

**12.9 Release of Twelfth Finance Commission Grants -increase in the share of Village Panchayats from 80% to 100% and utilisation of grants**

Rural Development and Panchayat Raj (C.2) Department

G.O. (Ms) No. 19

Dated : 26.02.2007

Read :

1. Guidelines of Twelfth Finance Commission issued by Ministry of Finance, Government of India dated 15.06.2005
2. Minutes of the First High Level Committee Meeting Held on 30.12.2005.
3. G.O. (Ms) No. 157, Rural Development and Panchayat Raj (C2) Department, dated 30.10.2006.
4. The Director of Rural Development and Panchayat Raj, Letter No47292/06/PRI.II.3 dated 19.02.2007.

**ORDER**

In the minutes of the first High Level Committee Meeting held on 30.12.2005, a decision was taken that the grants towards Panchayat Raj Institutions will be allocated among Village Panchayats and Panchayat Unions in the ratio of 80:20 from 2005-2006 onwards and that the financially weaker Village Panchayats may be provided grant of Rs. 1.50 Paise per unit of electricity consumption and the financially viable Village Panchayats may be provided with a grant of Re.0.50 Paise per unit.

2. Now the Director of Rural Development and Panchayat Raj has stated that the following difficulties are encountered in the implementation of the orders issued in the G.O third read above based on the minutes of the first High Level Committee Meeting held on 30.12.2005.

- i) The State High Level Committee has recommended that the Twelfth Finance Commission money be allocated as per the population of the Village Panchayats and also as per the financial condition of the Panchayats. This has been repeated in Para 5 of G.O. (Ms) No. 157, R.D., Dated : 30.10.2006. Many Districts are unclear about the formula to be used in allocating the grants to the Village Panchayats based on the above two criteria.
- ii) No indication has been made out in G.O.(Ms) No.157, R.D., Dated : 30.10.2006 and in the minutes of High Level Committee meeting as to how to classify the Village Panchayats as financially strong / weak.

3. The Director of Rural Development and Panchayat Raj has finally stated that the Village Panchayats that primarily need the grants have to bear the expenditure on operation and maintenance costs of water supply and sanitation. The Panchayat Unions do not have any such commitment and it has been seen in most of the districts that Village Panchayats are, in most of the instances starved of funds for the purpose of operation and maintenance costs of water supply and street lighting. In the circumstances the Director of Rural Development and Panchayat Raj has requested orders on the following -

- i) The entire Twelfth Finance Commission grants can be given to the Village Panchayats alone instead of giving to the Village Panchayats and the Panchayat Unions in the ratio of 80:20.
- ii) The clause of allocation of funds to the Village Panchayats in accordance with the financial strength of the Village Panchayats may be made only on the basis of the population as was being done earlier to ensure simplicity in allocation of funds at the district level.

## **12. CENTRAL FINANCE COMMISSIONS**

- iii) The Twelfth Finance Commission grants can be utilized by the Village Panchayats entirely for the operation and maintenance cost of water supply, street lighting and sanitation as provided for in the Guidelines of Twelfth Finance Commission.

4. The State High Level Committee under the Chairmanship of Chief Secretary has approved the proposal of Director of Rural Development and Panchayat Raj as above. Accordingly, the Government after careful examination issues the following orders -

- i) The entire Twelfth Finance Commission grants will be given to the Village Panchayat alone instead of giving to the Village Panchayats and the Panchayat Unions in the ratio of 80:20.
- ii) The allocation of the Village Panchayats will be made only on the basis of the population as was being done earlier to ensure simplicity in allocation of funds at the district level.
- iii) The Twelfth Finance Commission grants will be utilized by the Village Panchayats entirely for the operation and maintenance costs of water supply, street lighting and sanitation.

5. This order takes effect from the date of release of second installment of Twelfth Finance Commission for the year 2006-2007.

(By order of the Governor)

**K.ASHOK VARDHAN SHETTY**  
SECRETARY TO GOVERNMENT