

## CHAPTER 2

### Daman & Diu

2.1 The Union Territory of Daman & Diu consists of two districts. The headquarters of the Union Territory is Daman. Diu is a tiny island on the Kathiawar coast. Daman is located more than 700 kms on the sea shore adjacent to the southern portion of Gujarat State. This territory was ruled by the Portugese for more than four and a half centuries till it was finally liberated from colonial rule in 1961. Both Daman and Diu became a part of the Union Territory of Goa, Daman & Diu. After Goa was declared a state on 30th May, 1987, a separate UT of Daman & Diu was set up. Due to their historical legacy of being under the Portuguese rule, they have been merged into a single Union Territory without having any geographical contiguity.

2.2 Daman is a picturesque coastal town on the banks of the Damanganga River located at the point where it flows into the Gulf of Khambhat. Daman town is bifurcated by the Damanganga River with Nani Daman being in the north and Moti Daman in the South. It is located within close vicinity of major rail routes and also the national highway.

2.3 Daman is gradually increasing its importance as a tourist destination especially as a weekend destination for tourists from Gujarat. Though the traditional set up is gradually changing, it still retains traces of its Indo-Portuguese heritage. Fishing is an important activity. Industrial activity is also picking up primarily in the industrial estates in Daman.

2.4 Diu is a tiny island (38.8 Sq Km) located off the southern tip of the Kathiawad coast. In fact the word Diu has its roots in the Sanskrit word dweep (which means island). It radiates serene tranquillity and has magnificent beaches. It is situated near the port of Veraval. Diu is separated from the Saurashtra coast by a narrow channel. The topography is generally flat with small hillocks. Its near virgin beaches are a nature lover's paradise and a great tourist attraction.

2.5 The bulk of the population is engaged in fishing and small trawlers dot the fishing jetties. Tourism is gradually getting a push and is set to grow in importance, where the local bodies can play a prominent role. Diu is relatively industrially backward compared to Daman and has only a small industrial estate. But off-late, the marine export industry has picked up and doing well in terms of profitability and additional employment opportunities for the local people purely as a private initiative.

2.6 Daman & Diu is administered by a senior administrative official, who is designated as the Administrator. The two districts of Daman and Diu are each headed by a Collector. There are two blocks in the territory, one is located in Diu and the other is in Daman. There is a common district Panchayat and there are ten villages Panchayats in Daman and there are four village Panchayats in Diu. The towns of Daman & Diu each have a Municipal Council. At the national level there is a Member of Parliament for the U.T. who is elected to the Lok Sabha (See Table 2-A). The population profile of Daman and Diu is given in Table 2-B.

TABLE 2-A

## STATISTICAL PROFILE OF DAMAN &amp; DIU

## GENERAL INFORMATION

|                          |                      |   |                              |
|--------------------------|----------------------|---|------------------------------|
| Particular               |                      | Daman   | Diu                          |
| CLIMATE                  |                      | Mild and Warm                                   | Sultry                       |
| TEMPERATURE              | Maximum              | 37 °c   | 37 °c                        |
|                          | Minimum              | 12 °c   | 11 °c                        |
| ANNUAL RAINFALL          | 2006<br>2007<br>2008 | 2159 mm<br>2142 mm<br>2032 mm                   | 729 mm<br>1212 mm<br>1361 mm |
| LANGUAGES SPOKEN         |                      | Gujarati, Hindi, Portuguese                     |                              |
| MAIN ECONOMIC ACTIVITIES |                      | Fishing<br>Agriculture<br>Industries<br>Tourism | Fishing<br>Tourism           |

## ADMINISTRATIVE STRUCTURE

| S.NO | PARTICULARS        | DAMAN DISTRICT | DIU DISTRICT | DAMAN AND DIU |
|------|--------------------|----------------|--------------|---------------|
| 1    | Districts          | 1              | 1            | 2             |
| 2    | Talukas/Tahsils    | 1              | 1            | 2             |
| 3    | Blocks             | 1              | 1            | 2             |
| 4    | District Panchayat | -----1-----    |              | 1             |
| 5    | Village Panchayats | 10             | 4            | 14            |
| 6    | Villages           | 22             | 4            | 26            |
| 7    | Municipal Councils | 1              | 1            | 2             |
| 8    | Towns              | 1              | 1            | 2             |
| 9    | Urban Wards        | 15             | 13           | 28            |

TABLE 2-A (contd.)

## POLITICAL STRUCTURE

| Sr. No. | Constitutional Units | Number of Members |              |               |
|---------|----------------------|-------------------|--------------|---------------|
|         |                      | Daman District    | Diu District | Daman and Diu |
| 1       | Parliament           | -----1-----       |              | 1             |
| 2       | Municipal Councils   | 15                | 13           | 28            |
| 3       | District Panchayat   | 22                | 12           | 34            |
| 4       | Village Panchayats   | 53                | 24           | 77            |

Table 2-B: Area and population

(As per Population Census: 2001)

| Sr. No. | Particulars | Unit     | Daman  | Diu   | Total  | %      |
|---------|-------------|----------|--------|-------|--------|--------|
| 1       | AREA        |          |        |       |        |        |
|         | Rural       | Sq. Kms. | 65.50  | 22.24 | 87.74  | 78.33  |
|         | Urban       | Sq. Kms. | 6.50   | 17.76 | 24.26  | 21.67  |
|         | Total       | Sq. Kms. | 72.00  | 40.00 | 112.00 | 100.00 |
| 2       | POPULATION  |          |        |       |        |        |
|         | Rural       | Nos.     | 78219  | 22637 | 100586 | 63.75  |
|         | Urban       | Nos.     | 25770  | 21568 | 57348  | 36.25  |
|         | Total       | Nos.     | 113989 | 44215 | 158204 | 100.00 |

|   |                                |        |
|---|--------------------------------|--------|
| 1 | Decennial Growth of Population | 55.73% |
| 2 | Population Density Population  | --     |
| 3 | Infant Mortality Rate (IMR)    | 28     |
| 4 | Literacy Rate (2001)           | 78.18  |

TABLE 2-1

## Total Budget of UT of Daman &amp; Diu

(Rs. in Crore)

| YEAR    | Plan   | Non-Plan | Total Budget | Plan as<br>% to<br>Total | Non-Plan<br>as<br>% to Total | Plan as % of Non-Plan |
|---------|--------|----------|--------------|--------------------------|------------------------------|-----------------------|
| 2002-03 | 44.92  | 215.99   | 260.91       | 17.22                    | 82.78                        | 20.80                 |
| 2003-04 | 45.46  | 229.01   | 274.47       | 16.56                    | 83.44                        | 19.85                 |
| 2004-05 | 53.37  | 232.00   | 285.37       | 18.70                    | 81.30                        | 23.00                 |
| 2005-06 | 59.16  | 238.10   | 297.26       | 19.90                    | 80.10                        | 24.85                 |
| 2006-07 | 63.90  | 300.30   | 364.20       | 17.55                    | 82.45                        | 21.28                 |
| 2007-08 | 87.78  | 457.60   | 545.38       | 16.10                    | 83.90                        | 19.18                 |
| 2008-09 | 104.99 | 597.80   | 702.79       | 14.94                    | 85.06                        | 17.56                 |
| 2009-10 | 154.34 | 715.81   | 870.15       | 17.74                    | 82.26                        | 21.56                 |

*Source: Communications from UT administration to the Finance Commission*

2.7 Table 2-1 shows the budget outlays for the UT of Daman & Diu from 2002-03 onwards. Although, the non-plan outlay has always been much more, the plan outlay has jumped sharply in the last two years. There has been a corresponding jump in the non-plan allocation as well. Indeed this has been brought out clearly in Table 2.1 which shows the Plan outlay as a percentage of total outlay, non-plan outlay as a percentage of total outlay and the Plan outlay as a percentage of non-plan outlay. The skew towards non-plan outlay is enormous. This needs rectification. Heavily skewed non-plan-non-development expenditure which are committed in nature leaves very little resources for the purpose of development and financing of plan.

2.8 However, it is to be noted that there is a gradual increase in the approved outlay of the Plans. Now when we look at sectoral allocation of the annual plan of 2009-10 in Table 2-2, the bulk of the resources in the Plan schemes are for the transport and social services sectors. A little less than two-thirds of the Plan is accounted for by these two sectors leaving very little for other sectors. Also there have been wide variations in the proposed outlay and the approved outlay of plan in all the sectors. Approved outlay was 36 per cent of the proposed outlay.

TABLE 2-2

U.T. OF DAMAN & DIU  
ANNUAL PLAN 2009-10

|         |                                     | (Rs. In Crores)    |                    |
|---------|-------------------------------------|--------------------|--------------------|
| Sl. No. | SECTOR                              | PROPOSED<br>OUTLAY | APPROVED<br>OUTLAY |
| 1       | AGRICULTURE AND ALLIED ACTIVITIES   | 7.70               | 5.21               |
| 2       | RURAL DEVELOPMENT                   | 25.00              | 9.94               |
| 3       | IRRIGATION AND FLOOD CONTROL        | 2.50               | 0.60               |
| 4       | ENERGY                              | 67.00              | 22.30              |
| 5       | INDUSTRY AND MINERALS               | 27.00              | 9.84               |
| 6       | TRANSPORT                           | 96.20              | 47.57              |
| 7       | SCIENCE, TECHNOLOGY AND ENVIRONMENT | 5.35               | 1.13               |
| 8       | GENERAL ECONOMIC SERVICES           | 18.05              | 3.76               |
| 9       | SOCIAL SERVICES                     | 137.65             | 48.57              |
| 10      | GENERAL SERVICES                    | 34.55              | 5.42               |
|         | TOTAL                               | 421.00             | 154.34             |

*Source: Communications from UT administration to the Finance Commission*

2.9 A glance at revenue receipts (Table 2-3) of the U.T. of the Daman & Diu shows that the tax mobilization is limited to a few items. Sales Tax constitutes the single biggest chunk of taxable revenue followed by excise duties. Together they form more than 90% of the taxable revenue the govt receives. Stamps and Registration and tax on vehicles are the remaining with reasonably significant contributions.

TABLE 2-3

## Resource Position of UT Administration (Daman and Diu)

(Rs. in Crores)

| Year    | Own Revenue* |                                   |                 |                                       |
|---------|--------------|-----------------------------------|-----------------|---------------------------------------|
|         | Tax Revenue  | Annual Growth Rate in Tax Revenue | Non-Tax Revenue | Annual Growth Rate in Non-Tax Revenue |
| 2002-03 | 79.07        | -                                 | 37.09           | -                                     |
| 2003-04 | 92.46        | 16.94                             | 52.73           | 42.16                                 |
| 2004-05 | 123.70       | 33.78                             | 90.29           | 71.23                                 |
| 2005-06 | 188.71       | 52.56                             | 97.60           | 8.09                                  |
| 2006-07 | 240.26       | 27.32                             | 93.85           | -3.84                                 |
| 2007-08 | 276.23       | 14.97                             | 33.06           | -64.77                                |
| 2008-09 | 287.39       | 4.04                              | 11.36           | -65.64                                |

*Source: Communications from UT administration to the Finance Commission*

*Note: \* Own Revenue generated by the UT Administration is credited Consolidated Fund of India*

2.10 The budgets are formulated at the Union Territory level based on the guidelines received from the Ministry of Home Affairs. Each department prepares its estimates which are then consolidated by the Finance Department of the UT. For the preparation of Plan Schemes, the Administration holds a meeting with all the departments including local bodies and after due deliberation the Plan schemes are formulated. The Budget proposals are then submitted to the Home Ministry who after discussion with the Administrator allot the Budget which is invariably much less than the amount sought.

2.11 No separate allotment is done for Diu at the initial stages of budget formulation. The bifurcation is then done subsequently by the Finance Department after receiving proposals from each Department.

2.12 The fiscal position of the Union Territory of Daman & Diu though appeared to be a stable one, rising non plan expenditure is a concern, especially, if we look at it against the revenues collected. In 2008-09, the total revenue collected was Rs. 732.95 crores (refer table number 2-4). This includes recoveries of arrears. The non plan expenditure was Rs. 597.73 crores. This leads to a positive figure of Rs. 135 crores in the BCR (balance of current revenue). However, the BCR as shown in the Table has gradually been declining over the years and this trend should be reversed for sustained fiscal health. It should be noted that the Plan expenditure is almost 1/6 of the non-plan expenditure. Prudence and sagacity demand that non plan expenditure be brought down and revenue generating assets be created so that all around development and prosperity takes place in the Union Territory.

2.13 A deeper reading into the budgetary figures shows that the bulk of the non-plan expenditure is on the power sector. Reforming the power sector remains a critical area for better fiscal management in the UT of Daman and Diu.

2.14 There is an urgent need to curtail non plan expenditure and spend more on plan expenditure. The Plan expenditure should be stepped up substantially so that the current 1:5 ratio of plan to non plan expenditure is brought down to around to 1:1.

2.15 The budgetary figures reveal that approximately Rs. 639 crores on other charges is the part of non-plan expenditure for the year 2008-09. This skews the entire figure to very high non-plan expenditure. Removing this item the non-plan is a more manageable Rs. 83 crores.

2.16 There has been reasonable growth in the tax revenues over the year though it lately appears to be tapering off. This may perhaps be attributed to the recent slowdown in the economy. However the performance of non-tax revenue is very poor and is showing a strong negative growth rate. This is an area of concern and needs to be addressed.

2.17 The table shows that non-tax revenue receipts have been falling while the non-plan expenditure has been rising phenomenally. Collection in non-tax revenue have to be sharply stepped up.

TABLE 2-4

## Receipts and Expenditure of Daman &amp; Diu

(Rs. in crores)

| Year                    | Receipts          |  |        | Expenditure |          |        | Receipts as % of Expenditure |
|-------------------------|-------------------|--|--------|-------------|----------|--------|------------------------------|
|                         | Total Tax Revenue | Non-Tax Revenue (Inc. Power & Tourism) | Total  | Plan        | Non-Plan | Total  |                              |
| 2002-03                 | 79.07             | 37.09                                  | 116.16 | 44.72       | 212.14   | 256.86 | 45.22                        |
| 2003-04                 | 92.46             | 52.73                                  | 145.19 | 45.25       | 226.75   | 272    | 53.38                        |
| 2004-05                 | 123.69            | 90.3                                   | 213.99 | 53.31       | 231.46   | 284.77 | 75.14                        |
| 2005-06                 | 188.71            | 97.59                                  | 286.3  | 58.79       | 237.61   | 296.4  | 96.59                        |
| 2006-07                 | 240.26            | 93.85                                  | 334.11 | 63.79       | 300.19   | 363.98 | 91.79                        |
| 2007-08                 | 276.23            | 33.07                                  | 309.3  | 87.74       | 457.46   | 545.2  | 56.73                        |
| 2008-09                 | 287.4             | 11.35                                  | 298.75 | 104.72      | 597.73   | 702.45 | 42.53                        |
| 2009-10<br>(Projection) | 270.87            | 4.95                                   | 275.82 | 35.65       | 183.49   | 219.14 | 125.86                       |

*Source: Communications from UT administration to the Finance Commission*

*Note: Figures for year 2009-10 are pertain to expenditure only upto August 2009*

2.17 The above table 2-4 captures the fund flow statement for the UT administration. The projected BCR for 2009-10 is based on a very high proposed figure for recoveries. The BCR in a UT is not a vital component as in a state government hence, it is gratifying to see the Daman & Diu administration striving to maintain a positive BCR.

2.18 Daman & Diu are following the Panchayati Raj system. It is functioning as a 2 tier system after the 73<sup>rd</sup> amendment to the Constitution of India. The first election in Daman & Diu was held in 1975 for the District Panchayat. Currently the system is under operation in both villages and district level and the last election was held in 2005. A District Planning Committee has been set up and the President of District Panchayat is functioning as a Chairperson of the District Planning Committee. The Zila Panchayat has various committees dealing with finance, health and education, welfare, implementation of public works and a General Standing Committee. The Daman & Diu Government have since July 2006 transferred 29 functions to the Panchayati Raj Institutions. These subjects are given in Table 2.5.

TABLE 2-5  
Functions and Functionaries Devolved to PRIs

| Sr. No. | Subject listed in the Xlth Schedule of the Consitution                                    | Schemes under the respective subjects devolved to PRIs   | Functionaries devolved to Panchayat   |
|---------|---|--|---|
| 1.      | Agriculture including agricultural extension  | <ol style="list-style-type: none"> <li>1. Plant Protection Scheme including manures &amp; fertilizers.</li> <li>2. Extension and Farmers Training Scheme</li> <li>3. Agricultural Engineering Scheme</li> <li>4. Horticulture Development Scheme</li> <li>5. Supply of agricultural inputs to the Scheduled Caste Families</li> <li>6. Pilot Project on Multiple Cropping Scheme</li> <li>7. Agriculture Sector Scheme of Tribal Sub Plan               <ol style="list-style-type: none"> <li>a) Agriculture Extension- Demonstrations/ Study Tour, etc.</li> <li>b) Agriculture Inputs - Seeds/ Pesticides/ Fertilizers</li> <li>c) Agriculture implements &amp; tools</li> <li>d) Horticulture Development Scheme</li> </ol> </li> <li>8. Promoting the use of improved agriculture implements, seeds, manures &amp; fertilizers.</li> <li>9. Development of Horticulture &amp; Floriculture</li> <li>10. Awareness &amp; demonstration programmes through NGOs &amp; other state agencies</li> </ol> | <p>Agriculture Extension Officer<br/>Agriculture Assistant<br/>LDC<br/>Power Tiller Driver<br/>Field Assistant<br/>Field Worker</p> |
| 2.      | Land improvement implementation of land reforms, land consolidation and soil conservation | <ol style="list-style-type: none"> <li>1. Individual beneficiary oriented Soil conservation scheme.</li> <li>2. Assistance to local bodies for soil conservation programmes.</li> </ol>  | <p>Functionary of the said activity transferred to Agriculture Department and headed by above mentioned officer at serial no. 1</p> |

|    |   |   |  |
|----|---|---|--|
| 3. | Minor Irrigation Water management and watershed development | <ol style="list-style-type: none"> <li>1. Renovation / construction of irrigation wells for Tribals (TSP)</li> <li>2. Minor irrigation through wells.</li> <li>3. Pipe line maintenance</li> <li>4. Irrigation &amp; Flood control under TSP programme.</li> <li>5. Assisting the DP in the construction &amp; maintenance of minor irrigation through well.</li> <li>6. Watershed development programme</li> </ol>   | <p>Sub Division of PWD headed by Divisional Officer with supporting. Staff:</p> <p>Divisional Officer<br/>Assistant Engineer<br/>Junior Engineer<br/>D'man<br/>LDC<br/>Driver<br/>Peon<br/>Daily wages staff</p> |
| 4. | Animal husbandry, dairy and poultry.                        | <ol style="list-style-type: none"> <li>1. Assistance to tribal for goats rearing</li> <li>2. Assistance to small and Marginal Tribal farmers for supply of fodder seeds and equipments for cultivation of fodder.</li> <li>3. Training to Farmers for poultry &amp; life stock management.</li> <li>4. Control of Epizooties.</li> <li>5. Maintenance charges of cows and buffalo calves.</li> <li>6. Grant of subsidy to the Tribals for purchase of Milch animals.</li> <li>7. Grassland development.</li> <li>8. Fodder &amp; feed development.</li> <li>9. Assistance to local bodies in establishment of Veterinary aid centres.</li> <li>10. Prevention of epidemic and contagious disease.</li> <li>11. Development of Cattle &amp; Cattle breeding.</li> <li>12. Establishment &amp; Maintenance of Animal market.</li> </ol> | <p>Veterinary Assistant<br/>Attendant Dresser<br/>Bull Attendant<br/>Attendant</p>   |

|    |   |   |  |
|----|---|---|--|
| 5. | Fisheries   | <ol style="list-style-type: none"> <li>1. Establishment of Fish Aquarium</li> <li>2. Assistance for repair of houses of fishermen.</li> <li>3. Financial assistance to the families of the fishermen affected by natural calamity &amp; accident.</li> <li>4. Supply of insulated ice boxes &amp; display boxes to the fisher-women.</li> <li>5. Financial assistance to fishermen/boat owners.</li> <li>6. Fisheries Training and Extension.</li> <li>7. Financial assistance for development of fish culture / sea farming / sea weed farming.</li> <li>8. Assistance to fishermen for purchase of fisheries requisites / equipments PWD Daman &amp; PWD, Diu.</li> <li>9. Development of village ponds for inland fish culture.</li> </ol> | <p>Superintendent of Fisheries<br/>Extension Officer<br/>Gram Sevak<br/>Peon</p> |
| 6. | Social forestry and Farm forestry fuel and fodder | <ol style="list-style-type: none"> <li>1. Tree plantation along ordinary village roads and community land.</li> <li>2. Tree plantation along major village roads and community land.</li> <li>3. Planting and preservation of trees on the roads sides and on Panchayat lands, under the control of District Panchayat and Village Panchayat.</li> <li>4. Promotion of social and farm forestry.</li> <li>5. Development of social forestry.</li> </ol>   | <p>Forest Guard</p>  |
| 7. | Minor forest produce                              | <ol style="list-style-type: none"> <li>1. Management of minor forest produce of the forests raised in community land.</li> <li>2. Assistance to Village Panchayats in the management of Minor Forest Produce.</li> </ol>  | <p>Forest Sepoy</p>  |

|     |   |  |   |
|-----|---|--|---|
| 8.  | Small scale industries, including food processing industries. | <ol style="list-style-type: none"> <li>1. Assistance to local bodies for development of Cottage &amp; Small Scale Industries for self employment.</li> <li>2. Financial assistance for self employment in service oriented units under TSP.</li> <li>3. Promotion of industries by way of providing Infrastructure like roads, sanitation in their respective jurisdiction.</li> <li>4. Monitoring and assistance to Village Panchayat in providing infrastructure.</li> </ol> | Economic Investigator   |
| 9.  | Khadi, village and cottage industries.                        | <ol style="list-style-type: none"> <li>1. Promotion of Khadi and Cottage industries in Villages.</li> <li>2. Establishing KVIC centres in Daman &amp; Diu.</li> </ol>  | Economic Investigator will also look after these schemes  |
| 10. | Rural housing.  | All the schemes under the entry of Rural Housing have already been transferred and are being implemented by the office of BDO under the supervision & control of District Panchayat.   | Block Development Officer<br>Extension officer<br>Junior Engineer<br>Panchayat Secretary<br>Gram Sevak<br>Head clerk<br>UDC<br>LDC<br>Bal Sevika<br>Driver<br>Peons |
| 11. | Drinking water  | Grants to local bodies for providing water supply lines in various Panchayats. <ol style="list-style-type: none"> <li>1. Providing bore well, overhead tanks and rural water supply lines in various Panchayats and its maintenance.</li> <li>2. Promotion of drinking water and rural sanitation programmers.</li> <li>3. Construction, repairs and maintenance of drinking water, well, tanks &amp; ponds.</li> <li>4. Maintenance of Rural water supply scheme.</li> </ol>  | Sub Division of PWD headed by Divisional Officer with supporting staff:<br>Divisional Officer<br>Assistant Engineer<br>Junior Engineer<br>D'man<br>LDC<br>Driver    |

|     |   |   |   |
|-----|---|---|---|
|     |   | <ol style="list-style-type: none"> <li>5. Construction of water harvesting structures in all shools and Govt. buildings in the Rural areas.</li> <li>6. Construction &amp; maintenance of Rural drinking water supply scheme.</li> <li>7. Establishment, repairs and maintenance of Rural water supply scheme.</li> </ol>   | <p>Peon<br/>Daily wages staffs</p>  |
| 12. | Fuel and fodder   | <ol style="list-style-type: none"> <li>1. Fuel wood and small timber plantation in commuinity land.</li> <li>2. Fuel plantation and fodder development.</li> <li>3. Awareness buildings of fuel efficient devices and improved fodder species.</li> </ol>   | <p>the staff already transferred with the schemes under Agriculture will also look after the implementation of these activities</p>   |
| 13. | Roads, culverts, bridges, ferries, waterways and other means of communication | <p>All the schemes under this subject have already been transferred to the District Panchayat/ Panchayats.</p>  | <p>Sub Division of PWD headed by Divisional Officer with supporting staff:<br/>Divisional Officer<br/>Assistant Junior<br/>Junior Engineer<br/>D'man<br/>LDC<br/>Driver<br/>Peon<br/>Daily wages Staffs</p> |
| 14. | Rural electrification, including distribution of electricity.                 | <ol style="list-style-type: none"> <li>1. Assistance to the local bodies for Rural electrification.</li> <li>2. Electrification of Tribal Area and providing Street lighting in village roads in Daman.</li> <li>1. Providing for and maintenance of lighting of Public streets and other places.</li> <li>2. Maintenance of street lights.</li> <li>3. Release of Kutir Jyoti connection.</li> </ol> | <p>All applications for release of Kutir Jyoti connected will be processed by the District Panchayat and it will be sent to the Electricity Department for release of connection</p>                        |

|     |   |   |  |
|-----|---|---|--|
| 15. | Non-conventional energy sources.                    | <ol style="list-style-type: none"> <li>1. Popularization of Non-connectional energy sources in Rural areas.</li> <li>2. Assistance to local bodies for installation of Solar PV- Lighting system on places of common use in Panchayat Building, Community Hall, etc.</li> <li>3. Maintenance of community non-conventional energy devices, including biogas plants.</li> <li>4. Promotion and development of non-conventional energy schemes. Proagation of improved chulhas and other efficient energy devices.</li> </ol> | This work will be looked after by the staff of sub-divisional III of PWD already transferred to District Panchayat   |
| 16. | Poverty alleviation programme.                      | This subject is already transferred to the District Panchayat   | Block Development Officer<br>Extension officer<br>Junior Engineer<br>Panchayat Secretaries<br>Gram Sevak<br>Head clerk<br>UDC<br>LDC<br>Bal Sevika<br>Driver<br>Peons  |
| 17. | Education, including primary and secondary schools. | The Primary School along with the staff from Class I to IV has already been transferred to District Panchayat. The middle School with Classes from V to VII, are hereby transferred in principle, but the implementation thereof will take effect on the corresponding amendment of the Goa, Daman & Diu Education Act. The Education department is being advised to send a proposal to the MHA for amendment of the Act suitably.  | The primary school along with the staff from class I to IV has already been transferred to District Panchayat and middle school with class IV to VII are hereby transferred in principle, but the implementation thereof will take effect on the corresponding amendment of the Goa, Daman & Diu Education Act |

|     |  |   |   |
|-----|--|---|---|
| 18. | Technical Training and Vocational Education. | <ol style="list-style-type: none"> <li>1. Promotion and identification of suitable vocational courses.</li> <li>2. Promotion of rural artisan and vocational training.</li> <li>3. Encouraging and assisting rural vocational training centres.</li> </ol>  | The ITI, Nani Daman will depute one Technical Instructor for once in a week to advise the District Panchayat for Implementation of these schemes. |
| 19. | Adult and non-formal education               | <ol style="list-style-type: none"> <li>1. Adult Education Programme.</li> <li>2. Promotion and implementation of adult literacy.</li> <li>3. Promotion of adult literacy.</li> <li>4. Planning and implementation of programmes of adult literacy and non-formal education programmes.</li> </ol> | The Staff already transferred with primary education functions will also implement these schemes.   |
| 20. | Libraries                                    | <ol style="list-style-type: none"> <li>1. Maintenance of Mobile/ Village Libraries (TSP).</li> <li>2. Establishment/ Maintenance of Libraries and reading rooms.</li> <li>3. Assistance to local bodies for creating establishment and infrastructure support for Village Libraries.</li> </ol>   | The scheme will be implemented through the existing staff of District Panchayat/ village Panchayat  |
| 21. | Cultural activities                          | <ol style="list-style-type: none"> <li>1. Assistance to the local bodies and affiliated sports associations.</li> <li>2. Promotion of Handicrafts.</li> <li>3. Promotion of social and cultural activities.</li> <li>4. Promotion of folk culture by organizing cultural programmes.</li> </ol>   | This subject to be implemented through the staff of BDO/ Village Panchayat  |
| 22. | Markets and fairs                            | <ol style="list-style-type: none"> <li>1. Setting up Panchayat markets.</li> <li>2. Identification of locations and development of infrastructure for marketing rural products.</li> </ol>  | This subject to be implemented through the staff of BDO / Village Panchayat   |

|     |  |   |  |
|-----|--|---|--|
| 23. | Health and sanitation including hospitals, primary health centres and dispensaries | <p>The 17 Sub-centres in the Rural area may be transferred along with Staff i.e. Basic Health Worker and ANM attached to each Sub-Centre.</p> <ol style="list-style-type: none"> <li>1. The Primary Health Centre at Kachigam cannot be transferred as the various multiple functions are being implemented giving it the status of a Taluka level hospital.</li> <li>2. Planning of Rural sanitation programme, Garbage collection and disposal incentive for awareness generation, award, etc.</li> <li>3. Construction and maintenance of public latrines.</li> <li>4. Maintenance of general sanitation.</li> <li>5. Cleaning of public roads, drains, tanks, wells and public places.</li> <li>6. Maintenance and regulation of burning and burial grounds.</li> <li>7. Disposal of unclean corpses and carcasses.</li> <li>8. Maintenance and control of washing and bathing ghats.</li> <li>9. Maintenance of sub-centres under National Rural Health Mission Programme opening of bank account jointly in the name of Sarpanch and ANM.</li> <li>10. Coordination between Village Panchayat.</li> </ol> | Basic Health worker auxiliary Nursing<br>Mid- wife   |
| 24. | Public Health and family welfare.  | <ol style="list-style-type: none"> <li>1. Maternity and Child Welfare family Planning &amp; public awareness programmes.</li> <li>2. National Programme for Adolescent girls &amp; Pregnant mother (NPAG).</li> <li>3. National Maternity Benefit Scheme.</li> </ol>  | This scheme will be implemented though the staff of 21 sub- centres of Health Department being transferred |

|     |  |   |   |
|-----|--|---|---|
| 25. | Women and Child Development.   | <ol style="list-style-type: none"> <li>1. Special Nutrition Programme including wheat based.</li> <li>2. Balika Samrudhi Yojna.</li> <li>3. Participation in the implementation of women and child welfare programmes.</li> <li>4. Assistance and promotion for strengthening of Mahila Mandal.</li> <li>5. Mid Day Meals</li> <li>6. Promotion of school Health and Nutrition Programme</li> <li>7. Promotion and participation of voluntary organizations in Women and Child.</li> <li>8. Promotion of programmes relating to development of women and children.</li> </ol> | <p>CDPO<br/>Mukhya Sevika<br/>Accountant<br/>UDC<br/>Bal Sevika<br/>LDC<br/>Driver<br/>Peon<br/>Anganwadi Workers<br/>Anganwadi Helpers</p> |
| 26. | Social Welfare including welfare of the handicapped and mentally retarded. | <ol style="list-style-type: none"> <li>1. National Social Assistance Programme (NSAP) and Annapurna.</li> <li>2. Awareness, relief &amp; assistance to disabled persons implementations of various provisions under "Persons with Disability Act, 1995".</li> <li>3. Financial Assistance for welfare of Physically Handicapped Persons.</li> <li>4. Family pension to old age destitute and physically handicapped persons.</li> <li>5. Free education to disabled students.</li> <li>6. Financial Assistant to voluntary organisation.</li> </ol>                           | <p>This subject to be implemented through the staff of BDO / Village Panchayat</p>  |

|     |   |   |   |
|-----|---|---|---|
| 27. | Welfare of Weaker Sections in particular the Scheduled Castes and Scheduled Tribes. | <ol style="list-style-type: none"> <li>1. Awareness, relief and assistance for SCs/STs against atrocities.</li> <li>2. Assistance to Scheduled Tribes for construction of houses (TSP).</li> <li>3. Subsidy for repairing and renovation of houses (TSP).</li> <li>4. Incentive to Scheduled Castes students for increasing literacy supply of free text books, stationary, uniforms etc.</li> <li>5. Loan/ Subsidy for Economic Betterment of SC/ST persons.</li> <li>6. Grants to Local Bodies, for development of SCs/ STs.</li> </ol> | Block Development Officer<br>Extension Officer<br>Junior Engineer<br>Panchayat Secretaries<br>Gram Sevak<br>UDC<br>LDC<br>Bal Sevika<br>Driver<br>Peons |
| 28. | Public Distribution System.   | The schemes for PRIs under the Public distribution system have already been fully devolved.   | –   |
| 29. | Maintenance of Community assets.  | The schemes for PRIs under the Public distribution system have already been fully devolved.   | Divisional Officers<br>Assistant Engineers<br>Junior Engineers<br>D'man<br>LDC<br>Driver<br>Peon<br>Daily wages staff                                   |

2.19 In addition to the 29 subjects, 718 posts have been transferred to the District Panchayat out of a total sanctioned strength of 2416 posts in the Union Territory of Daman & Diu. Thus, a little less than 1/3rd of the posts have been transferred to the Panchayat bodies. Hence, an attempt has been made to transfer funds and functionaries to the Panchayati Raj set up.

2.20 Table 2-6 to 2-8 bring out the pattern of grants to the local body institutions over the last few years. Table 2-6 specifically shows the budget of the UT administration and its consequent devolution. Starting with a slow devolution of funds to the Zila Panchayat of around Rs. 2.59 crores of plan funds in 2004-05, the District Panchayat level plan funds have jumped to Rs. 31 crores in 2009-10. This is about the 1/5th of the UT's plan size budget of Rs. 154 crores for the current year. However, the non plan figure tell us a totally different story where the expenditure of Rs. 715 crores is projected for 2009-10 for the UT and only Rs. 13.67 crores is earmarked for the District Panchayat. The total plan and non plan expenditure for 2009-10 is Rs. 44.86 crores for the District Panchayat (and for that matter the Village Panchayats) and for the UT administration it is Rs. 870 crores. This is a very small and insignificant portion of the expenditure and if the Panchayati Raj Institutions have to start functioning in a meaningful manner more resources is required to be allocated to them in the non-plan account as well.

2.21 Each village Panchayat is allotted Rs. 3 lakhs for developmental works and another Rs. 2 lakhs for improvement of sanitation. As octroi has been abolished additional grant is being given as compensation to the Village Panchayats which is stepped up annually by 10%.

2.22 The District Panchayat is given an annual grant of Rs. 10 lakhs. In addition to the above, grants-in-aid are given for the 29 transferred subjects to the zila Panchayat. Allotment of funds is made in the beginning of the year and additional grants are given after receipt of proposals. Table 2-11 and 2-12 show the resources raised by the District and Village Panchayat. The village Panchayats own revenues are from house tax, construction fees etc. The district Panchayat does not have any tax revenue and its non-tax revenue collection is paltry. Even the staff allotted for the twenty nine functions to the zila Panchayat are in a diverted capacity with their salary coming from their parent department but they are working under the administrative control of the CEO of the District Panchayat. This does not appear to be a very satisfactory solution. The proposal to create 38 posts in the District Panchayat is pending in the Home Ministry.

2.23 Hence though a plethora of functions have been devolved to the local institutions, no significant follow up has been done in granting relevant powers, control on staff and of financial resources has been resorted to. There also seems to be a lot of confusion around the specific activities and whether the work is to be done by local body or the Administration. The need of the hour is to strengthen the local bodies and have a clear demarcation of responsibilities, funds and functionaries.

2.24 The staff strength at the village Panchayat level is inadequate and hence the ability of these bodies to perform effectively as institutions of local-self-government is lacking. The funds and financial powers granted to them are also inadequate.

2.25 Mobilisation of revenue by both the Panchayats and Municipalities are also dismal. The resources of the Municipal Council are shown in Table 2-13. Most of the taxes yield little revenue. The taxes assigned to the local bodies usually have low revenue base, yielding lower revenue. Additionally, proximity of these local bodies to the general populace make implementation of tax decisions politically unpopular. Moreover, administration of these taxes may entail large administrative costs at the local level which make them uneconomical. A lot of these tax collections are in arrears. These institutions do not have a viable tax base, due to the small size of the population and a small geographical area to operate in. They also do not have the required support staff to collect the tax. Therefore they are totally dependent on support from the UT government. The local leaders also do not want to appear to be harsh to their fellow citizens.

TABLE 2-6  
Allotment of Funds (Daman & Diu)

| (Rs. in Crore) |                    |          |        |                    |          |       |                         |          |       |                       |          |       |                 |
|----------------|--------------------|----------|--------|--------------------|----------|-------|-------------------------|----------|-------|-----------------------|----------|-------|-----------------|
| YEAR           | UTA                |          |        | District Panchayat |          |       | Municipal Councils      |          |       |                       |          |       |                 |
|                | Allotment of Funds |          |        | Allotment of Funds |          |       | Daman Municipal Council |          |       | Diu Municipal Council |          |       |                 |
|                | Plan               | Non-Plan | Total  | Plan               | Non-Plan | Total | Plan                    | Non-Plan | Total | Plan                  | Non-Plan | Total | Municipal Total |
| 2002-03        | 44.92              | 215.99   | 260.91 | 1.76               | 1.12     | 2.89  | 0.85                    | 1.46     | 2.31  | 0.20                  | 0.71     | 0.91  | 3.22            |
| 2003-04        | 45.46              | 229.01   | 274.47 | 3.48               | 5.66     | 9.14  | 0.52                    | 1.10     | 1.62  | 0.00                  | 1.12     | 1.12  | 2.74            |
| 2004-05        | 53.37              | 232.00   | 285.37 | 2.60               | 7.11     | 9.70  | 1.12                    | 1.24     | 2.36  | 0.00                  | 1.25     | 1.25  | 3.61            |
| 2005-06        | 59.16              | 238.10   | 297.26 | 2.66               | 8.01     | 10.67 | 1.31                    | 2.15     | 3.46  | 0.00                  | 1.25     | 1.25  | 4.71            |
| 2006-07        | 63.90              | 300.30   | 364.20 | 5.13               | 8.02     | 13.15 | 1.90                    | 2.36     | 4.26  | 0.15                  | 1.40     | 1.55  | 5.81            |
| 2007-08        | 87.78              | 457.60   | 545.38 | 10.34              | 8.52     | 18.86 | 2.00                    | 5.76     | 7.76  | 0.00                  | 2.10     | 2.10  | 9.86            |
| 2008-09        | 104.99             | 597.80   | 702.79 | 22.10              | 11.36    | 33.46 | 4.01                    | 6.39     | 10.40 | 1.00                  | 2.88     | 3.88  | 14.28           |
| 2009-10        | 154.34             | 715.81   | 870.15 | 31.19              | 13.67    | 44.86 | 9.15                    | 4.39     | 13.54 | 0.50                  | 2.88     | 3.38  | 16.92           |

Source: Communications from UT administration to the Finance Commission

TABLE 2-7

## Grants to the Panchayati Raj Institutions from the UT Budget (Daman &amp; Diu)

(Rs. In Lakhs)

| YEAR    | Village Panchayat | Annual Growth Rate in Grants to VP | District Panchayat |          |         | Annual Growth Rate in Grants to DP |
|---------|-------------------|------------------------------------|--------------------|----------|---------|------------------------------------|
|         |                   |                                    | Plan               | Non-Plan | Total   |                                    |
| 2002-03 | 92.23             |                                    | 176.49             | 112.23   | 288.72  |                                    |
| 2003-04 | 53.6              | -41.9                              | 347.50             | 566.13   | 913.63  | 216.44                             |
| 2004-05 | 56                | 4.5                                | 259.50             | 710.68   | 970.18  | 6.19                               |
| 2005-06 | 71.26             | 27.3                               | 266.00             | 801.11   | 1067.11 | 9.99                               |
| 2006-07 | 98                | 37.5                               | 513.00             | 801.60   | 1314.60 | 23.19                              |
| 2007-08 | 101               | 3.1                                | 1033.87            | 851.99   | 1885.86 | 43.46                              |
| 2008-09 | 101               | 0.0                                | 2210.00            | 1136.18  | 3346.18 | 77.44                              |

Source: Communications from UT administration to the Finance Commission.

TABLE 2-8

## Grants to the Municipal Councils from the UT Budget (Daman &amp; Diu)

(Rs. In Lakhs)

| YEAR    | Municipal Councils      |          |         |  |        |          |        | Annual Growth Rate in Grants to Diu MC |        |
|---------|-------------------------|----------|---------|--|--------|----------|--------|--|--------|
|         | Daman Municipal Council |          |         | Diu Municipal Council                    |        |          |        |  |        |
|         | Plan                    | Non-Plan | Total   | Annual Growth Rate in Grants to Daman MC | Plan   | Non-Plan | Total  | Municipal Total                        |        |
| 2002-03 | 84.50                   | 146.26   | 230.76  | -  | 20.00  | 70.84    | 90.84  | 321.60                                 | -      |
| 2003-04 | 52.00                   | 109.81   | 161.81  | -29.88                                   | 0.00   | 112.00   | 112.00 | 273.81                                 | -14.86 |
| 2004-05 | 112.00                  | 124.37   | 236.37  | 46.08                                    | 0.00   | 125.00   | 125.00 | 361.37                                 | 31.98  |
| 2005-06 | 131.00                  | 214.50   | 345.50  | 46.17                                    | 0.00   | 125.00   | 125.00 | 470.50                                 | 30.20  |
| 2006-07 | 190.00                  | 236.00   | 426.00  | 23.30                                    | 15.00  | 140.00   | 155.00 | 581.00                                 | 23.49  |
| 2007-08 | 200.00                  | 576.00   | 776.00  | 82.16                                    | 0.00   | 210.00   | 210.00 | 986.00                                 | 69.71  |
| 2008-09 | 401.00                  | 639.00   | 1040.00 | 34.02                                    | 100.00 | 288.00   | 388.00 | 1428.00                                | 44.83  |

Source: Communications from UT administration to the Finance Commission

2.26 Another glaring anomaly is that the village Panchayats get a miniscule 2% of the total funds devolved at the local level. The district Panchayat get around 68% and the Municipalities around 30%. This position calls for serious introspection and a need to charter a fresh course in financial devolution. The Tables placed below 2-10 and 2-11 show the allotment of funds for different sectors of the Panchayats and Municipalities.

TABLE 2-9

Allotment of Funds to District Panchayats (DAMAN & DIU)  
2008-09 & 2009-10

| Sr. No. | Head of Development                     | (Rs. In Lakh) |          |          |          |
|---------|---|---------------|----------|----------|----------|
|         |   | 2008-2009     |          | 2009-10  |          |
|         |   | Proposed      | Allotted | Proposed | Allotted |
| 1       | Other Administrative Services           | 5             | 5        | 8        | 5        |
| 2       | Relief on Account of Natural Calamities | 1             | 1        | 1        | 1        |
| 3       | Other Rural Dev. Programmes             | 617           | 1014     | 2619     | 1039     |
| 4       | Welfare SC, ST & OBCs                   | 62            | 0        | 12       | 12       |
| 5       | Census Survey and Statistics            | 0             | 0        | 10       | 2        |
| 6       | Crop Husbandry                          | 24            | 10       | 37       | 51.5     |
| 7       | Animal Husbandry                        | 32            | 10       | 22       | 22       |
| 8       | Soil & Water Conservation               | 100           | 10       | 4142     | 113      |
| 9       | Fisheries                               | 60            | 22       | 26       | 26       |
| 10      | Nutrition                               | 99            | 95       | 165      | 166      |
| 11      | Power                                   | 19            | 11       | 26       | 21       |
| 12      | Forestry And Wild Life                  | 20            | 5        | 5        | 5        |
| 13      | Medical and Public Health               | 83            | 20       | 40       | 40       |
| 14      | General Education                       | 120           | 193      | 470      | 328      |
| 15      | General Education (Salary)              | 903           | 989.18   | 1653     | 1223     |
| 16      | Sports and Youth Services               | 16            | 5        | 60       | 50       |
| 17      | Art and Culture                         | 15            | 5        | 5        | 5        |
| 18      | Industries                              | 51            | 0        | 16       | 0        |
| 19      | Social Security And Welfare             | 197           | 3        | 73       | 73       |
| 20      | Roads and Bridges                       | 550           | 876      | 2050     | 1130     |
| 21      | Tourism                                 | 0             | 0        | 10       | 5        |
| 22      | Public Works                            | 10            | 5        | 10       | 5        |
| 23      | Water Supply and Sanitation             | 71            | 46       | 482      | 141      |
| 24      | Housing                                 | 22            | 2        | 3        | 2        |
| 25      | Minor Irrigation                        | 71            | 16       | 45       | 16       |
| 26      | Non-Conventional Sources of Energy      | 10            | 3        | 10       | 4        |
|         | Total                                   | 3158          | 3346.18  | 12000    | 4485.5   |

*Source: Communications from UT administration to the Finance Commission*

TABLE 2-10

Allotment of Funds to Municipalities (Daman & Diu)  
2008-09 & 2009-10

| Sr. No. | Head of Development         | (Rs. In Lakh) |          |          |          |
|---------|-----------------------------|---------------|----------|----------|----------|
|         |                             | 2008-2009     |          | 2009-10  |          |
|         |                             | Proposed      | Allotted | Proposed | Allotted |
| 1       | Power                       | 0             | 0        | 0        | 1        |
| 2       | Medical and Public Health   | 0             | 0        | 0        | 0        |
| 3       | General Education           | 0             | 0        | 0        | 1        |
| 4       | Social Security & Welfare   | 0             | 0        | 0        | 3        |
| 5       | Roads and Bridges           | 0             | 0        | 0        | 1        |
| 6       | Public Works                | 0             | 0        | 0        | 1        |
| 7       | Water Supply and Sanitation | 0             | 0        | 0        | 1        |
| 8       | Housing                     | 0             | 0        | 0        | 0        |
| 9       | Urban Development           | 300           | 1360     | 4725     | 1684     |
|         | Total                       | 300           | 1360     | 4725     | 1692     |

*Source: Communications from UT administration to the Finance Commission*

2.27 Table 2-11 gives a summary of receipts and of the district Panchayat of Daman & Diu over the years. The entire source of revenue is in the form of grants-in-aid and the entire expenditure is done on this basis. This does not make for effective decentralization and its concomitant effect of strengthening local body institutions. Admittedly the grant-in-aid from the UT Administration have been increased rather rapidly from a paltry Rs. 1.96 crores in 2002-03 to a more substantial Rs. 32.48 crores in 2008-09. The District Panchayat is totally dependent on the UT administration for its entire budget and hence it is not a vital and dynamic body.

TABLE 2-11

Resources of District Panchayats (Daman and Diu)

| Items                                       | (Rs. In Lakhs) |            |            |            |              |              |              |
|---|----------------|------------|------------|------------|--------------|--------------|--------------|
|   | 2002-03        | 2003-04    | 2004-05    | 2005-06    | 2006-07      | 2007-08      | 2008-09      |
| Tax   | 0              | 0          | 0          | 0          | 0            | 0            | 0            |
| <i>Tax as % of Total Resource</i>           | <i>0</i>       | <i>0</i>   | <i>0</i>   | <i>0</i>   | <i>0</i>     | <i>0</i>     | <i>0</i>     |
| Non-Tax*                                    | 0              | 0          | 0          | 0          | 1.65         | 1.8          | 1.8          |
| <i>Non-Tax as % of Total Resource</i>       | <i>0</i>       | <i>0</i>   | <i>0</i>   | <i>0</i>   | <i>0.14</i>  | <i>0.10</i>  | <i>0.06</i>  |
| Grants-in-Aid                               | 196.49         | 860.03     | 914.18     | 995.85     | 1216.6       | 1784.86      | 3245.18      |
| <i>Grants-in-Aid as % of Total Resource</i> | <i>100</i>     | <i>100</i> | <i>100</i> | <i>100</i> | <i>99.85</i> | <i>99.89</i> | <i>99.94</i> |
| Total Resource                              | 196.49         | 860.03     | 914.18     | 995.85     | 1218.385     | 1786.761     | 3247.035     |

*Source: Communications from UT administration to the Finance Commission*

*Note: \* Non Tax Revenue received is on account of Crop Husbandry*

2.28 Table 2-12 shows a summary position of Receipts and Expenditure of the village Panchayats from 2002-03 to 2008-09. Grants-in-aid are static yet the village Panchayats have managed to increase their tax collection. In fact very creditably they have doubled their collection in the last six years which gives a compounded growth rate of approximately 12%. However, all the expenditure is on the revenue side and capital expenditure is conspicuous by its absence. The utilization rate of the available funds by the village Panchayat is very satisfactory. The village Panchayats due to higher own resource mobilization have been able to increase their fiscal autonomy substantially and the grant-in-aid covered only 22 per cent of the total resources of the Panchayats. Also the small size of their own collection and grants-in-aid do not enable them to take up meaningful and viable projects. Given the acknowledged lack of infrastructure in the rural areas a lot more funds need to be given to them. It is also to be noted that skewed distribution of devolved fund to District Panchayat needs to be reversed and is acting as a serious impediment to decentralization.

2.29 However, in terms of volume of resources and total volume of expenditure, the position of the gram Panchayats is indeed deplorable. The 14 Panchayats have a net income of Rs. 4.38 crores (from all services) in 2008-2009 and their expenditure was around Rs. 4.05 crores (as statutorily they cannot exceed their income). This is a mere drop in the ocean and can hardly make any meaningful impact in providing facilities and amenities in the villages.

2.30 In other words, the state of finance at the level of the local bodies is a cause for concern and the grants to these institutions by the UT Administration is rather inadequate. Local self- government institutions are in frail fiscal health. The share of tax revenue is low as compared to the total receipts of the local bodies. This is rather inadequate and need to be bolstered. This will provide a strong fiscal base for the Panchayati Raj institutions to emerge on a sound footing. Also devolution of untied fund to the local bodies, particularly the PRIs, is essential to develop these as an effective institution of local self government, providing local public services and meeting the developmental needs.

TABLE 2-12

## Revenue Resources of Village Panchayats (Daman and Diu)

| Items                                       | (Rs. In Lakhs) |              |              |              |              |              |              |
|---|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2002-03        | 2003-04      | 2004-05      | 2005-06      | 2006-07      | 2007-08      | 2008-09      |
| Tax*  | 173.95         | 164.37       | 172.63       | 176.01       | 195.25       | 260.02       | 358.08       |
| <i>Tax as % of Total Resource</i>           | <i>65.35</i>   | <i>75.41</i> | <i>75.51</i> | <i>71.18</i> | <i>66.58</i> | <i>72.02</i> | <i>78.00</i> |
| Non-Tax                                     | 0              | 0            | 0            | 0            | 0            | 0            | 0            |
| <i>Non-Tax as % of Total Resource</i>       | <i>0</i>       | <i>0</i>     | <i>0</i>     | <i>0</i>     | <i>0</i>     | <i>0</i>     | <i>0</i>     |
| Grants-in-Aid                               | 92.23          | 53.6         | 56           | 71.26        | 98           | 101          | 101          |
| <i>Grants-in-Aid as % of Total Resource</i> | <i>34.65</i>   | <i>24.59</i> | <i>24.49</i> | <i>28.82</i> | <i>33.42</i> | <i>27.98</i> | <i>22.00</i> |
| Total Resource                              | 266.18         | 217.97       | 228.63       | 247.27       | 293.25       | 361.02       | 459.08       |

Source: Communications from UT administration to the Finance Commission

Note: \* Tax Revenue received is on account of House Tax, Construction Fees, R B&D Fees, Rent, Advertisement

2.31 The Table below 2-13 shows a summary position of the receipts of the two Municipal Councils of Daman & Diu combined. Here the position is more satisfactory as compared to the village Panchayats. The tax receipts are marginally higher though there is a lot of fluctuation in their collection over the years. The non-tax base has increased and has trebled over the last six years. Similarly the grants-in-aid have increased more than four times in the last six years. The utilization rate of funds is also not very satisfactory and can be stepped up. No expenditure has been done on the capital account and this also appears to be a reason for concern.

TABLE 2-13

## Revenue Resources of Municipal Councils (Daman and Diu)

| Items                                       | (Rs. In Lakhs) |              |              |              |              |              |              |
|---|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2002-03        | 2003-04      | 2004-05      | 2005-06      | 2006-07      | 2007-08      | 2008-09      |
| Tax*  | 40.4           | 45.2         | 41.56        | 55.7         | 76.65        | 100.38       | 66.99        |
| <i>Tax as % of Total Resource</i>           | <i>8.26</i>    | <i>9.95</i>  | <i>7.52</i>  | <i>7.63</i>  | <i>8.78</i>  | <i>7.82</i>  | <i>3.58</i>  |
| Non-Tax                                     | 127.32         | 135.41       | 149.9        | 203.36       | 215.32       | 196.89       | 373.95       |
| <i>Non-Tax as % of Total Resource</i>       | <i>26.02</i>   | <i>29.80</i> | <i>27.12</i> | <i>27.87</i> | <i>24.67</i> | <i>15.34</i> | <i>20.01</i> |
| Grants-in-Aid                               | 321.6          | 273.81       | 361.37       | 470.5        | 581          | 986          | 1428         |
| <i>Grants-in-Aid as % of Total Resource</i> | <i>65.72</i>   | <i>60.25</i> | <i>65.37</i> | <i>64.49</i> | <i>66.55</i> | <i>76.83</i> | <i>76.41</i> |
| Total Resource                              | 489.32         | 454.42       | 552.83       | 729.56       | 872.97       | 1283.27      | 1868.94      |

Source: Communications from UT administration to the Finance Commission

Note: \* Tax Revenue received is on account of House Tax, Drainage Tax and Advertisement

2.32 A close look at the sector wise figure of the two Municipalities reveals that the grants-in-aid are only for urban development under both the plan and non-plan heads. The bulk of the money is under the non-plan indicating that it is for salaries and routine work. This skewed expenditure pattern needs to be corrected. The work of the Municipalities is also limited to a few functions and these needs to be widened. Daman Municipality currently earns and spends more than four times as much as Diu Municipality. Over the years this divergence has steadily increased. The figures now stand at Rs. 13.54 crores for Daman and Rs. 3.38 crores for Diu. There needs to be parity in the level of public services provided by these institutions and therefore the distribution of financial resources among the two municipalities should take into account any imbalance that exists between these two bodies in terms of provisioning of essential public services.

2.33 Under the Jawaharlal Nehru National Urban Renewal Mission 2009-10 Daman Municipality has drawn up plans for a sewerage system (underground). There are also plans for constructing dwelling units for improvement of slums.

2.34 During the visit of the Commission to Daman and Diu, meetings were held with officers of the administration, members of the local bodies as well as other elected representatives. At Diu in the meeting with the Collector and the other Heads of Department the main point expressed was lack of powers and funds. Hence, the delegation to the Panchayats and Municipalities of powers and functions as well as funds was even less. There is no separate budget for Diu and funds are allocated both to the Departments as well as the local bodies from the head quarters by the UT administration.

2.35 All the Department heads wanted more autonomy and flexibility to recruit staff, carry out major works and more funds so that maintenance and routine works were not neglected. This was specifically pointed out by the power, education, health and even the police departments.

2.36 The funds available to the departments in Diu are rather meagre and some of the developmental work has also been shifted to the Panchayat and the Municipalities. This has left some department like fisheries without much staff and only regulatory work. Elementary education has also been transferred to the village Panchayat but the staffs there is in diverted capacity. Some works of the tourism department in the township of Diu are being implemented by the Municipal Council. Meetings held with members of two

Municipalities of Daman & Diu, as well as DPs and VPs have brought to light different aspect of devolution in reality, in the UT.

2.37 District Panchayats do not have their own sources of revenue as they cannot impose taxes of any kind. Despite the 29 subjects being transferred to the local bodies, the primary health facilities, the public distribution system and water supply schemes are still being run by the Administration. In its memorandum the District Panchayat President Daman has asked for the power to impose toll tax, as well as imposition of trade tax and professional fees. The other major demand is that a fixed percentage of the planned budget be assigned to the district Panchayat especially schemes, providing new roads and bridges etc. It was suggested that at least 40% of the plan budget be given to the District Panchayat. Another demand is that the functionaries of the district Panchayat who are in a diverted capacity should not be under the control of the head of the Government department from where they originally came. The proposal to create permanent staff for the district Panchayat has also not been implemented. The power of recruitment has also not been delegated to the District Panchayat. The District Panchayats also want control of community assets like ponds, playgrounds etc so that revenue can be generated. They would also like 10% of central excise and income tax collected from Daman and Diu to be given to the UT administrations and out of that amount at least 40% be given to the District Panchayat.

2.38 One of the main demands of Daman Municipality is that 28% of the total budget allocation of the UT administration be transferred to the Municipal Council for developmental works as a grant-in-aid. They want all the duties and functions of Schedule twelve of the 74<sup>th</sup> constitutional Amendment be transferred to the Municipal Council with the funds, staff and infrastructure immediately. This they feel will help them to conduct their functions without going through a host of agencies outside the framework of the democratically elected system. All powers and functions and duties be given to the Municipal bodies is their major demand.

2.39 Another demand is to increase compensation in lieu of octroi in Daman as available to Diu Municipality. The President in his note states that Daman is getting only Rs. 6.77 lakhs and wants it to be increased to Rs. 80 lakhs as in the case of Diu Municipality.

2.40 The village Panchayats also want an increase in their financial powers. It is currently Rs 10,000 for sanctioning development works and they would like this to be enhanced to Rs. 50,000. They also want the

Block Development officer to sanction work upto Rs. 5 lakhs per scheme. They also want the grant-in-aid given to the Panchayat to be doubled in lieu of octroi duty rather than the meagre increases each year.