

ACTION TAKEN REPORT ON THE REPORT OF THE SECOND STATE FINANCE COMMISSION:

In accordance with the Provisions of Sec.235 (1) of the Andhra Pradesh Panchayati Raj Act, 1994, the Government constituted the Second State Finance Commission in December,1998. The Commission has submitted its Report to the Governor / Government on 19th August, 2002. The Report is now placed on the table of the Legislature along with the Action Taken Report with reference to Sec.241 (2) of the AP Panchayati Raj Act,1994.

2. The Report relates to both Panchayati Raj Institutions and Municipal Bodies. The recommendations of the Second State Finance Commission have been examined by the Panchayat Raj & Rural Development Department, Municipal Administration & Urban Development Departments and Finance Department. The Cabinet sub-Committee constituted to make recommendations on the Report of the Second State Finance Commission and the Cabinet Sub-Committee on Local Bodies have examined the Report.

3. Based on the review of the Cabinet Sub-Committee, Government agreed to devolutions to the extent of Rs.300 crores per annum towards Second State Finance Commission grants to the Local Bodies as shown below:

SI No	Name of the Local Body	Rs in Crores per annum
1.	Panchayat Raj Institutions	200.00
2.	Municipalities and Municipal Corporations	100.00

4. There is provision in the budget for 2003-04 for the above purpose.

5. The amounts are to be distributed as shown below:

Panchayati Raj Institutions:

SI No	Name of the Local Body	Rs in Crores
1)	Zilla Parishads	40.00
2)	Mandal Parishads	25.00
3)	Gram Panchayats	135.00

Municipal Bodies:

SI No	Name of the Municipal Body	Rs in Crores
1)	Municipalities	80.00
2)	Municipal Corporations	20.00

6. Government considered that instead of allocating amount for individual schemes / items, the total amounts may be placed at the disposal of the Local Bodies. They may utilise the amounts for their felt needs prioritising the schemes / items. Broadly, the items may be divided as capital, maintenance and civic amenities. Out of the amounts released to them, they may spend an amount not less than 25 per cent and not exceeding 50 per cent of the grant for maintenance. The remaining amount may be utilised for capital works and civic amenities depending upon the necessity.

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MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT DEPARTMENT

Action taken report on the report of the 2nd State Finance Commission

The Second State Finance Commission has made 39 recommendations pertaining to Financial Devolutions and structural Reforms covering 9 major sectors in the Urban Local Bodies. These sectors comprise both asset creation and also operations and maintenance functions. All the recommendations are in tune with the over all spirit of the 74th Amendment. This department has accepted 25 recommendations and 14 recommendations of the Finance Commission are still under examination and will be considered positively in the year 2003-4. The Commission has not taken into account the devolution under the 9 relevant sectors made by the Government over the last 3 years, 2000-2003. A statement showing the actual releases under these relevant heads for Plan, Non-plan and Externally Aided is as below:

(Rs. In Crores)

SECTOR	2000-2001	2001-2002	2002-2003
Maintenance of Water Supply and Drainage	168-00	250-00	275-00
Maintenance of Building belongs to Municipalities	--	--	--
Civic Amenities	67-00	100-00	110-00
Surcharge on Market cess	--	--	--
Excise duty and Sales Tax	--	--	--
Motor Vehicle Compensation	--	--	--
Salaries to Staff	50-00	75-00	83-00
Creation of Data Base	--	--	--
Additional Devolution	50-00	75-00	82-00
Total:	335-00	500-00	550-00

Therefore, it is clear that though Government have not specifically made budgetary provisions under Second State Finance Commission Grants, till 2003-4, adequate funding is made for relevant areas of concern.

Despite the budget constraint this year, a provision of Rs.100 crores has been made in the budget of 2003-4. This Department has allocated these funds for release directly to the Corporations and municipalities under two broad categories. Fifty percent of the release shall be spent on new civic amenities and Basic Urban infrastructure. The balance 50% is to be used for maintenance of infrastructure already created by the Urban Local Bodies concerned.

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