.

## Appendix No. 6

### DETAILS OF VISITS OF TAMIL NADU STATE FINANCE COMMISSION TO OTHER STATES

#### Karnataka State

- 1) Dr. G.Thimmiah, Chairman State Finance Commission
- 2) Dr. Abdul Aziz, Member State Finance Commission
- 3) Representatives of Rural Development and Urban Development Department
- 4) Tmt.Mangamma Munusamy, Chairperson, Kolar District Commissioner 29.10.95
- 5) Deputy Commissioner and Chief Accounts Officer of Bangalore Municipality and others. & 30.10.95

#### West Bengal

- 1) Mr.Satyabrata Sen, Chairman, State Finance Commission
- 2) Dr.Nripan Banerjee, Member, State Finance Commission
- 3) Mr.Roy, I.A.S., Secretary State Finance Commission and 17.11.95 & 18.11.95
- 4) Mr. Debasis, Provincial Deputy Collector and Assistant Secretary State Finance Commission and others

#### New Delhi

- 1) Mr.Purushotham Lal, officer handling State Finance Commission in the Ministry
- 2) Mrs. Sushma Singh, Joint Secretary, Ministry of Rural Development 22.1.96 &
- 3) Mr. P.K.Mohanti, Director, Urban Development and others 23.1.96

#### Orissa:-

- 1) Mr.R.M.Senapathy, IAS, Principal Secretary, Panchayat Raj
- 2) Mr.Srinivas S.Ratha, IAS, Secretary, Transport and Commerce
- 3) Mr.Karunakar Patnaik, IAS, Director Panchayat Raj,
- 4) The Deputy Secretary and Financial Advisor of Panchayat Raj and
- 5) The Administrator and Financial Controller of Municipal Corporation, Bhubaneswar

#### Maharashtra

- 1) Mr.Suresh P.Prabu, Chairman, State Finance Commission
- 2) Mr.P.P. Mahaana, IAS, Member Secretary, State Finance Commission
- 3) Tmt.Maitreyi Das, IAS, Chief Executive Officer, Zilla Parishad, Thane District 29.1.96 to 30.1.96
- 4) Mr. K.R.Khanolkar, Director General of All India Institute of Local Self Government, Anderi (West) and others

## **Andhra Pradesh**

- 1) Mr.Arjun Rao, IAS, Principal Secretary to Government,  
Urban Development Department
- 2) Mr. Chengappa, IAS, Commissioner and  
Secretary to Government - Andhra Pradesh,
- 3) Mr.A.V.S.Reddy, IAS, Principal Secretary to Government,  
Panchayat Raj Department, Andhra Pradesh **28.2.96 & 29.2.96**
- 4) Mr. G. Laxmansamy, Chairman, State Finance Commission
- 5) Mr. I.K.Pichaiya, Member Secretary, State Finance Commission
- 6) Mr.Y.Rama Rao, Chief Executive Officer,  
Zilla Parishad, Medak District, Andhra Pradesh
- 7) Mr.Rosaiah, IAS., District Collector and others

The State Finance Commission also visited the National Institute of Rural Development, Hyderabad and had discussions with the Director General, Deputy Director General, Director Panchayat Raj Finance and other experts.

## **Kerala**

Member Secretary Thiru. K.Skandan, IAS., participated in the state level seminar at Kerala on **27.5.1995**.

## Appendix No.7

### DETAILS OF VISITS OF OTHER STATE FINANCE COMMISSIONS TO THE FINANCE COMMISSION OF TAMIL NADU

- |    |  |  |
|----|--|--|
| 1) | State Finance Commission<br>Madhya Pradesh | Dr.Sawai Singh Sisodia<br>Chairman and M.S. Raghavan, IAS.,<br>State Finance Commission on<br>15.5.1995 and 17.9.1996  |
| 2) | State Finance Commission Haryana           | Mr.Rajinder Singh Bisla,<br>Chairman,<br>State Finance Commission on<br>28.2.1995  |
| 3) | State Finance Commission<br>Karnataka      | Mr. G.Thimmaiah<br>Chairman,<br>State Finance Commission<br>Mr. A.P.Agarwal,<br>Member Secretary,<br>State Finance Commission<br>Mr.Abdul Aziz,<br>Member,<br>State Finance Commissionon<br>24.8.95 to 26.8.1995 |
| 4) | State Finance Commission<br>New Delhi      | Mr. Virendra Prakash,<br>Chairman,<br>State Finance Commission on 4.10.96.   |

## Appendix No.8

### DETAILS OF THE CONFERENCE OF EXECUTIVE OFFICERS OF TOWN PANCHAYATS

- |  |  |
|--|--|
| 1) <b>Technical Session I</b><br>Chairperson       | <b>Local Resource Generation</b><br>Thiru. B. Anandan, I.A.S.,<br>Deputy Commissioner of<br>Commercial Taxes, Chennai.   |
| 2) <b>Technical Session II</b><br>Chairperson      | <b>Devolution of Resources</b><br>Thiru. C.Chandramouli, I.A.S.,<br>Joint Chief Electoral Officer and<br>Joint Secretary to Government,<br>Public (Election) Department, Chennai..9.                           |
| 3) <b>Technical Session III</b><br><br>Chairperson | <b>Betterment of Civic Services and cost<br/>to achieve norms operation and<br/>maintenance</b><br>Thiru. T.V. Somanathan, I.A.S.,<br>Executive Director,<br>Madras Metrowater and Sewerage Board,<br>Chennai. |
| 4) <b>Technical Session IV</b><br>Chaiperson       | <b>Devolution of Function</b><br>Thiru. L. Krishnan, I.A.S.,<br>Managing Director,<br>Madras Industrial Park Ltd., Chennai.  |
| 5) <b>Technical Session V</b><br>Chairperson       | <b>Management Development</b><br>Thiru. Swaran Singh, I.A.S.,<br>Special Officer, Metro Infrastructural<br>Development Corporation, Chennai.   |
| 6) <b>Technical Session VI</b><br>Chairperson      | <b>Control Mechanism and Accountability</b><br>Thiru. Sundaradevan, I.A.S.,<br>Member Secretary,<br>State Election Commission, Chennai.  |

**Appendix No.9**

**DETAILS OF THE CONFERENCE OF COMMISSIONERS OF MUNICIPALITIES  
AND MUNICIPAL CORPORATIONS**

- |    |   |   |
|----|---|---|
| 1) | Taxation and Local Resource Generation  | Thiru. Vibhu Nayar, I.A.S.<br>Deputy Commissioner (Finance)<br>Chennai Corporation.   |
| 2) | External Resources improvement<br>and Devolution of Resources                   | Thiru. Vishwanath Shegaonkar, I.A.S.<br>Commissioner,<br>Coimbatore Corporation,<br>Coimbatore.   |
| 3) | Improving the level of civic services,<br>fixing norms of services and funding. | Dr. Niranjan Mardi, I.A.S.<br>Joint Secretary to Government,<br>Prohibition & Excise Department.  |
| 4) | Urban Planning and Devolution of functions                                      | Thiru. Jatindranath Swain, I.A.S.<br>Additional Director,<br>Industries and Commerce Department,<br>Chennai-5.                                |
| 5) | Management Development  | Thiru. C.Chandramouli, I.A.S.<br>Joint Secretary to Government and<br>Joint Electoral Officer,<br>Public (Election) Department,<br>Chennai-9. |
| 6) | Control Mechanism   | Thiru. P .Sonai, I.A.S.<br>Commissioner,<br>Corporation of Madurai,<br>Madurai.   |

## Appendix No.10

### DETAILS OF NATIONAL CONFERENCE OF LOCAL BODY FINANCE

#### Details of Technical Session & Participants:

##### Technical Session I : Transfer of Power to Local Bodies

Chairperson : **Mr. D.M. Sukthankar**  
President,  
National Institute of Urban Affairs Governing  
Council, Mumbai.

Paper Presenters : 1. **Prof. Susheela Kaushik,**  
Head of Department,  
Department of Political Science,  
University of Delhi.

2. **Dr. George Mathews,**  
Director, Institute of Social Science,  
New Delhi.

##### Technical Session II : Strengthening Local Body Finance

Chair Person : **Mr. C. Ramachandran, IAS.,**  
Ministry of Urban Development,  
Government of India,  
New Delhi.

Paper Presenters : 1. **Dr. G. Palanithurai,**  
Head of Department,  
Department of Political Science and  
Administration, Gandhigram University,  
Dindigul.

2. **Dr. S. Guhan**  
Emeritus Fellow,  
Madras Institute of Development Studies,  
Chennai.

##### Technical Session III : Improving Civic Services in Local Bodies

Chair Person : **Mrs. Jayanthi, I.A.S.,**  
Vice Chair Person,  
Madras Metropolitan Development Authority,  
Chennai.

- Paper Presenters : 1. **Thiru. K. Mukundan,**  
Kirloskar Consultancy Limited, Anna Nagar,  
Chennai.
2. **Dr. Dinesh Mehta**  
National Institute of Urban affairs, New Delhi.

**Technical Session IV : Financial Assistance to Local Bodies**

Chair Person : **Mrs. Sushma Singh, IAS,**  
Joint Secretary to Govt. of India,  
Department of Rural Areas and Employment,  
New Delhi.

- Paper Presenters : 1. **Prof. Abijit Datta,**  
Senior Fellow,  
Institute of Social Science, New Delhi.
2. **Dr. A. Bagchi,**  
Professor Emeritus,  
National Institute of Public Finance and Policy,  
New Delhi.

**Technical Session V : Management Control and Accountability**

Chair Person : **Mr. J.T. Acharyulu, IAS,**  
Secretary to Government,  
Municipal Administration & Water Supply  
Department.

- Paper Presenters : 1. **Dr. V. Ramachandran,**  
Director,  
Rajiv Gandhi Foundation,  
New Delhi.
2. **Mr. K.C. Sivaramakrishnan,**  
Visiting Professor,  
Centre for Policy Research,  
New Delhi.