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# Institutional Development of State Finance Commissions -a balance-sheet of 25 years

By

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**Context:**

The Constitutional Amendment (73<sup>rd</sup> and 74<sup>th</sup>) Acts, 1992 created democratically elected and legally mandated institutions of local self-governments. These institutions also brought changes in federal polity of India. Currently there are about 0.24 million Village Panchayats, 6307 Block Panchayats and 606 District Panchayats in rural India and 4415 (MoPR, 2018)<sup>1</sup>. Urban Local Bodies in urban habitations along with governments in 29 States, 7 Union Territories and the government at Union level. Earlier Indians were represented by about 5000 elected members in Parliament (Lok Sabha and Rajya Sabha) and State Legislatures (including Legislative Councils in some States). Now India democratically elects more than 3 million representatives. After Constitutional creations and so, additions of Gram Panchayats, Block Panchayats, District Panchayats and Urban Local Bodies in existing government structures, India are the largest example of functional cooperative federalism.

In federal India, Articles 268, 269, 270, 275, 282 and 293 of the Constitution, among others, specify ways and means of sharing of responsibilities and resources between the Union and States. Article 280 of the Constitution of India prescribes for constitution of a Finance Commission to make recommendations for distribution of net proceeds of taxes between the Union and States and also define the financial relations between the Union and the States. After 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, Article 280 was amended to add two sub-clauses dealing with the measures needed to augment the consolidated fund of a State to supplement the resources of Panchayats and Municipalities based on the recommendations of respective State Finance Commissions. This facilitated the ways for Finance Commissions to also make recommendations about share of local self-governments in Central resources.

Article 243 I and Article 243Y of the Constitution of India respectively prescribe constitution of the State Finance Commissions for Panchayats and Municipalities. Together they say that the Governor of State shall, as soon as may be within one year from the commencement of the Constitution (Seventy third Amendment) Act, 1992 and thereafter at the expiration of every fifth year, constitute a Finance

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<sup>1</sup> Local Governance Directory (2018): Panchayats and State Panchayati Raj Department, Ministry of Panchayati Raj, Government of India.

Commission to review the financial position of the panchayats and to make recommendations to the Governor as to— the principles which should govern—

1. (i) The distribution between the State and the Panchayats/Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this Part and the allocation between the Panchayats/Municipalities at all levels of their respective shares of such proceeds;
- (ii) The determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats/Municipalities;
- (iii) The grant-in-aid to the Panchayats/Municipalities from the Consolidated Fund of the State;

The Governor of State may ask the SFC to suggest the measures needed to improve the financial position of the Panchayats/Municipalities. Governor may also refer any other matter to the Finance Commission in the interests of sound finance of the Panchayats/Municipalities. The Act further say that “Legislature of a State may, by law, provide for the composition of the Commission, the qualifications which shall be requisite for appointment as members thereof and the manner in which they shall be selected. The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the State may, by law, confer on them. The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.”

The Economic Survey 2017-18<sup>2</sup> pointed out that Panchayati Raj Institutions (PRIs) received 95% and the Urban Local Bodies (ULBs) received 56% of their revenues from devolved funds from the Centre and the State. Expressing serious financial accountability concerns, the Survey says Panchayats in India generate only 6% of revenue from own sources compared to 40% in Brazil and Germany. The Urban Local Bodies generate 18% of total revenue from direct taxes compared to 19% in Brazil and 26% in Germany. These figures, the Economic Survey says, are averages with significant variations across the States in the context of own revenue generation by the PRIs. The PRIs in southern states of Kerala, Karnataka and

<sup>2</sup> Economic survey 2017-18, Ministry of Finance, Government of India

Andhra Pradesh do generate good own revenue but Panchayats in UP and Jharkhand, for example, completely depend on transfers from Central and State governments. If Local Self Governments depend so heavily on transfers of fund from Central and State governments, the functional independence and financial sustainability of institutions of local self-governments are questionable. Have SFCs looked into this aspect while making recommendations? Even if SFCs made recommendations in this regard, did state government accept those recommendations?

In a huge country like India where 32 federal units constitute their respective SFCs, situations vary from state to state and union territories. In some states the SFC recommendations have rejuvenated the local government system and so, local governments have become financially sound to deliver their mandates. In some other states, SFCs did not take their jobs seriously and so did not produce quality reports. In other states, the SFCs tried their best and suggested innovative measures to strengthen financial and functional capacities of local governments but their recommendations were not accepted.

The present paper is an effort to analyze the functioning of the SFCs, their contribution to the PRIs and the ULBs and their relations with the government. The paper is based on limited documented information available on the issue. It includes secondary data and PRIA's own experiences of working with State Finance Commissions in 9 states: Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Haryana, Odisha, Rajasthan, Sikkim and Uttarakhand<sup>3</sup>.

## **2. Constitution and Composition of the State Finance Commissions:**

Article 243 I (and 243Y) states that "The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy third Amendment) Act, 1992, and thereafter at the expiration of every fifth year, constitute a Finance Commission...". This means that every state should have constituted 5 State Finance Commissions by year 2014-15, beginning with first SFC by 1994. But as per Ministry of Panchayati Raj's Devolution Report<sup>4</sup>, only 22% (7 out of 32) eligible States and Union Territories had constituted maximum possible SFCs till 2015.

<sup>3</sup> PRIA (2004, 2017-18): State specific Reports on working with State Finance Commissions, including PRIA advisory role in preparations of Report of Sikkim's 5<sup>th</sup> State Finance Commission

<sup>4</sup> Devolution Report 2015-16: Where Local Democracy and Devolution in India is heading towards? Ministry of Panchayati Raj, Government of India, 2016

There are also cases where the State Government constituted the Commission but the report of SFC never became public. For example, the state of Jharkhand, which was created in year 2000, constituted all possible 3 SFCs. But reports of all SFCs are not in the public domain. There are cases where SFC submitted the report but no action has been taken so far on those reports. The table 1 below, provides an overview of status of the SFCs in 6 states which are ranked as top 5 states (Karnataka and West Bengal have same ranks 5) in India in terms of devolution practices.

**Table.1 The State of SFCs in 'Top' 5 States of the country**

Ranking of State*	Name of State	Latest SFC to submit report	Date of Constitution	Date of submission of Report	Date of ATR by State Government
1	Kerala	5 <sup>th</sup> SFC	Dec 2014	I. Dec 2015 and II. March 2016	Feb 2018
2	Maharashtra	4 <sup>th</sup> SFC	Feb 2011	Dec 2014	March 2018
3	Gujarat	3 <sup>rd</sup> SFC	Feb 2011	March 2015	-
4	Sikkim	5 <sup>th</sup> SFC	August 2016	July 2017	March 2018
5	Karnataka	4 <sup>th</sup> SFC	Dec 2015	May 2018	-
5	West Bengal	4 <sup>th</sup> SFC	April 2013	Feb 2016	-

- *Ranking as per MoPR's aggregate indices of devolution in practice, 2015-16*
- *Information in above table are compiled from websites of mentioned SFCs/State governments*

Article 280 of the Constitution clearly states that Central Finance Commission will have one chairperson and 4 other members. But Art 243I and 243Y leave this to the discretion of States to decide upon membership of their State Finance Commissions. So, every State follows its own way and accordingly, the number of members of SFCs varies across the states. An analysis of compositions of the various SFC suggests that the State Governments usually constitute SFCs under the chairpersonship of a senior politician, or a retired bureaucrat or a reputed economist/academic. But quite often other members of the Commission are serving bureaucrats. For example, 5<sup>th</sup> SFC of Kerala was set up under the chairmanship of a Professor of Economics. But other two members of the SFC were the Principal Secretary of local self-department and Special Secretary Finance in government of

Kerala. There are also examples such as Jharkhand and Sikkim where serving officers in state government were chairperson and members of the State Finance Commissions. For example, 5<sup>th</sup> SFC of Sikkim was headed by serving Principal Secretary of Land Revenue and Disaster Management and other 3 members of the SFC were Special Secretary of Urban Department, Director of Panchayat Department and Additional Director in Accounts department of Government of Sikkim.

This brings the larger issue about the autonomy and independence of the Commission. The State Finance Commission is a statutory body, constituted for independently suggesting the mechanisms to decide upon devolution of resources from State Government to the Local Governments. Since all serving officers are parts of the State Government, a serving officer as member or chairperson of the SFC would always be treated as individual representing the interests of state government.

### **3. Term of References (ToR) for the SFCs:**

The ToRs for earlier SFCs in most states remained confined to basic clauses of Article 243I and 243Y. That is, asking for recommendations related to: distribution of the net proceeds of taxes, duties, fees levied by the State, the Grants in Aid from the consolidated fund of the State and any other measures to improve the financial positions of local governments. But with passage of time, various State Governments do ask their SFCs to prepare informed recommendations for new financial issues and challenges.

The third SFC of Tamil Nadu, for example, perhaps had one of the most elaborate ToRs in terms for looking options for generating additional resources. However, intent of the ToR was more favourable for State government. The ToR actually handcuffed<sup>5</sup> the SFC by asking for recommendations having regard to a long list of restrictions which inter alia include “the need to generate adequate surplus on revenue account for the state’s commitment’s on capital account and the commitments of the state government under the Tamil Nadu Fiscal Responsibility Act 2003”.

The ToR for 4<sup>th</sup> SFC in Karnataka asks for recommendations regarding ways for optimum utilization of local government resources to meet their expenditures. It also

<sup>5</sup> M.A. Oommen (2010): Have the State Finance Commission Fulfilled Their Constitutional Mandates? Economic and Political Weekly, July 24, 2010 Vol XLV 30

asks SFC to suggest measures for repayments of State Government's dues over local governments. Interestingly the ToR 'reminds and alerts' the Commission that while making recommendations, the SFC should pay due regards to State's own obligations for expenditures on civil administration, debt servicing and other committed expenditures.

The ToR for 5<sup>th</sup> SFC in Kerala included special references for: potential for Local Governments to raise funds from financial institutions and market, improving quality of upkeeps of assets owned by local government, maintenance of fiscal data base relating to local governments, better financial managements including rationalization of taxes and fees collected by the local governments. But the ToR for 5<sup>th</sup> SFC in Sikkim remained confined to conventional recommendations regarding distribution of net tax revenue of state and grants-in-aid.

If we analyse the recent innovations in terms of references of the SFCs, an interesting trend could be observed. Most of the new clauses or special references in the ToRs are related to either suggesting good accountability mechanisms for local governments or suggesting the measures which support State Governments. In simplistic terms, it could be said that ToRs are often edited to favour more to State Governments than the local governments. At a time when States are objecting to unfavourable clauses in the ToR for 15<sup>th</sup> Finance Commission, it would be interesting to note that whenever and wherever the State has experimented with the ToR for its SFC, the newly introduced clauses did support more to the State Governments rather than favouring the local governments.

#### **4. Data challenges for the SFCs:**

It could be said that Government of India is today much more data-rich than it has ever been before, with detailed biometric Aadhaar of citizens, Goods and Services Tax Network (GSTN) and also disaggregated data under schemes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Jan Dhan Yojna (JDY). But it is a paradox that access to or availability of systematic development data at local level is still most challenging. Various Finance Commissions and Researchers have already commented on poor statistical system at local levels. Disappointed with this, Thirteenth Finance Commission provided Rs. 1 Crores for each district to improve the local statistical system.



This difficult data space is operating domain for the State Finance Commissions. Availability of quality real time development data was a big problem a decade earlier, and this is the big problem even today. When PRIA organized a national workshop of State Finance Commissions<sup>6</sup> in 2005 in collaboration with Rajiv Gandhi Institute of Contemporary studies, all SFCs expressed concerns on lack of data and lack of support system. As a follow-up of the national workshop, a national platform of SFC-Chairpersons was formed to generate peer learning and peer supports for SFCs. The platform identified their common challenges, which were related to the issues in Constitution of SFCs, Composition of SFCs, Continuity of institutions of SFC, Consultations by SFCs and Convention to respect SFC recommendations. The functional challenges were identified as: (i) Lack of administrative supports (ii) Lack of access to quality data and (iii) lack of human and institutional capacities to generate appropriate knowledge to build quality recommendations and reports.<sup>7</sup> From those times till date when PRIA was supporting the 5<sup>th</sup> SFC of Sikkim in 2017, the challenge remains the same.

Using participatory methodologies to consult different stakeholders for identifying the problems, the SFCs generate good data on demands. But when it comes to deriving recommendations for addressing those challenges, many SFCs lack appropriate supports. The SFCs in some states such as Kerala, Karnataka, Chhattisgarh and Rajasthan did undertake specific researches and studies to derive recommendations. But most of the SFCs are not provided sufficient budget to hire experts from outside. PRIA has witnessed the situations where some SFCs wanted to generate additional data and knowledge but could not do that due to lack of adequate supports from the State Government. Such challenges obviously impact the quality of recommendations.

### **5. Contributions of the SFCs:**

An analysis of the ToRs and informal interviews with 12 SFCs found that the SFCs were provided one year or two years of 'practical' time period to prepare and submit the reports. The SFCs in turn also took different time periods for submitting their reports. The time taken by the SFCs in submitting their report varies from almost a year (4<sup>th</sup> SFC-Odisha, 11 months and 5<sup>th</sup> SFC-Sikkim, 11 months) to 4 years (3<sup>rd</sup> SFC-Gujarat, 4 years 1 month and 5<sup>th</sup> SFC-Assam, 3 years 8 months).

<sup>6</sup> PRIA and Rajiv Gandhi Institute for Contemporary Studies (2005): National Workshop on Status of State Finance Commissions

<sup>7</sup> PRIA (2006-2008)- Minutes of various meetings of SFC Platform held during 2006-08



In terms of recommendations, most of the SFCs did suggest for devolving particular percentage of State's net own revenue or net own taxes. The SFCs across the states did not follow any uniform formula to decide upon the devolution of quantum of percentage of own revenue of the State to local governments. As the table below for top 10 states (on the basis of ranking by Devolution Report 2015-16) suggest, the suggested percentage of own taxes/revenue varies from 2% in Sikkim and West Bengal to 40% in Maharashtra.

**Table: SFC Recommendations for Share in State Resources from Divisible Pool**

S. No.	Devolution Rank nationally	Name of State (x <sup>th</sup> SFC Report)	Devolution to Local Governments	Devolution Share of	
				PRIs	ULBs
1	1	Kerala (IV)	19.7% of State's Own Taxes	Population	Population
2	2	Maharashtra (II)	40% of State's Own Taxes	80%	20%
3	3	Gujrat (II)	Not Available	NA	NA
4	4	Sikkim (III)	2% of State's own revenue	100%	0
5	5	Karnataka (III)	30% of Non-loan gross own revenue	70%	30%
6	5	West Bengal (III)	2% of State's Own Taxes	NA	NA
7	6	Telangana	Not Available	NA	NA
8	7	Madhya Pradesh (III)	10% of State's Own Taxes	80%	20%
9	8	Bihar (IV)	4% of State's Own Taxes	NA	NA
10	8	Punjab (III)	4% of State's Own Taxes	34%	66%
11	9	Tamil Nadu (III)	10% of State's Own Taxes	58%	42%
12	9	Rajasthan (III)	3.5% of State's Own Taxes	75.7%	24.3%
13	10	Jharkhand	Not Available	NA	NA

14	10	Haryana (III)	4% of State's Own Taxes	65%	35%
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*Source: Devolution Report MoPR, Devolution Indices, IIPA and the quoted SFC Reports*

Most of the SFCs have taken population as major criteria for deciding upon the distribution between Panchayats and Urban Local Bodies. States like Karnataka, West Bengal, Maharashtra, Haryana, Uttarakhand, Odisha and Andhra Pradesh have also considered other development criteria such as literacy, deprivation, SC/ST population and tax efforts to decide upon share of PRIs and ULBs in State's resources from divisible pool.

**Table: Per Capita SFC allocations of Untied Funds to Panchayats**

S.No.	Name of Federal Unit	Per capita 'un-tied' allocation in Rupees (2015)		
		Gram Panchayat	Block Panchayat	District Panchayat
1	Haryana	152.56	0.00	0.00
2	Karnataka	150.59	46.79	59.85
3	Kerala	1006.39	237.27	338.46
4	Madhya Pradesh	180.11	0.00	0.00
5	Manipur	90.65	NA	15.98
6	Odisha	16.54	5.54	3.25
7	Sikkim	79.72	NA	34.16
8	Tamil Nadu	415.12	221.57	55.34
9	Telangana	7.32	1.99	6.99
10	Uttarakhand	108.10	43.24	99.64
11	West Bengal	75.99	10.72	12.78
12	Rest of the 21 States and Union Territories	0.00	0.00	0.00

*Source: This table has been prepared on the basis of data available in MoPR's Devolution Report 2015-16 and data available in websites of states mentioned above*

Despite all odds, as the table above suggests, the SFCs in 11 States have been successful in providing untied grants to local governments. While SFC in Kerala provided Rs. 1006 per capita untied grants to Gram Panchayats in Kerala, the SFC in Uttarakhand ensured Rs 108 to Gram Panchayats. These untied grants are most crucial for any government to function appropriately. Perhaps availability of these untied grants support Gram- Block- and District- Panchayats in these states to better

responds to the expectations of the citizens' expectations. A close look at the table could reveal that the above 11 states are also in the list of better performing states in latest devolution report (2015-16) of the Ministry of Panchayati Raj. It is also expected that states with higher untied grants should have better performance ranking for their local governments.

As an example of visible contribution of the SFCs, PRIA's experiences of analyzing the GPDP (Gram Panchayat Development Plan) from some Gram Panchayats in Rajasthan, Haryana, Bihar, UP, Sikkim and Chhattisgarh found that across the states and across the districts and blocks, the most common sources of revenue to Gram panchayats included: (i) Fourteenth Finance Commission, (ii) MGNREGS and (iii) SFC Grants. Interestingly, SFCs do generate respect and expectations at the level of ordinary citizens.

#### **6. Governmental Responses: Action Taken Reports:**

The Constitution of India and State Conformity Acts do expect that State governments should timely constitute the State Finance Commissions. As mentioned earlier, only 22% of States in India constituted their all commissions during 1994-2015. In addition to timely constitution of the SFCs, the Constitution of India also expects that every recommendation made by the Commission shall be laid before the legislature of the State with an explanatory memorandum as to the action taken. It may be noted that the recommendations of SFCs are not binding to the State and therefore State may accept or reject all or some recommendations of the SFC. But there has been healthy precedence in case of national finance commissions whose recommendations are accepted by the Parliament without any deviations.

Kerala had a history of accepting 100% of SFC recommendations till its 4<sup>th</sup> SFC-report. However, it rejected many recommendations of its recent 5<sup>th</sup> SFC. On the other hand, Assam (73%), Uttarakhand (71%) and Punjab (67%) are other states who have been relatively more positive towards the SFC recommendations. But unfortunately, the general trend in other States have been highly undermining to recommendations of the SFCs. As the table below shows, only 34% of States accepted 50% or more recommendations of their SFCs. More than 50% here means mostly 50-60% of the recommendations.

**Table: Acceptance of the SFC recommendation with financial implications (2015):**

Proportion of recommendations accepted	Federal Units	No (%) of Federal Units
>50%	Kerala, AP, Assam, Chhattisgarh, Odisha, Punjab, Rajasthan, Telangana, Tripura, Uttarakhand, West Bengal	11 (34%)
30 - 50%	UP, MP, Manipur, Tamil Nadu	4 (13%)
20- 29%	Maharashtra, Sikkim	2 (6%)
10- 19%	Gujrat, Haryana, Karnataka	3(9%)
1-10%	None	0
No Action	Rest of the States and Union Territories	12 (38%)

Source: Table derived from data in MoPR's Devolution Report 2015-16 and websites of different SFCs

### 7. Ways Forward:

The National and State Finance Commissions are keen to functioning of co-operative federalism and overall inclusive development of Indian federal system. It is true that SFCs in general have not been able to contribute to their full potential. But key to problems don't lie within the SFCs or individuals therein. The author himself has been witness to the problems, which even serving senior bureaucrats (when they were the chairperson or the member of the SFC) found difficult to address. These problems are also not exclusive to the relations between SFCs and State Governments. Similar issues emanate while discussing the District Planning Committees or State Election Commissions, the other two members of trinity<sup>8</sup> of

<sup>8</sup> Rai, M. (2007). *Challenging Institutional Reforms for Democratic Decentrization in India: Trinity of Institutions to Strengthen Local Self Government*. New Delhi: PRIA.

institutions (SEC, DPC and SFC), which were created to rejuvenate local governments in the country. The SFC problems are therefore systemic problems and so, need to be addressed by bringing changes in the system. That requires appropriate political will and thorough review of the current functioning of federal system. In specific case of the SFCs, the author would however like to suggest the following immediate actions for strengthening the effective roles of the SFCs:

1. *Evolve a Uniform operational guideline for Constitution and Composition of the SFCs:* The NITI Aayog or National Finance Commission could take initiatives to evolve a national consensus on this issue. To do this, a well-researched background paper with clear-cut suggestions should be prepared on the basis of existing experiences of national finance commissions and some of progressive State Finance Commissions. The guidelines should suggest dos and don'ts in selection of chair and members of the SFC, on the basis of their qualifications and practical experiences. It should also define their roles and should also have codes for their conducts.
2. *DPCs as Data-Hub for Development Planning and also for the SFCs:* The Planning Commission of India in its Manual on Integrated Development Planning (2008) suggested that DPCs should be a hub for compiling and systematizing the local data for efficient and effective district development planning. The same emphasis was reinforced recently during PRIA's interactions with DPCs and State Governments in states of Sikkim, Rajasthan, Bihar, UP, Jharkhand and Chhattisgarh. If this happens, it will solve the problems of district development planning. It will also support SFCs in accessing local data and local plans to derive their recommendations on the basis of realistic local resources and prioritized needs of the people in the State. The DPCs in different districts could then provide real time data to the SFCs, which most SFCs in India lack currently.
3. *Synchronization of SFC and CFC Reports:* After 10<sup>th</sup> Finance Commission onwards, occasional debates are generated to synchronize the time periods of CFC and SFC reports so that CFC could effectively use the SFC recommendations in accordance with amended Article 280 of the Constitution of India. This synchronization is very important for three reasons: (i) it will provide updated and better assessment of local and state situations and so, will save lots of energies and resources of the

CFC, (ii) It will support the states in presenting their case better before the CFC and (iii) it will incentivize or pressurize the SFCs and the States to respectively prepare their Reports and Action Taken Reports (ATRs) timely In this ways, perpetual and omnipresent problems in delays in submission of reports and/or delayed ATRs would be solved effectively.

4. *Emphasis on alternative sources of own revenue:*

So far, the most SFC reports have focused around share of divisible pool and grants-in-aid. In the changing contexts when markets are spreading till remotest corners of the country, the SFCs need to explore entrepreneurial ways and associated support systems for local governments. There are many examples in different parts of the country where PRIs and ULBs have undertaken varied innovations to generate additional revenues. These need to be documented and shared with the SFCs. Accordingly, the ToRs for SFCs should make special references for alternative sources of revenues.

5. *Evidence Based Action Taken Report*

Many of the SFCs informally and formally comment that they prepare their reports doing hard works and generating logic-based recommendations, balancing the interests of local and state governments. But politico-bureaucratic executives reject their recommendations without giving them opportunities to discuss and defend those recommendations. This needs to be addressed. A mutually respecting code of conduct must be in place to bring both sides together to discuss the issues in larger interests of people in villages and towns. ATRs should not be unilateral. If there are disagreements between the executive and the SFC on certain recommendations, SFCs should get opportunities to discuss and convince the state government.

6. *Institutionalization of the Commission:*

There seems to be ad hoc arrangements in finance departments of state governments to follow-up on accepted recommendations of the SFCs. These arrangements are usually accounting arrangements. No systematic mechanisms are in place to preserve and pass on institutional knowledge and institutional memory from one commission to another commission. This also results in huge loss of opportunities and unnecessary costs of 're-inventing' the wheels in terms of data and experiences. In fact, this avoidable cost could be more than the cost of providing time continuity to the institution of SFC. Like Election Commission of India or State Election Commissions, the SFCs

should also continue to exist as a set-up to generate data for future SFCs. They should continuously monitor and evaluate the implementations of the recommendations of national and state finance commissions. This institutional set-up could also take up the role of state level resource center for the DPCs.

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