

Government of Orissa
Panchayati Raj Department

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From

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Chief Secretary,
Orissa.

To

All Collectors

Sub: Utilisation of grants released by the 13th Finance Commission – General Guidelines.

Madam/Sir,

The Finance Commission is being set-up every five years by Government of India to discharge the mandate laid down in articles 270, 275 and 280 of the constitution. As per the terms of reference they are to perform 3 different types of tasks:-

- (i) To recommend distribution, between Union and States, of the net proceed of taxes out of divisible pool.
- (ii) To recommend the allocation between the different States of such proceeds, and
- (iii) Thirdly, to recommend measures to supplement the resources of the Panchyats and Municipalities in different States by augmenting the consolidated funds of individual States, taking into account the recommendations of the respective State Finance Commissions (SFCs).

2) Approximately one lakh representatives get elected to 6578 members of Panchayati Raj Institutions every five years in our State. While carrying out the fundamental duties of providing basic services to citizen at grassroot level, the Panchayati Raj Institutions represent the face of the Government, through their functionaries both elected and officials. Therefore, these institutions need to be adequately empowered – both functionally and financially – to enable them to fulfill the role envisaged for them in the constitution.

3) A number of recommendations were made by FC-XI and FC-XII towards this end. Some of these recommendations, though important, have not been

implemented so far. More needs to be done to promote effective decentralization. It was felt that there is a need to put in place a stronger incentive mechanism aimed at persuading decentralization at Government level. Further the Eleventh Plan document also recognizes the criticality of involving PRIs in planning, implementing and supervising the delivery of essential public services.

4) Keeping above in view, the 13th Finance Commission have made recommendations for augmenting the resources of rural local bodies in terms of award of grant based on certain principles. The grant have two main components.

- (i) Basic Grant
- (ii) Performance Grant

While all the States will have access to the basic grants for five years, the performance grant will be released to States w.e.f. 2011-12 based on fulfilling certain performance parameters.

A small portion of grants will also be allocated to Special Area covered by the V & VI Schedules and areas exempted from the purview of Part X and XI (A) of the constitution. This grant which will be called "Special Area Basic Grant", will be accessible for all the five years to meet some of the development needs of these areas.

5) The Incentive (Performance) Grant is available for the period from 2011-12 to 2014-15. The State is eligible to draw its allocations, if it complies with a number of conditions some of which are as follows:

- The State Government must put in place a Supplement Budget to the Local Bodies.
- The State Government must have an audit system as stipulated by CAG and maintenance of accounts of PRIs.
- The State Government should appoint Independent Local Body Ombudsman who will look into complaints of corruption and maladministration against the functionaries of Local Bodies, both elected members and officials and recommend suitable action.
- The State Government should make necessary arrangement for electronically transferring Local Body Grants (e-Transfer) within five days of receipt from Central Government. The State Government should

adequately empower Local Body for levying property tax and other taxes to raise the income of PRIs.

- 6) The 13th Finance Commission have recommended for allocation of funds to the PRIs in Orissa in the following proportion :

Grants Recommended by 13 th Finance Commission for Rural Local Bodies of Orissa							
(₹ in Crore)							
	2010-11	2011-12	2012-13	2013-14	2014-15	Total	
1	General Basic Grant	241.29	279.78	326.99	387.43	458.71	1694.20
2	General Performance	0.00	95.66	224.41	264.70	312.23	897.00
3	Special Area Grant	19.39					19.39
Total		260.68	375.44	551.40	652.13	770.94	2610.59

- 7) The charts indicating the funds allotted to the districts for 5 years under General Basic Grant and for 4 years under General Performance Grant are annexed as Annexure – A & B respectively.

- 8) Apart from the above, the Commission have also recommended to the tune of ₹ 183.62 crores for both Urban and Rural Local Bodies under Special Area Grant. During the current year (2010-11) an amount of ₹ 19.39 crores has already been earmarked as Special Area Grant for the rural local bodies (PRIs) in Orissa.

- 9) The Commission have made specific recommendation on the use of Finance Commission Grants by the local bodies on providing certain core services like drinking water supply, sewerage, solid waste management (rural sanitation), operational expenses (Maintenance of Accounts, Conducting of Audits, Creation of the Database) etc.

10) Criteria for distribution of Grants

The grants have been distributed to the Panchayats based on their population. For this purpose GPs have been divided into 4 categories as mentioned below:-

Category	Population	No. of GPs
A	Up to 5000	3492
B	Up to 5001 – 7500	2045
C	Up to 7500 – 10000	572
D	Above 10000	125
Total		6234

A chart indicating the allotment per GP is annexed herewith as Annexure 'C'.

11) In order to strengthen the lowest tier of PRI i.e. the Gram Panchayats, State Government has decided to release almost 92% of 13th Finance Commission Grants directly to Gram Panchayats for providing basic services under drinking water, rural sanitation etc. The balance amount is being released to Panchayat Samities for maintenance of accounts and database, regular audit of accounts, for meeting the remuneration of Computer Programmers deployed at different levels and for maintenance of 20 seater Digital Database Management facility with LAN in each Panchayat Samiti.

12) The Grants to be released to PRIs under different heads are as follows:-

- (A) Drinking Water Supply
- (B) Sewerage / Solid Waste Management (Rural Sanitation)
- (C) Operational Expenses (Maintenance of Accounts, Conducting of Audits etc.)

13) Drinking Water Supply

Scarcity of drinking water in rural areas is seen to be a major problem in the State. More specifically, in tribal areas, this problem is very acute. The Operation and Maintenance of Drinking Water Supply system including Hand Pumps and Village Piped Water Projects is being directly managed by the Gram Panchayats. The Operation and Maintenance cost of these projects shall be met out of these funds being provided to GPs. However GPs shall take over the Operation and Maintenance of these projects after due physical verification and inventory by the RWSS and Rural Development Department, if not done already. While taking up such physical assets, the current operation and maintenance cost like energy charges can only be met out of the funds released under these grants.

Arrears, if any, shall not be paid out of the current provision of the 13th Finance Commission Award.

14) Utilization funds for Drinking Water Supply

Since GPs have taken up operation and maintenance of water supply system including hand pumps and pipe water projects the following expenditures are to be met out of 13th Finance Commission Award.

- ❖ The G.Ps will utilize the grants for procurement of spare parts for repair/rejuvenation of Water Supply System (Hand pump, Tube wells & Pipe Water Supply).
- ❖ Payment of salary / wages of the RWSS employees deployed at Panchayat Samities / Gram Panchayats including self employed machanics.
- ❖ Payment of electric charges for PWS schemes (not arrear dues).
- ❖ Expenditures towards deployment of mobile Vans for repairs of PWS
- ❖ Any other relevant purpose as per instructions issued by this Department.
- ❖ A Gram Panchayat level purchase Committee will be formed with the Chairmanship of the Concerned B.D.O and other members i.e. Asst. Engineer, RWS & S and Junior Engineer, RWS&S for procurement of materials from authorized manufacturing firms/Suppliers as approved by the Chief Engineer, RWS&S for repair / rejuvenation.
- ❖ The requirement of spare parts for maintenance of hand pumps, tube wells, Pipe water Supply will be assessed by the Junior Engineer, RWS&S.

15) In case of new water supply projects, the following procedure needs to be adopted.

- (a) The Gram Panchayats after taking over the projects / physical assets shall prepare micro plan of the GP for operation and maintenance. Technical assistants in this regard can be made available by the field functionaries of the RD Department / RWSS. The list of projects (block wise) to be operated / maintained under drinking water supply should be furnished to this Department by the DRDAs. A separate property / assets register shall be maintained at the GP Level all such spot sources.
- (b) In the normal maintenance, self employed mechanics shall be engaged by the Gram Panchayats and their remuneration would be met out of these funds. Detailed accounts in this regard shall be maintained by the Gram Panchayat indicating the stock and utilization.
- (c) The Operation and Maintenance of hand pumps may be considered in case of defunct ones. Where ever the water sources are having good and quality discharge, the upgradation to pipe water supplied scheme could also be taken up by dovetailing funds from other scheme for wider coverage.

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(16) Sewerage / Solid Waste Management (Rural Sanitation)

Like 12th Finance Commission, Rural Sanitation is one of the major focus point of the 13th Finance Commission as well.

The 13th Finance Commission Grants shall also be utilized towards Rural Sanitation including construction of Cement Concrete Roads with Drain inside villages / habitations of the GPs. The Gram Panchayat concerned shall take up cement concrete roads in their areas giving priority to different habitations / villages in the following manners.

- a) The villages / habitations habited by Primitive Tribal Group (PTG) should be given first priority;
- b) ST/SC habitations/villages should be given next priority;
- c) If a block has already covered the above two category of villages / habitations, the most populous village should be given priority;
- d) While selecting the most populous village, the C.C. Road should be planned for execution from ST/SC basti towards the main habitation and not the vice-versa;
- e) If the most populous village of the G.P. has already been covered up to the length of 500 meters, C.C. Road in the next most populous village shall be taken up.

The five years action plan based on the above principle should be prepared and duly approved by Gram Sabha / Palli Sabha for taking of the work.

(17) Operational Expenses

Since all the GPs have been supplied with Desktop, Laptop, Printer, MS Package etc out of 12th Finance Commission Grants, the 13th Finance Commission have emphasized on maintenance of accounts, conducting audit in each GP, entering into prescribed accounting software to meet these expenses @ ₹ 2000/- per month per GP to be provided for the above purposes. Out of this, ₹ 500/- per month for each G.P. for operation and maintenance of computers and other consumable peripherals shall be released directly to Gram Panchayats.

- (a) At present 344 Computer Programmers have been working in 314 blocks and 30 DRDAs for updating the database and maintaining accounting system entering the details into PAMIS 2010/ PRIASOFT package for all the schemes being implemented by all the 3-tiers of PRIs. The monthly

remuneration of Computer Programmers @ ₹ 9300/- is to be met out of 13th Finance Commission Award, as was being done earlier.

- (b) In order to create a permanent infrastructure for conducting training and other capacity building related activities of PRI functionaries on various e-Governance modules/ packages, a 20 seater digital database management system with LAN has been setup in all the 314 blocks out of 12th Finance Commission Grant. A sum of ₹ 20,000/- per year per block is being provided for maintenance of the above infrastructure out of the present grant.

18) Utilisation of Special Area Grant

Apart from General Basic Grant and General Performance Grant, the 13th Finance Commission have considered additional allocation of funds for development of scheduled areas.

There are as many as 1925 Gram Panchayats and 16 nos of Out Growth/ Census Town/ Industrial and Educational Township etc. covered under the Scheduled Areas in Orissa. The allocation of fund amongst various entities have been worked out based on their population which is enclosed at Annexure – 'D' . The additional allocation will supplement the fund already available with them out of Basic and Performance Grants for providing the basic services like Supply of Drinking Water, Sewerage and Solid Waste Management (Rural Sanitation) etc. The guidelines for utilization of funds as outlined for General Basic Grant and General Performance Grant shall duly be adhered to for utilization of funds under Special Area Grant also.

19) The concerned Panchayat Samities / Gram Panchayats are responsible for timely utilization of the funds so released and submission of Utilization Certificates. The Collectors and Project Director of DRDAs should review the position in regard to utilization of funds and submit quarterly review report regularly to this Department by 2nd week of each quarter. The Panchayat Samiti/ Gram Panchayat shall maintain separate account for receipt and utilization of funds out of 13th Finance Commission Award.

20) The monthly expenditure statement along with progress of works taken up shall be furnished by the Districts to this Department by 5th of the every month regularly.

21) The Project Director of DRDAs / District Panchayat Officers shall collect the Utilisation Certificates from the Block Development Officers and submit the same to this Department in time. Funds released should be utilized at the earliest following due procedure. Under no circumstances, funds released shall be utilized for any purpose other than those specified in the instructions issued above.

Yours faithfully,

Tenni 4/8/10
Chief Secretary

