

# Editorial

Friday, December 14, 2018

## Of good governance

"Where a society has chosen to accept democracy as its creedal faith, it is elementary that the citizens ought to know what their government is doing." - Justice P N Bhagwati

Easier is said than done - the saying still stands true. Like the nail float in water with the plank, a rowdy sometimes saves his or her life from being spoiled. Saying so, it is always the wisdom of the captain of the ship that the crew managed to sail their ship to the destiny amidst storms and whirlpools. But then had the crew member lacks discipline Columbus could never have landed in America's soil to discover the country which becomes the most powerful country in the world today.

The state is more like a ship in the vast stormy ocean. In democratic state like Manipur, Chief Minister is similar to the captain of the ship. It is his wisdom that will sail towards a better direction. It is his command and qualities that will make his crew member follow rules and regulations frame by him. It is only at the time that all the crew members go by their respective assignment that the ship will reached destination. Similar, is with the running of the state, whether it goes upwards or falls, depends on the wisdom of the Chief Minister and his team.

But then, it is the Indian electoral system that stands as a hurdle to decide on which way to chose for a better society. Every elected representative needs a second thought to say no to his electorate. Particularly, the system practice in India showed that without some clique of strong supporters, it will become difficult for one to become Chief Minister as first thing that is important is to get elected as an MLA.

Good governance is perhaps the single most important factor in eradicating poverty and promoting development. But sometimes the effort to bring good governance remains as a dream with the kind of hurdles from his supporters whom the man in the top post cannot deny as without them it will be difficult to get elected again.

Numbers of middle men including relatives are now the talk every people of the state. What more prove is required than checking the bank balance and the properties of these people in this nearly 2 years old government? We have seen in the earlier days on how people become millionaire in just a couple of months when they have power but no one get punished as there are no evidences.

Good leader falls, not because of his personality but because of those around him. Coming back to what is going on in the state; everybody knows the amount being asked by these middlemen for the recruitment of Police constable.

On the other hand some of the promises are still yet to be fulfilled as stated by the Chief Minister himself. The more the promises are delayed the more people will criticize.

Well, instead of defending, it is better checking the middlemen so that what has been assured remains true.

Let's make our state free from corruption.

## Financial Constraints of Local Bodies in Manipur

By - Dr. R.K.Nimai Singh, IAS (Retd)

There are three categories of Local Self Government or Local bodies in Manipur; namely the Autonomous District Councils, the Urban Local Bodies like Municipalities, Nagar Panchayats, and the Rural Local Bodies like the Zilla Parishads and Gram Sabhas. The Urban Bodies is regulated by the Manipur Municipality Act, 1994, the Rural Bodies by the Manipur Panchayati Raj Act, 1994 and the Manipur Autonomous District Councils Act, 1971. The former two Acts were enacted after the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments replacing the former Manipur Municipality Act, 1976 and the Manipur Panchayati Raj Act, 1975 respectively. In the case of the District Councils, the Act was amended to be compliant with the constitutional amendments, except for the provision for reservation of seats for women. Thus there is still hardly any women representative in the District Councils. There is another local body by the name Village Authority constituted under the Manipur (Village Authorities in Hill Areas) Act 1956, which do not receive any grants from the government.

Before coming to the main topic, it would be prudent to point out certain issues impacting the functioning of the local self governments. Even though various activities are to be transferred to the local bodies in terms of the 11<sup>th</sup> and 12<sup>th</sup> Schedule of the Constitution, including the district councils, hardly any activities were actually transferred. In fact, even duties and function which should have been performed by the local bodies are usurped by the state government like the identification of beneficiaries under the various central schemes and programs. Another is the declaration of a habitation as urban, without any proper study as to whether the habitation can be classified as urban or not; despite the fact that 90% of the economy are rural in nature. This has impacted development as the requirement of an urban area and that of a rural area are different. The declaration of any urban area is purely based on political consideration, without any assessment. Imphal does not qualify to be a Corporation but due to political exigencies it was declared but without any changes in the functioning. Besides, in the hill region except for Moreh Small Town Committee, all urban bodies have been abolished and thus tapping of fund for development of the District Headquarters is limited. Churachandpur which after Imphal has the highest urban character is no longer urban under the law. This was due to the fact that when funding was provided under the District Rural Development Agencies, as the fund then could not be utilised in urban areas, to invest in the district headquarters the notification of the declaration of these headquarters was cancelled. Even after the formation of the Manipur Urban Development Agency, the correction could not be made and there seems to be strong local resistance to notify urban areas in the hills.

The reason given by the government on the non transfer of functions is the poor capacity of the local bodies. But without efforts to improve the capacity, even after a century the capacity cannot be built up. Here the resources become paramount as without fund, building capacity without the direct assistance of the state and central government is a wishful thinking. The intent of the Constitutional Amendment is to transfer both manpower and fund to the local bodies to make them self reliant and competent to

execute the functions transferred. But it needs a strong leadership with political acumen to delegate fund and power as no MLA is willing to transfer them. They publicly support the transfer but work against it in the government. It may not be feasible to transfer all the functions at one go; but capacity can be built up and where capacity is made, it must be followed by transfer of function. The 73<sup>rd</sup> and 74<sup>th</sup> Constitution Amendment provides, besides others, for the local bodies to levy, collect and appropriate such taxes, duties, tolls and fees in accordance to such procedures and subject to such limits and assign to them a portion of such revenue collected besides providing grants from the Consolidated Fund of the State. Besides, every five years the State Finance Commission shall be constituted to make recommendations to the Governor:

- (a) The distribution between the state and the local bodies of the "net proceeds" of the taxes, duties, tolls and fees "leviable by the state", which may be divided between them and allocation amongst the local bodies;
- (b) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated to the local bodies;
- (c) The grants-in-aid to the local bodies from the CFS;
- (d) And measures to improve the financial position of the local bodies.

Three state Finance Commissions have been constituted and its recommendations are being implemented, except in the case of the last commission, most of its recommendations were accepted but with modifications. The modifications on the 35<sup>th</sup> FC's recommendations are mainly on the issue of the tax to be assigned to the local bodies. The two major departures from the recommendations are on the interpretation of the words which were within inverted commas above. The Commission recommended assignment of 10% of the gross collection both tax and non-tax including the central taxes devolved to the state; while the government interpreted that only the net state's own tax need to be devolved. The interpretation of the state government cannot be faulted as the constitutional provisions are very clear as seen from the wordings of "net proceeds" and "leviable by the state". However, as the acceptance of the recommendations was limited to only the net state's own tax, the funds that can be assigned to the local bodies are limited.

The main income for assignment to the local bodies now is the State GST. Though there has been very good growth in the state GST the amount that can be assigned to each local body continues to be marginal. All other taxes after the deduction of the cost of collection hardly leave any for assignment to the local bodies. The total State's Own Tax revenue for 2018-19 is estimated at Rs. 1048 crore, which will come down to around Rs. 950 crore after the cost of collection is deducted and 10% of the net collection assigned as recommended by the SFC comes to about Rs. 95 crore, which is provided in the budget. Besides grant-in-aid to the tune of Rs. 349 crore is provided to meet the maintenance requirement including that of the District Councils, with the District Councils getting Rs. 321 crore out of the total GIA. The provision for works within this allocation is an amount of about Rs. 75 crore. Since the state is itself in deep financial distress, it finds it

difficult to shell out any further fund. Hence, emphasis need to be given to the local bodies generate its own fund, no doubt with government assistance by providing the necessary laws and procedures.

Another source of fund for the local bodies is the amount recommended by the Central Finance Commission. However, the 14<sup>th</sup> FC did not make any recommendation for the District Councils on the ground that it is entitled to the grants under Article 275 but the amount received under Art. 275 are meagre and all the funds provided under this provision cannot be assigned to the District Councils. However, it added that if the Central Government feels that there is a gap which needs to be filled up in infrastructure, etc fund can be released. During the current year, the total fund earmarked for the local bodies under the 14<sup>th</sup> FC award is Rs. 229.50 crore, of which Rs. 144 crore pertains to District Council. Besides the quantum of fund flow, due to low capacity the ability of the local bodies to absorb funds is limited. Subsequent instalments of the grants provided by the CFC and performance grants cannot be accessed as the relevant documents like utilisation certificates etc could not be furnished in time. This propagates a vicious cycle.

The state is yet to assign the duty of collection of fees, tolls, etc though for power charges an experiment was made. There was talk of assigning the duty of collection of arrears land revenue to the local bodies but it perhaps could not see the light of the day. The state had constituted the Property Tax Board which is yet to submit its report. Its recommendations will be applicable to all the urban local bodies but the main beneficiary will be the Imphal Municipal Corporation. Even collection of fees which were assigned to the urban local bodies is not carried out properly like the example of the parking fees in Imphal area. This is mainly due to corruption and low capacity of the local bodies. In my personal experience as an Administrator of IMC for a short period of about 6 months in 1994, the collection of octroi was hovering around 3/5 lakh of rupee per month. The main collection point is at Koirengei and after proper monitoring and supervision, within two months it shot up to around 25 lakh per month. I was told that the Councilors were each allotted a day for pocketing the collection and only 4 or 5 days collection are entered as revenue for the IMC. But after I left and the IMC was reconstituted the collection dipped and now there is no octroi but an amount is earmarked in lieu of octroi as it is seen as a barrier in free flow of goods.

Any improvement in the functioning of the local bodies requires money which should be used for the purpose it is meant. Proper accountability must be enforced and there should be

transparency in its functioning. The state on its part must not encroach on the functions assigned to the local bodies like identification of beneficiaries as they know much better at the ground level, besides identifying some taxes, duties, tolls and fees which can be assigned to the local bodies for collection and sharing a portion of it. The state had constituted a Municipal cadre but merely the top bureaucracy alone cannot bring the necessary changes, the lower functionaries must also be properly trained. Most of the initiatives are directed to the urban local bodies as their number is less and they are in a much better position vis a vis the rural local bodies. Collection of the arrears land revenue should be one tax which could be assigned to the local bodies for collection; the department can reduce their collection manpower thereby reducing the cost of collection and a share can be provided to the local bodies. In fact, it would be prudent for the government to assign all arrears for collection to the local bodies. This will with proper monitoring see a better collection as local bodies will have a high stake in collecting it while the government employee tasked with the duty will hardly have any stake. This in the long run will enable the government to reduce its collection machinery which is totally bloated, the employees and pensioners consuming about 45% of the revenue expenditure, which is much higher than the limit of 35% laid down in the FRBM Act. I have highlighted some of the financial problems the local bodies are facing, with some suggestions on how to improve it. Besides, the issue of the problems of local bodies is not only financial but manifold, many of which are within the political domain that need a leadership with a strong political will to improve the quality of the delivery of service of the local bodies. A proper monitoring system on the functioning of the local bodies must be put in place and a dedicated team should intervene to improve any weakness. The State Finance Commission must be specifically tasked to make recommendations to improve the financial health of the local bodies and their total reliance on the state government must be resolved. The tendency of the state government to usurp the function of the local bodies must not continue and there must be harmonious relations between the two rather than be combative. All functions of the government must not be seen as contract work and efficiency of the quality delivery of service must be the objective, irrespective whether the service is delivered by the centre, state or local body.

(This write up is the Keynote of the two-day national Seminar on Issues and Challenges of Local Self Government in Manipur, organised by Centre for Manipur Studies, Manipur University which begins today)

## Name changed

I, the undersigned Senjam Samarendrajit Singh of Khurai Thogam Leikai P.O. Lamlong, P.S. Porompat, Imphal East Manipur, 795010, do hereby declare that, I have relinquished and abandoned the use of my old name Senjam Somarendra Singh, as I have assume my new name Senjam Samarendrajit Singh. Hence I shall be called and known as Senjam Samarendrajit Singh from today.

Sd/  
Senjam Samarendrajit Singh  
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