Para	Recommendation	Whether or not the recommen-dation is accepted?	If accepted, action taken
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1.18	The para 5 of the ToR of the Mizoram Finance Commission mandates "In making its recommendations on various matters, the Commission shall take the base of population figures as of 2001, in all such cases where population is a factor for determination of devolution of taxes and duties and grants-in-aids." However, we have observed that Final Population Totals of the 2011 Census have already been released by the Registrar General of India and the numbers are available with us. Under the circumstances we do not find any logic to stick to the population numbers of 2001 Census. We, therefore, consciously decided to deviate from this stipulation of the ToR and adopted 2011 Census population in our calculations and observations for the purpose as specified in the ToR.		
2.24	Activity Mapping must propose roles and responsibilities of the village councils to reach the goals and the steps Government should take for effecting the changes. It charts the future path of decentralization agenda for local government in Mizoram. Improving accountability is essential for better functioning of the local bodies. This is attempted by calling all the voters to attend Gram Sabha every six months for receiving suggestions of the people. Social audit of all important programmes is to be made a regular activity.		
2.25	In order to enable the village councils in Mizoram to function as democratic institution of self-government, the following subjects and functional activities may be devolved based on the field situation and our findings: *(Kindly see the Table wherein the subjects and the proposed functional activities for devolution are listed in page 222 & 223 of the Report of the 1st State Finance Commission of Mizoram)*		

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2.25	Capacity building initiatives will have to be vigorously undertaken by both Rural Development Department, which will have to be bolstered, and the Local Administration Department. State Institute of Rural Development (SIRD) has to be extended to provide Extension Training Centre in some important places to undertake massive capacity building of members of elected Local Bodies and officials. That is the reason why we are not recommending any Big bang approach in implementing our proposal. Rather we prefer a gradual transfer of activities in tandem with the capacity building.		
2.26	In order to make Village Council Administration more accountable and responsive, a Secretary of the rank of Assistant Grade may be posted to look after bigger Village Councils of 301 households or more, and a cluster of two or more Village Councils in other cases. The VLAs/VLWs shall be posted in smaller villages. The mode of appointment/deputation of these officials will ultimately be decided amicably by the State Government and the Local bodies. Alternatively, the Headmaster or the teacher of the local primary school may be selected on part time basis to discharge the function against a fixed monthly honorarium to be decided by the State Government. This will replace the existing secretary appointed by the VC.		
2.27	It has been reported to us that the State Government has considered to devolve more powers in the hands of Village Councils by repealing the existing Village Councils Act by a new Act with certain modification and changes in the present functions in a suitable and befitting manner. For the purpose of this, a draft bill has been prepared and is now under active consideration and examination of the Government. If our recommendations are incorporated in the proposed bill, they would fulfill the aspirations of the people of		

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	Mizoram in the decentralized governance.		
3.33	The two most pertinent points that emerge from the demographic data of the Aizawl Municipal Area are • The robust growth of population of the City during the last three decades • The high density of the population as apparent from the fact that more than one fourth of the State's population are living within an area marginally above the half per cent of the total geographical area of the State These are the indications of the complex nature of the urbanization problem of the City that is being encountered increasingly particularly in the context of sanitation, public health and other related problems associated with civic services.		
3.20	If the AMC is expected to perform the analogous functions of the municipalities functioning in other parts of the country it should be empowered by functions listed in the Twelfth Schedule of the Constitution. We have examined the position of 18 listed items of the Twelfth Schedule of the Constitution in the light of its 74^{th} Amendments juxtaposed to the devolved functions to the AMC and functions still retained by the various departments of the State Governments. We have found a large number of such functions are still retained by various departments of the State Government.		
3.21	Notwithstanding the fact that it is the prerogative of the State Government to decide the extent of the functional devolution to the AMC as per the Municipal Act of the State, we strongly recommend smooth transition of the remaining activities listed in the Twelfth Schedule of the constitution to the AMC on time bound		

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	manner mainly from two angles namely to perform the analogous functions of other urban local bodies of the country and to handle the problems of growing urbanization with a holistic point of view. However, we are not offering any suggestion of Big Bang approach. Rather we advocate a policy of transition with capacity building but in a time bound manner.		
3.22	We feel serious attention has to be given to the functioning of the Ward Committees and Local Councils of AMC in a systematic manner.		
3.23	Lack of resources often results in local bodies diluting the quality of services provided by them. State Governments must gradually put in place standards for delivery of all essential services provided by local bodies. For a start, State Governments must notify or cause AMC to notify by the end of a fiscal year (31 March) the service standards for four service sectors-water supply, sewerage, storm water drainage, and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year. Such a notification will be published in the State Government gazette and the fact of publication will demonstrate compliance with this condition.		
3.26	With the emergence of urban areas in various parts of the State of Mizoram there has been growing aspirations of the people of Mizoram to have better civic amenities. There is pressing demand to create more municipal councils in the State to give shape to this popular expectation. After careful consideration of the issue we recommend to constitute a municipal council at Lunglei town as exception. If required, the State Government may amend the present Municipal Act to make this recommendation effective.		
3.28	We are of the view that initially municipal		

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	boards/nagar panchayats may be formed in the remaining 6 district headquarters. Alternatively, all towns with population of 7000 (Mamit is the smallest district headquarter having slightly more than 7000 population) may be allowed to have municipal board/nagar panchayat to avoid the anomaly and at the same time to enable them to have core civic amenities. On both the alternatives, a final call on formation of the Municipal Council may be taken on the basis of 2021 Census for a viable size and greater fiscal space.		
3.29	There are no uniform guidelines to define this transition and in some states nagar panchayats have been created even if the population does not exceed 10,000. In such cases, the nagar panchayat is deprived of the benefit of rural development programmes such as PMGSY and NREGS. This fact may also be kept in mind while creation of urban local bodies in the emerging urban areas of the State. Further, these institutions may incur higher establishment costs than gram panchayats. State Governments should lay down guidelines consistent with Article 243Q (2) of the Constitution, or else, review existing ones with regard to creation of nagar panchayats and municipalities.		
4.57	Even though many subjects and functional items have been entrusted by the State Government, to the three Autonomous District Councils, majority of the entrusted items have continued to be performed by the line and administrative offices in Council areas. There continue to be a dichotomy in the approach toward district development between the State Government and the Councils. The State Government continues to undertake works in respect of the devolved functions without consulting the Councils. Separate DRDA continue to exist in both districts. MGNREGS is also being implemented outside the Councils. As		

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	such, many respondents of the ADCs stated that the District Council do not play major functional role even in the execution of centrally sponsored schemes such as MGNREGS, IAY, BRGF, and BADP. It is, therefore, very difficult to identify which functions are devolved in the true sense of the term.		
4.58	Many items and subjects have been entrusted to the three ADCs without accompanying devolution of functions and finances, making the ADCs a duplication of the State Departments. This resulted simply in the increase of administrative personnel and staff without attendant delivery of services. Devolution of the three Fs (Functions, Functionaries and Finance) is yet to take a proper shape.		
4.62	The Executive functions have already been given in details as per the Notification order, particularly of dated 29th August, 2011 containing 19 functional subjects and activity mapping for each subject. We strongly feel that the State Government should ensure that the environment and forest and the elementary education are reincluded in these functional activity mapping as per the notification dated 22nd September, 1993 and be adhered to as far as the Autonomous District Councils are concerned.		
4.63	All the three Councils together have official employees of nearly 5500 and thus is required to be properly evaluated keeping in view our suggestions on functional inclusion.		
5.3	The population of Mizoram is only 11 lakh and the size of market is constricted. From the point of view of the State finances the economy is not significantly viable to generate a fiscal surplus on its own. The plus point is the improved law and order situation and sustained political peace.		

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5.4	Own tax base of the State is very narrow and tax capacity is poor. No significant improvement is possible in the short run except minor improvements. However, a structural change in the tax regime may augment the level of tax revenue as it was observed in case of introduction of VAT. It would be interesting to see the effect of the Goods and Services Tax (GST) if introduced in the State. Due to total prohibition, the collection from state excise duty is meager. It needs to be pointed here that the state has been sacrificing sizeable revenue due to prohibition. (The recent decision of the State Government to relax the prohibition order selectively may of course contribute positively to the fiscal health of the State).		
5.5	Due to financial limitations of the people of the State at large, the scope to levy user charges on public utility services at economic rate is handicapped and thus the level of own non-tax revenue of the state is also very low.		
5.6	There being no large or medium public or private sector enterprise in the State, due to limited scope for employment, the state government per force is the single largest employer in the state. This to a great extent has influenced the salary component of the expenditure and significantly contributed to the non-plan revenue deficit of the State. This, together with the poor resource endowment, has made the state finances by and large dependant on the transfer from central government.		
5.7	As the position stands, compression of expenditure of the State can only be viewed from the angle of its effect on social sector and capital outlay. Again, due to the extremely weak social and physical infrastructure, there is urgent necessity for investment in social and economic sector. Since a ceiling on borrowing of the State has been imposed by the Central Government on recommendation of the Finance Commissions, the State is in dilemma while		

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	pursuing the fiscal consolidation road map in managing public finance.		
5.23	The State should further strengthen its tax efforts to enhance the own revenue by restructuring or revisiting the present tax regime. There have been two proposals of the Expenditure Review Committee of the State which need to be placed for active consideration of the Government namely broadening the base of entertainment tax by bringing the activities like film industries, picnic spots, cyber café, paragliding etc under the ambit and also the introduction of entry tax. We have already pointed out that revision of rate of profession tax could be an effective source of increase in tax revenue provided Constitutional amendment is made. Since the revision of the profession tax is subject to Constitutional amendments, the State Government may examine the feasibility of introducing a new State tax in lieu of revision of the profession tax particularly under the circumstances when no income tax is required to be paid by the local people. Besides, there is scope to explore the possibility to revise the rate of tax under motor vehicles (highly buoyant in the State). It is also required to be seen how the stamps and registration duty can be made an effective tax handle in the State following the queue of other States.		
5.24	Redefining the present rates of user charges on public utility services particularly power, water supply and sanitations etc. by linking these at least to the operation and maintenance cost is to be taken up at the earliest. Constitution of an independent regulatory body for fixation of water supply charges may be thought of. There is also scope to impose various types of fees and charges from time to time recommended by the Expenditure Review Committee in the State particularly in Aizawl.		

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5.62 5.63 5.64	Taking into consideration the financial projections given by State Government to the Fourteenth Finance Commission and reviewing them critically with adjusting the numbers with realistic assumptions, we have arrived at a new set of fiscal projections of the State Government before the devolution of the Central Finance Commission for the forecast period.		
6.12	Aggregate own revenues of all the Village Councils has been very small due to lack of devolution of financial powers. It is less than Rs 30 lakh altogether and insignificant in term of per capita revenue compared to the numbers. Thus, it is no wonder that VCs are heavily dependent on grants from the State Government as well as Central Finance Commission even to carry out the present limited assigned responsibilities. Among the various taxes and fees, the aggregate contribution of the fees for village crier has been foremost followed by animal tax. However, the scope for augmenting the receipts from these sources is so narrow that no significant improvement can be expected in near future. This apart, the capacity to collect the revenue by the VCs at present is so poor due to absence of qualified manpower that it is not realistic to suggest any reform in the own tax structure unless the tax collection machinery of VCs is boosted and qualitatively strengthened. We at the moment are not suggesting such drastic measures except that more funds may be flown to the VCs in the form of grants in aid and the devolution of State taxes and duties. However, taking this opportunity, we advice the State Government to set up a Committee with at least an expert member to examine the issues in tax reforms of VCs to provide greater taxation power.		
6.13	The relative increase in total financial resources of VCs from 2010-11 onwards was by and large contributed by the grants of the Thirteenth Finance Commission with the		

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	stipulation that it can't be used to pay salary expenses. As the VCs are financially incapable to bear the salary expenses, the State Government provides grants to them to the extent to meet this expense. This is precisely the reason for a constant amount of State grants to VCs over the years. While admitting the merit of this recommendation of the Central Finance Commission we at the same time like to keep on record that keeping in view the weak financial condition of the local bodies in one way compels the State Government to shoulder the salary expenses fully which, *de facto*, is a matching contribution. More importantly, this would over play the non-plan revenue expenditure of the State Government and thus should be properly accounted in the normative assessment of the State's non plan revenue expenditure by the Central Finance Commission in assessing the non plan revenue deficit. Otherwise, the State Government would be in double disadvantage and ultimately this may affect their capacity to finance the local bodies as per their need as much as possible.		
6.15	One interesting point we would like to observe is the positioning of district-wise VCs relative to the average per capita total revenue receipts of all VCs and its movement, if any, over the years juxtapose to its share in aggregate population.. Consistently only the VCs of the two districts, namely Saiha and Lawngtlai, in aggregate, were positioned above the level of average per capita total revenue receipts of the State in all the three years (2009-10 to 2011-12). Assuming that the VC's own revenue receipts were too small to affect the positioning, and the grants of the State had been more or less frozen at a particular level, it was the TFC grants by and large responsible for the positioning of the districts in per capita mapping of the total revenue receipts. Thus, it is intriguing how can a large number of districts with altogether more than three fourth share of		

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	the State's non municipal population, remained consistently below the average of aggregate per capita receipts. This might be perhaps due to two reasons, such as, they could not draw their share of grants due to lack of stipulated.		
6.17	We feel that the present system of transacting in cash by the VCs is required to be changed to the banking transaction mode for the sake of transparency and accountability. For transacting the FC grants the VCs are already in bank mode. Thus, there is no reason why their entire financial system can't be operated through banks. We advise the State Government to seriously revisit the issue and implement the same on priority basis.		
6.18	For improvement of own revenue receipts, the VCs are required to be empowered to tax on agricultural activities and collect fees from the village markets. They may be allowed to tax on forest produces and levy penalty on environmental pollutions including collection of fees on commercial exploitation of Forest Resources.		
6.21	Though there are laid down functions of the VCs in writing, in reality, the VCs are allowed to perform petty activities contrary to the spirit of their mandate. Thus, if we project the expenditure requirement of VCs on the basis of historical trend, we shall be a victim of the fallacy. Hence, we would make an endeavour to normatively project the expenditure requirement of the VCs in a form of aggregate of the districts for the forecast period. Our basis of forecasting would be based on the core functions of the VCs as indicated above along with other non-plan activities. However, we strongly believe that the VCs should be empowered with wider range of functions over and above these activities if they are really allowed to perform the analogous functions of the third tier of the Panchayati Raj Institutions prevailed in the		

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	Country.		
6.22 6.25	For calculating the projected non-plan revenue expenditure of the VCs (district-wise) for the forecast period, firstly, the year-wise non-plan revenue expenditure of the State Government on the relevant object heads under major head 2215 on water supply and sanitation were clubbed for the years 2012-13(actual), 2013-14(RE) and 2014-15(BE) and converted to per capita non-plan revenue expenditure for each of the above mentioned period. To attain a base year estimate, we calculated the average of the above per capita non-plan revenue expenditure of the three years. Since this expenditure has both urban and rural components, we only take 30 per cent of the average per capita expenditure thus arrived as the base year estimate of the VCs. We kept this base year non-plan revenue expenditure constant over the forecast period in real terms, but allowed a step up at a rate of 6 per cent per annum on normative term to adjust the effect of the inflation only. Judging from the historical share of non-salary component of the non-plan expenditure under this particular major head, we recommend that the charged labour component in each year of the forecast period should not exceed 40 per cent of the projected non-plan revenue expenditure due to the fact that in case of some of the expenditure items, labour inputs are high compared to the material input cost. The year-wise normative projection of above per capita expenditure together with the base year estimate is shown in table 6E. We are of the opinion that the expenditure normatively projected by us would take into account core functions as well as other non-plan activities of the Village Councils. Since the entire normative projections are in per capita terms, these have been applied to the individual district population to obtain district-wise projection of the non-plan		

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	revenue expenditure of VCs on core and other functions.		
2.26	The salary expenditure of the VCs which had been at a constant level during the sample period, were revised from the 2012-13 and took a final shape in 2014-15(BE) as per the subsequent information received. Thus, we have pegged the salary expenditure at 2014-15 level for the entire forecast period as we do not expect any further increase in the salary expenditure in the medium term. The manpower cost of the core function and other related expenditure should be in the form of specific labour charge only. The district-wise devolution of funds to the VCs by the State Governments (limited to cover the salary expenses only) for the year 2014-15 (BE) is given in table 6F.		
6.27	It is our observation that the VCs require considerable expenditure provisions towards office expenses including stationery, computers, photocopying machine, training, TA & DA, cost of holding meetings, entertainments etc. for effectively discharging their functions and obligations. These apart, funds are also needed for internal capacity building measures. From this angle, we, thus, recommend separate expenditure under miscellaneous head for each of the forecast years. To estimate this expenditure we have calculated the average of the own revenue receipts of the VCs in each district for the available three years and kept it at the respective level in each of the 5 years as miscellaneous expenditure for the forecast period.		
6.28	On plan side, we feel, it would not be appropriate for us to project the plan revenue expenditure of VCs since this would ultimately depends on the size and mandate of the State Plan Schemes and also the CSS year by year. Further, in paper, though the VCs are sharing the departmental activities		

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	particularly in relation to NREGS, RSBY, NRHM, SSA and NLUP, our field visits reveal that the actual devolved activities of VCs are restricted to give suggestions on the identification of beneficiaries or minor supervision of works only. We are also not sure about the present available capacity within the VCs to share significantly the plan activities in real sense. However, we hope that the LAD, Rural Development Department and DRDA will take *suo moto* coordinated initiative to the capacity development of the VCs along with devolving of fund for the plan activities in cooperation with the concerned departments in the interest of the inclusive development. As a precaution to that our above observations are not ultimately buried in paper with the lapse of time, we recommend to set up a State Level Committee to monitor the accepted recommendations with a specific ToR to oversee the transfer of plan activities and the capacity development.		
6.29	The district-wise projected non-plan revenue expenditure of VCs is given in table 6G.		
7.24	We hope that the inputs provided by the ADB assisted NERCCDIP would enable the State Government to impose property tax by the Aizawl Municipal Council from the year 2015-16. Out of the surveyed properties, as we understand, it is roughly projected to generate approximately Rs. 10.00 crore per annum though we feel that if the State Government wishes this target may be reached gradually rather than abruptly with a time bound transparent process.		
7.26	To project the own revenue receipts of the AMC for the forecast period we recommend to allow the AMC to reach a level of annual collection of property tax at Rs 9 crore rupees at least in 2019-20 gradually from a modest collection of Rs 5 crore in 2015-16. The step up is assumed to be linear.		

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7.27	On projection of non-tax revenue of AMC the total parking fees in the base year estimate has been kept at the level of 2014-15 rounded off to Rs 60 lakh and grown at a rate of 6% per annum for the forecast period as inflation effect. The base year estimate of building permission fees has been kept at the level of 2014-15 and grown at a rate of 6% per annum. Licensing regulation fees has been kept at 2014-15 level and grown at a rate of 6% per annum. The base year number of Bank interest has been arrived at a level of the average of the last two years (2014-15 and 2013-14) and grown at a rate of 6% per annum. For other fees, the same norm is followed as in the case of bank interest.		
7.28	According to the normative projection the AMC is expected to reach a level of annual revenue collection at slightly above Rs 11 crore in 2019-20. Item-wise projection of own revenue receipts of AMC is given in table 7G.		
7.31	The Ministry of Urban Development evolved a uniform per capita requirement of Rs 1578 per annum for the urban local bodies to provide minimum standard of civic services to the urban population. Considering all these aspects, we feel this as a very reasonable estimate. We, thus, assume this uniform urban per capita requirement could be the target for the AMC to achieve in the medium term towards performing core civic functions. The capital expenditure under plan would be additionality as per mandate and the fund allocation. In 2014-15 the per capita expenditure of AMC has been Rs 1297.50. We recommend that the AMC would reach the per capita expenditure level of Rs 1578 in 2019-20 by a linear step up along with inflation effect of 6 per cent per annum. Based on this norm, the table 7-I shows the projected expenditure of the AMC in lakh rupees for the forecast period.		

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8.5	The finances of Autonomous District Councils in general and Chakma Autonomous District Council (CADC) in particular practically depend on the transfers from the State government and the Central Finance Commission due to very limited financial power enjoyed by them. The CADC is unable to optimize its tax efforts even within the limited sphere of its tax autonomy. The Council is also collecting a small amount of non-tax revenue in the form of various fees for general and economic services.		
8.10	The total revenue expenditure of the CADC, has increased at a trend growth rate of 7.36 per cent. Juxtapose to that, the non-plan revenue expenditure had followed a trend growth rate of 17.55 per cent. The plan revenue expenditure, in contrast, registered a negative growth rate -3.71 per cent though during initial years it had lion's share in total revenue expenditure. This shows that during the passage of the sample period, plan funds are being spent directly by the State departments at an increasing rate in CADC area bypassing the Council. This trend is unwarranted.		
8.13 8.14	As a first step to project the expenditure of CADC normatively, we have kept in horizon the per capita non-plan revenue expenditure of the State Govt. in the base year i.e. 2014-15. In order to make the data homogeneous to that of CADC we have deducted the charged amount including the debt servicing and also election, Mizoram Information Commission, Treasury and Accounts, power and police expenditure from the non-plan revenue expenditure of the State Government in order to arrive at adjusted per capita revenue expenditure of the State Government in the year 2014-15. Thereafter, we compare this with the annual average per capita non-plan revenue expenditure of CADC for the three years from 2012-13 to 2014-15. As a bench mark, we recommend that for the next five years, the CADC should		

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	achieve a level of per capita non-plan revenue expenditure of the State gradually so that in 2019-20 the Council will reach the level of the State that existed in 2014-15. This normative adjustment, we feel, is highly relevant and appropriate from the Constitutional provision in the Sixth Schedule and also the Government of Mizoram's Notification in 2011 as stated at the beginning of this Section. The adjustment process thus we adopted to bridge the gap will be in linear form. To make it more realistic in economic terms, we propose further to include the inflation effect at a rate of 6 per cent per annum over thus arrived estimated non- plan revenue expenditure of the previous year. Likewise, to forecast the plan expenditure of CADC, we shall follow the same per capita route as bench mark by adopting per capita plan revenue expenditure of the State Government without any exclusion. Theoretically, in case there is no difference between the per capita plan revenue expenditure of the State in 2014-15 and that of average for three years of CADC in per capita terms, we would like to adopt the three years average per capita plan revenue expenditure of CADC with only addition of per annum inflation effect of 6 per cent. The financing of this projected expenditure is expected to be bridged by plan grants. These apart, the CADC have also projected their expenditure assessment. Finally, from the above alternatives, we adopted only the lower projections of non-plan and plan revenue expenditures. It appears from the above table that the non-plan revenue expenditure projected by CADC is lower than our normative estimate of non-plan revenue expenditure in all the forecast years. Thus, we may adopt that projected by the CADC. However, in case of plan revenue expenditure our estimates are less than the projection of CADC. Thus, we may adopt our estimates for the forecast period.		

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8.15	After projecting the revenue expenditures of CADC normatively, now we shall turn to project the own revenue receipts of the Council. It has been shown earlier above that the average per capita own revenue receipts of the CADC for the last three years i.e. 2012-15 has been higher than that of three ADCs combined albeit marginally. Thus, we are not recommending any step-up adjustments in own revenue receipts of the CADC for the next five years. Further, if we apply the historical trend growth of 29.55 per cent of CADC to the base year own revenue and arrive at projected per capita own revenue receipt in each year of the forecast period, it will be extremely unfair to CADC since due to low starting base the TGR of the Council has been high and it is unlikely that this growth rate can be maintained in the future years to come. Thus, we recommend to apply historical TGR of the combined own revenue receipts of the three ADCs to the per capita own revenue receipts of CADC at the base year to obtain the normatively projected per capita own revenue of the year 2015-16. Subsequently, the TGR is applied to 2015-16 thus arrived and obtain the number for 2016-17. The process will be followed in each of the remaining forecast years. Next, our projections of per capita revenue receipts in each of the forecast year are compared with the own projection of the CADC converted into per capita term. We finally adopt the numbers whichever are higher. The detail projections in per capita term are shown in the table 8D.		
8.16	Following the normative methodology the forecast of revenue expenditure, own revenue receipts and deficit of CADC have been arrived and given in table 8E.		
8.19	The average per capita own revenue of Lai Autonomous District Council (LADC) for the period from 2012-13 to 2014-15 has been Rs 168.90 and is less than the average per capita aggregate own revenue of all the ADCs		

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	(Rs 170.79) during the same period. Thus, we feel that the LADC has to considerably improve its own revenue efforts within its limited financial power during the years to come.		
8.23	In per capita term the total revenue expenditure of LADC has gone up from Rs 7150.21 in 2009-10 to Rs12819.10 in 2014-15(BE). The average per capita revenue expenditure of the Council for the last three years has been Rs 14718.80 which is slightly higher than the average per capita aggregate revenue expenditure of all the three Councils combined at Rs 14603.65. The per capita non-plan revenue expenditure of LADC has gone up from Rs 4810.17 in 2009-10 to Rs 9525.12 in 2014-15. Though the per capita plan expenditure has gone up from Rs 2340.03 in 2009-10 to Rs 8340.57 in 2013-14, it has come down to Rs 5898.58 in 2014-15. Thus, there is need to improve development expenditure of LADC. To financing the gap to achieve required improvement in developmental expenditure, on one hand the State Government needs to provide a norm based devolution, on the other hand the LADC has to improve its revenue efforts within the limited financial empowerment.		
8.24	We have made the assessment of own revenue receipts and revenue expenditure of LADC for the forecast period i.e. 2015-16 to 2019-20 following the same principles adopted to arrive at a normative revenue expenditure and own revenue receipts of CADC above.		
8.25	Normative projections of expenditure of LADC are given in table 8H.		
8.27	Normative projections of own receipts of LADC are given in table 8I.		
8.28	Normatively adopted expenditure, own revenue receipts and deficits of LADC are shown in table 8J.		

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8.29	Mara Autonomous District Council (MADC) is the second largest among the three ADCs in Mizoram, next to LADC in area and population size. The own revenue receipt of MADC is hardly 1.1 per cent of the total revenue receipt during the same period. With such a low status of own revenue of the MADC, almost 99 per cent of the total resources comes as grants from the State Government.		
8.32	In per capita terms though average own revenue for the last three years has been only Rs 172.68, the transfer has been Rs 8933.18 during the same period. However, there has been significant decline in transfers for the last year particularly in plan transfers which is not desirable. Another interesting fact has been observed that the transfers from the State Government to ADCs apparently have not followed any norm since being the second largest ADC the average per capita grants to MADC for the last three years has been disproportionately less than that of average of all ADCs (Rs 14428.29) denying MADC a level playing field.		
8.35	Following the norms as adopted in case of other two ADCs, the forecast of expenditure of MADC are given in table 8M.		
8.36	Like- wise the forecast of own revenue receipts of MADC are given in table 8N.		
8.37	Finally, the normatively adopted projection of expenditure, receipts and deficit of MADC are given in table 8O.		
9.1	At present the State's own revenue is not even 10 per cent of the total revenue receipts of the State thereby creating overwhelming dependence on the transfers from the Central Government. However, the fact that the State Government is failing to put financial resources in order despite its limitations, does not mean that the local bodies should		

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	continue to suffer indefinitely for want of adequate flow of funds for performing functions and responsibilities from the angle of much required decentralized governance. Therefore, a balance has to be struck to devolve both fund and functions to the local bodies.		
9.2	Our scheme of devolution and financing mechanism of the deficits of the local bodies pertain to recommend a percentage share of aggregate own tax revenue of the State in each year of the forecast period. Horizontally this devolution will be the initial gap filling mechanism to bridge the deficits of the local bodies followed by the destination-wise grants in aid by the State to bridge the left over deficits duly supplemented by the recommended grants of the Central Finance Commission. The grants in aid by the State Government so far are made to meet mostly the salary expenditure of the local bodies since Central Finance Commission grants so far could not be used for this purpose as per the stipulation.		
9.5	The local bodies can also share a part of the non-tax revenue of the State. However, in its present form the collection mechanism of the non-tax revenues by the State Government itself is not efficient and deserves to be improved besides the fact that there are considerable implicit subsidies in the public services more particularly in the fold of economic services. Thus, from the point of view of more efficient collection of non-tax revenues by the state, it would be desirable that collection of some user charges may be entrusted to the local bodies. Out of the total collection of these user charges, these local bodies may retain the cost of collection and pass on the net collection to the State Government.		
9.6	We recommend a 15 percent share in own tax revenue of the State together with revenue raising power to the local bodies in some selected areas as per the activity		

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	mapping. This devolution will be in excess to the grants in aid of the State flowing to the local bodies as further gap filling process and also the local body grants from the Central Finance Commission. It has been learnt that the State Government is going to introduce the excise duty in the State. We recommend a share of at least 5 per cent of the excise duty to the local bodies from the date of the levy of the tax additionally. However, our subsequent calculations have not taken into consideration the sharing of excise duties due to lack of information at the moment.		
9.8	We have recommended the inter se distribution of this 15 per cent devolution of State taxes (plus 5 percent share of the State Excise Duty) among the local bodies which we recommend to accomplish in three stages.		
9.9	The first stage is the recommended mechanism to distribute this 15% devolution among the ADC in aggregate, the VCs in aggregate and the AMC. The second stage is the recommended mechanism to allocate the aggregate share of the ADCs among the three ADCs. The third stage is the mechanism to devolve the aggregate share of the VCs to the VCs in a district-wise grouping of 8 districts. Since there are a large number of VCs in the State we recommend district-wise allocation only for convenience of the analysis. However, the individual VC in a district will draw its share on the basis of its population size.		
9.10	The percentage share of the aggregate tax devolution to VCs, AMC and ADCs are shown in table 9B following a normative formula given in the table. The results shown in the table determines a share of 58.33 per cent of the 15 per cent devolution of the State's own taxes to the ADCs in aggregate, 24.17 per cent to the VCs of the 8 districts in aggregate and 17.50 per cent to the AMC.		

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9.11	We have also attempted to translate these shares in terms of rupees lakh on the basis of anticipated tax revenue collection of the State Government during the forecast period in table 9C. However, it may once again be reminded that the numbers shown in the table are based on certain assumptions elaborated in the chapter on the Finances of the State and the actual devolution will only be based on budgeted number of own tax revenue of the State in each of the corresponding year.		
9.12	We have recommended the Second Stage of our horizontal devolution mechanism i.e. distribution of the aggregate share of ADCs among three ADCs of the State. For devolving the mechanism we have used certain criteria and weight in determining the share of three ADCs. Based on the above criteria and weight we have recommend the share of the individual ADCs in the tax sharing process with the numerical results derived in the table 9D.		
9.13	The share of LADC in the aggregate tax share of ADCs would be 41.97 per cent followed by 34.07 per cent by MADC and 23.96 per cent by CADC. We have attempted to convert these per cent shares into absolute values in rupees lakh for the forecast period by applying the Table 9D to the row 2 of the Table 9C.		
9.14	We recommend a devolution mechanism for the VCs. we limit our calculation at the aggregate devolution of VCs at the district level on basis of a normative formula. However, the individual VC in a district will be drawing its share from the respective share of the district solely on the basis of its population size. The determination of the absolute share of the individual VC outside the ADC area is recommended to be entrusted to the LAD of the State Government. The LAD will implement this recommendation on advice of a Committee to be set up to oversee the implementation of		

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	all the recommendations of the Mizoram Finance Commission. For VCs within the ADC area the similar function will be done by the District Council Affairs Department.		
9.15	The VCs of the two districts namely Lawngtlai and Saiha are the creatures of the ADCs. Therefore, the share of the VCs of these two districts is to be transferred to the respective ADC who in turn will transfer the absolute share to the individual VC. However, to ensure the prompt transfer of the recommended fund to the VCs of these two districts, we impose a condition to the respective ADCs that transfer meant for a VC is to be made effective to the concerned VC within 7 days from the date of receipt of the devolution amount from the State Government, failing which the amount would be deducted from the next payment due to the ADC from the State Government and the amount will be directly transferred to the concerned VC by the State Government.		
9.16	At the third Stage of our horizontal devolution mechanism we have recommended a distribution of the aggregate share of VCs among the VCs of each of the eight districts of the State. For devolving the mechanism we have used certain criteria and weight in determining the district-wise share.		
9.17	The district level inter se shares for the VCs are shown in the table 9F based on the numerical results of our recommended mechanism. To arrive at the projected amount (in rupees lakh) of tax share of VCs in each year of the forecast period among the districts this task has been accomplished by applying the last row of the table 9F to the row 3 of the table 9C as given in table 9G.		
9.18	The tax share of an individual VC in a year may be determined on the basis of the following formula: $$X_i = (P_i/D)*100$$		

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	Where Xi is the tax share (in terms of percentage) of a particular VC, Pi is the population of that VC, D is the non-municipal population of the district and * denotes multiplication.		
9.19	On recommending the devolution of State taxes to the local bodies for the forecast period, our next task is to take holistic view how the non-plan deficits of these local bodies are expected to be bridged in the corresponding period to perform their respective core functions. However, we shall not undertake any exercise to make similar suggestions in regard to plan deficits as it is expected that the plan side mandated expenditure will be balanced by corresponding plan fund transfers from State Plan Schemes or Centrally Sponsored Schemes.		
9.22	Non-plan deficit of the individual ADC, arrived earlier, would be reduced by the amount of devolution of the State taxes. The devolution of the State taxes quite logically may not be able to wipe out the deficit. Then come the local body grants of the Central Finance Commission to supplement the resources of the State. The allocation of amount from the local body grants to the individual ADC will be used to wipe out the remaining deficit. In case there is still the deficit in existence, this will be bridged by the grants in aid of the State Government. Since the recommendations of the Fourteenth Finance Commission (FFC) are not available now, the remaining exercise will have to be undertaken by the LAD once the recommendations are known at the end of this financial year. However, there is one issue that we want to pin point at this stage. In the past we have seen that as per the condition imposed by the Central Finance Commissions the local body grants recommended by them could not be used for payment of salaries and wages by the local bodies. Assuming that such condition would		

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	be imposed by the FFC, we recommend that in our deficit financing mechanism the recommended State tax devolution together with the grants in aid by the State Government should exceed the amount of salary expenditure of the individual ADC in a given year. We want to emphasize this suggestion as a precautionary check and the grants in aid, however, be determined only by the notion of bridging the residual deficit or the amount required to cover the salary expenditure, whichever is the higher.		
9.23	The financing mechanism of the non-plan deficits of the VCs will follow the norm recommended for the ADCs as above. However, we shall limit our recommendations up to the district level aggregates leaving the rest of the calculations up to the level of the individual VCs to the LAD and DCA Department following the proportional formula suggested by us.		
9.24	For financing the deficits of the AMC the same procedure and the norm will be followed.		
9.25	Having clarified the financing norm of the ADCs, VCs and the AMC we made the empirical exercise of financing the non-plan deficits of the local bodies with the numbers that we have derived so far. These have been shown respectively in the tables 9H, 9I and 9J.		
10.6	A well structured capacity building in disaster response should be initiated from the grass root level involving the volunteers of the local bodies as suggested by us. In regard to the expenditure at the grass root level we would like to specify that the volunteers will not be the paid employees of the VCs or AMC. They belong to various walks of life. Thus, no salary is required to be paid to them. However, adequate incidental expenses in the form of duty allowance may be paid to them from the Office of the DC through the respective		

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	VCs and the AMC at the time of actual calamity or drill or specific training programme and awareness campaigns. However, the State Government should take the responsibility to cover them with adequate life insurance/accident insurance. In selecting the team of volunteers the local NGOs are to be involved as much as possible. An inventory of equipment may be maintained in each VC and wards of the AMC which would be supplied from DC's office with a system of monitoring. The VCs should ensure that the team members should get social respectability to boost their moral to undertake this high risk job without financial remuneration. It is highly desirable that this Team should have 24 hours accessibility of wireless communication to the designated control room.		
10.7	In Mizoram we would like to give a clarion call to State Government to include a comprehensive and structured guideline in the State Disaster Management Plan to involve the local bodies in the disaster management and the awareness programme with our specific suggestions.		
10.8 10.9	In regard to the management of ecology and environment, the foremost area where the local bodies can be involved effectively is the social forestry and the farm forestry. The tasks are enormous to protect these existing natural resources on one hand and to promote development on the other, integrating all the stakeholders. We feel that these tasks can be effectively achieved by involving the communities at the grass root level through the local bodies.		
10.13	We have made attempt to figure out the details of the numerical calculations of the projections of expenditure under social forestry and farm forestry in each year of the forecast period in table 10A. It is to be noted that these expenditure requirement are not included in the projected non-plan		

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	expenditure of the respective local bodies as given in the earlier chapters as these are essentially plan expenditures. Having said so, we would also like to point out that though the major component of the present projection is under CSS for which the State has virtually no control on provision, these may be utilised at least at the stage of plan negotiations/working group meeting under the present system.		
10.14	The ToR mandate us to have regard, among other considerations to 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. Though we feel that this is an important issue for the local bodies with the progress of empowerment in positive direction, in case of Mizoram, it is still too early to suggest a view on the issue without achieving a transparent, comprehensive and viable power sharing level by the local bodies.		
10.25	It is desirable that the local bodies of Mizoram adopt an accounting framework and codification pattern consistent with the Model Panchayat Accounting System with assistance of the State AG. We feel this system should be implemented to the extent of its applicability in the context of accounting system of ADCs and VCs for the sake of transparency and appropriate evaluation.		
10.27	The Second Administrative Reforms Commission (SARC) of the Country noted the importance of enhancing accountability of the Panchayats parallel to the process of enhancing their powers and authority. It proposes setting up of audit committees in the local bodies as well as a separate standing committee for local bodies in the state legislature which would consider the reports of the C&AG, besides constituting a separate ombudsman for local bodies by amending the respective state Panchayati and Municipal Acts. The proposed		

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	ombudsman, with jurisdiction over a group of districts and large municipal corporations, would investigate cases and submit reports relating to corruption and maladministration in local bodies, including its elected representatives, to the Lok Ayukta (expected to be constituted in Mizoram shortly), who would forward the report with his recommendations to the Governor. Simultaneously, the *suomoto* powers of the State Government to suspend Panchayats and rescind the resolutions passed by them would be withdrawn. We feel that this recommendation should be seriously considered by the Government of Mizoram.		
10.28	We would like to point out that for awarding any form of work contracts a transparent system should be followed mandatorily in conformity with the present provisions in the rules and methods. To set example the State Government should themselves follow the rule based system in this regard with zero tolerance to any sort of aberration. We have cited some specific examples with the intention that if these are avoided by the State Government. They may set moral guide to the local bodies of the State.		
10.29	Considering the gradual empowerment to the local bodies of Mizoram as recommended by us, we emphasize the need to ensure the control of the C&AG over the audit of accounts of the local bodies. The State Governments should accept the technical guidance and supervision (TG&S) of the C&AG in a structured manner in consultation with the State AG if not already done.		
10.30	It should be ensured that the audit cycle starting from conduct of audit through submission of report and ending with taking action on the audit findings be limited to not more than one year after the close of the concerned financial year.		

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11.2	We feel that there are some issues in the recommended templates of the 13th Finance Commission which are not covered specifically in our ToR and required to be highlighted in our report due to its relevance to the local bodies of the State. We like to place these issues to supplement our recommendations.		
11.19	We recommend that the role and functions of the parastatals should not overlap the power and the developmental activities of the local bodies of the State and in the event of any such conflict, the parastatals are to be withdrawn in that area of activity.		
11.22	Capacity Building is a bed rock on which local governments can stand firmly and deliver basic minimum services. The State will have to prepare itself for genuine capacity building by strengthening SIRD and establishing at least one Extension Training Centre (ETC) on priority basis.		
11.30	The Government of Mizoram may evolve an archetype of the 73rd Amendment, appropriately extension of PESA so that the State may have Village Council entity in which provisions for devolution of functions, funds and functionaries may be evoked.		
11.32	To give shape to the aspiration of the Mizo people at large in the grass root governance we feel that the empowering of the local bodies with three Fs should ideally be complemented by the formation of the District Planning Committee in each district of the State for culmination in a transparent and credible plan at the State level properly backed by the need of the local Governments.		
11.33	We recommend that a permanent secretariat or cell of the State Finance Commission be created in the Secretariat of Finance Department as a link between the First Commission and the Second Commission with the existing Secretariat staff headed by an officer.		