



**ABSTRACT**

Fifth State Finance Commission Grant – Capital Grant Fund – Release of Rs.515,93,98,500/- as first instalment for the year 2017-18 - Guidelines for identification and approval of projects at State and District level – Sanction – Orders - Issued.

**Rural Development and Panchayat Raj (PR-1) Department**

G.O. (Ms.) No.108

Dated: 21.09.2017

Read:

- 1) G.O. No 84, Finance (Finance Commission –IV) Department, Dated: 31.03.2017.
- 2) From the Director of Rural Development and Panchayat Raj letter No.29365/2017/PRI 2.2, dated 11.05.2017.

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**ORDER:**

In the Government order first read above, as per the recommendations of Fifth State Finance Commission, Government have decided to continue the devolution of 10% of the net State's Own Tax Revenue (SOTR) to Local Bodies from 2017-18 to 2021-22 and the vertical sharing ratio for devolution of State Finance Commission Grant to rural and urban local bodies shall be in the ratio of 56:44. The vertical sharing ratio among the tiers of Rural Local Bodies shall be 8:37:55 for District Panchayats, Panchayat Unions and Village Panchayats. Further the horizontal distribution of the State Finance Commission devolution to Rural Local Bodies under Fifth State Finance Commission on the basis of the following formula:

a)	Total population (2011 Census)	60%
b)	SC/ST population	15%
c)	Area	15%
d)	Per capita consumption expenditure distance	10%

2. The Director of Rural Development and Panchayat Raj in the letter read above has stated that the Commission has observed that the manner in which devolution funds have been distributed amongst Rural Local Bodies has not fully achieved the equity objective and some Panchayats are short of resources for various reasons. It also pointed out that the manner in which funds are allocated within the Rural Local Bodies sometimes fails to address some of the priority needs, including the provision of basic services. Earmarking funds out of the devolution for certain priority items of expenditure addresses these concerns. Credibility is also preserved when the deducted amounts are being spent in the Rural Local Bodies on asset creation. The Fifth State Finance Commission has recommended the establishment of a Capital Grant Fund as detailed below:

- i. Capital Grant Fund shall be established to replace the Infrastructure Gap Filling Fund (IGFF) and 20% of the aggregate devolution intended for Rural Local Bodies shall be paid into this fund.
- ii. Out of this fund, 20% should be reserved for taking up projects which are deemed to be of importance at the State level. These works should be identified and approved by a Committee comprising the Secretary to Government, Rural Development and Panchayat Raj Department, Director of Rural Development and Panchayat Raj, a representative of the Finance Department and Member Secretary, State Planning Commission.
- iii. The Balance 80% of the funds should be distributed district wise based on the formula adopted for horizontal distribution amongst District Panchayats. The allocation of the funds project wise should be decided by the District Planning Committee based on detailed guidelines issued by the Rural Development and Panchayat Raj Department in consultation with Finance and Planning & Development Departments.

3. The Director of Rural Development and Panchayat Raj has added that the Government have also ordered that the following items be accorded priority in sanction from the Capital Grant Fund for Rural Local Bodies:

- a. Improvement of 2500 km of local body roads to ODR standards shall be taken up as a priority by Panchayat Unions through the enhanced Infrastructure Gap Filing Fund/Capital Grant Fund, with an allocation of Rs.100 crore per year for this purpose.
- b. An amount of Rs.25 crores spread over the first two years of the Award period be set apart from the Capital Grant Fund to install bulk meters for all Rural Local Bodies bulk consumers to accurately measure the actual quantity of water supplied under the CWSS.
- c. An amount of Rs.309 crores be set apart for revamping of old CWSSs which are not functioning to full capacity to provide additional water supply to rural areas.

4. The Director of Rural Development and Panchayat Raj has further stated that the Government have allotted a sum of Rs.1031, 87,97,000/- in the Budget Estimate for the year 2017-18 under Capital Grant Fund. Of which i.e. Rs.206.38 crore (Capital Grant Fund- 20%) is earmarked for taking up important projects at the State level and 80% of the amount i.e. Rs.825.50 crore (Capital Grant Fund -80%) should be distributed to the districts for which the projects should be decided by the District Planning Committee based on the detailed guidelines issued by Rural Development and Panchayat Raj Department in consultation with Finance and Planning and Development Departments.

5. The Director of Rural Development and Panchayat Raj has therefore requested the Government to sanction Rs.1031,87,97,000/- for the year 2017-18 in two instalments and release a sum of Rs.515,93,98,500/- as 1<sup>st</sup> instalment of Capital Grant Fund under Fifth State Finance Commission for the year 2017-18.

6. The Government after careful examination of the proposal of the Director of Rural Development and Panchayat Raj have decided to accept the same and accord sanction for Rs.1031,87,97,000/- for the year 2017-18 in two instalments and release a sum of Rs. 515,93,98,500/- (Rupees Five Hundred and Fifteen Crore Ninety Three Lakhs Ninety

Eight Thousand and Five Hundred Only) as 1<sup>st</sup> instalment of Capital Grant Fund under Fifth State Finance Commission Grant.

7. The Government also approve the guidelines for the utilization of funds released under Capital Grant Fund under Fifth State Finance Commission which is annexed to this order.

8. The expenditure sanctioned in para 4 above shall be debited under the following head of account:-

3604-00-Compensation and Assignments to Local Bodies and Panchayat Raj Institutions – 200 – Other Miscellaneous Compensations and Assignments – State's Expenditure – BP Capital Grant Fund for Rural Local Bodies – 09 Grants in Aid – 02-Grants for Creation of Capital Assets  
(DPC 3604-00-200-BP-0929)

9. The Director of Rural Development and Panchayat Raj is authorized to draw and disburse the amount sanctioned in para above and shall be utilized in conformity with the guidelines annexed to this order. He is also requested to furnish necessary utilization certificate towards the utilization of funds sanctioned in para 4 above at the appropriate form to Government.

10. This order issues with the concurrence of Finance Department vide its U.O.31896/Fin(RD), dated 13.09.2017.

(By Order of the Governor)

HANS RAJ VERMA,  
Additional Chief Secretary to Government.

To

The Director of Rural Development and Panchayat Raj, Chennai – 15.

All District Collectors.

All District Treasury Officers.

The Director of Treasuries and Accounts, Chennai-35.

The Director of Local Fund Audit, Chennai -35.

The Pay and Account Officer (South) Chennai 35

**Copy to:**

The Special Personal Assistant to Hon'ble Minister, (MA & RD, Impn. Spl. Prog.),  
Chennai-9

The Principal Private Secretary to Additional Chief Secretary to Government,  
Rural Development and Panchayat Raj Department, Chennai-9.

The Finance (RD/FC.II/W&M.I) BG.I/BG.II) Department, Chennai -9.

Rural Development and Panchayat Raj (B&C/OP II/ SGS-II / SGS-III)  
Department, Chennai-9.

Stock File / Stock Copy.

// Forwarded by Order //

*J. Subramani*  
Section Officer

21/9/17.

Annexure to G.O.(Ms) No.108, Rural Development and Panchayat Raj (PR.1)  
Department, dated 21.09.2017.

Guidelines for Capital Grant Fund

**Introduction**

The Government, in accordance with the recommendation of the Fifth State Finance Commission vide G.O. No 84, Finance (Finance Commission –IV) Department, Dated: 31.03.2017 has ordered the establishment of Capital Grant Fund by apportioning 20% of the aggregate devolution intended for Rural Local Bodies. Out of this fund, 20% is reserved for taking up projects which are deemed to be of importance at the State level. The Balance 80% of the funds is distributed district wise based on the formula adopted for horizontal distribution amongst District Panchayats.

**1. Capital Grant Fund (20%)**

The Government have ordered that 20% of aggregate devolution intended for Rural Local Body is reserved for the Capital Grant Fund shall be set apart for taking up projects which are deemed to be of importance at the State level.

**1.1. Formation of State Level Committee:**

The Government have also ordered that works from out of 20% of the Capital Grant Fund set apart for taking up projects which are deemed to be of importance at the State level should be identified and approved by a State Level Committee with the following constitution

- i) The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department
- ii) The Director of Rural Development and Panchayat Raj
- iii) Representative of the Finance Department
- iv) Member Secretary, State Planning Commission

**1.2. Selection of works:**

The Committee shall decide the Projects which are deemed to be of importance at the State level, pertaining to

- (i) Strengthening and upgradation of roads
- (ii) Development of infrastructure towards basic amenities and other energy efficient measures
- (iii) Construction of infrastructure for sanitation and waste management
- (iv) Provision of Drinking Water supply to Rural areas
- (v) Improvement and Renovation of M I tanks

**1.3. Administrative Sanction:**

Based on the approval of the Projects by the State Level Committee, the District Collectors will accord Administrative sanction based on detailed estimates.

**1.4. Execution of works:**

The respective District Rural Development Agency (DRDA) will be the executing authority. The works under this Fund will be executed through tender as per Transparency in Tender Act, 1998 and Rules 2000 and the procedures prescribed in GO.Ms.No.203, Rural Development and Panchayat Raj Department dt.20.12.2007.

### 1.5. Allocation of fund:

The Director of Rural Development and Panchayat Raj will draw 20% funds from the CGF and release the same to the District Collectors based on the Projects identified and approved by the Committee. A separate Saving Bank Account should be maintained in the Nationalized Bank by the Director of Rural Development and Panchayat Raj for this scheme at State Level.

The District Collector and the Project Director, District Rural Development Agency will be responsible for monitoring the Projects executed under this scheme. Payment should be made after verification and certification by Executive Engineer (RD) and the concerned Assistant Executive Engineers (RD). State Quality Monitors will inspect the works during various stages of execution.

## 2. Capital Grant Fund (80%):

The Government has ordered that 80% of the Capital Grant Fund shall be distributed District-wise based on the formula adopted by horizontal distribution among District Panchayats. The allocation of this fund project wise shall be decided by the District Planning Committee based on the detailed guidelines issued by Rural Development and Panchayat Raj Department in consultation with Finance and Planning and Development Departments.

### 2.1. Allocation of fund to priority works:

Government have ordered that the following items shall be accorded priority while sanctioning works from the 80% share of the Capital Grant Fund for Rural Local Bodies.

- a. Improvement of 2500 km of local body roads to ODR standards shall be taken up as a priority by Panchayat Unions through the enhanced Infrastructure Gap Filing Fund/Capital Grant Fund, with an allocation of Rs.100 crore per year for this purpose.
- b. An amount of Rs.25 crores spread over the last two years of the Award period be set apart from the Capital Grant Fund to install bulk meters for all Rural Local Bodies bulk consumers to accurately measure the actual quantity of water supplied under the CWSS.
- c. An amount of Rs.309 crores be set apart for extension of old CWSSs which are not functioning to full capacity to provide additional water supply to rural areas.

As ordered by the Government, 80% of the Capital Grant Fund shall be distributed District-wise based on the formula adopted by horizontal distribution among District Panchayats after making provisions for the priority mentioned above. The funds apportioned for the above mentioned priority items of works as suggested by the State Finance Commission shall be vested with Director of Rural Development and Panchayat Raj at state level and distributed accordingly.

### 2.2. Allocation of fund to Districts:

As per the Fifth State Finance Commission's recommendations, the Director of Rural Development and Panchayat Raj will allocate the balance funds after apportioning to the priority items of work as mentioned in the above Para, based on the horizontal distribution formula amongst District Panchayats as given below:

a)	Total population (2011 Census)	60%
b)	SC/ST population	15%
c)	Area	15%
d)	Per capita consumption expenditure distance	10%

The Per capita consumption expenditure distance data for each Rural Local Body given by State Finance Commission will be adopted.

### 2.2.1. District wise allocation of fund:

The Director of Rural Development and Panchayat Raj will allocate the funds for each districts based on the horizontal distribution formula for District Panchayats. The BDOs will prioritise and identify the projects / works from the Village Panchayat Development Plan approved by Grama Sabha. The proposals should be scrutinized by Project Director District Rural Development Agency and recommended to District Planning Committee for allocation of funds. The District Planning Committee (DPC) will decide the allocation of funds project wise based on Projects recommended by the Project Director, District Rural Development Agency. In addition, the Government / Director of Rural Development and Panchayat Raj may also direct the DPC to allocate fund to any specific type of project or take up any specific work or category of work on priority.

The detailed guidelines for selection of works are given below:-

- 1) The funds shall be utilized to undertake works / Projects only in rural areas.
- 2) The implementation of works shall be entrusted to the District Rural Development Agency (DRDA) or the Block Development officers (BP) only.
- 3) No work shall be entrusted to any Line Department for execution.
- 4) The Government / Director of Rural Development and Panchayat Raj may also direct the DPC to allocate fund to any specific type of project or take up any specific work or category of work on priority.

## 2.3 Category of Works Eligible to be Sanctioned under this Component

### 2.3.1 Laying of B T Roads –

The following works may be taken for laying of roads

1. Up gradation of the Non –BT roads to BT standards
2. Strengthening of existing damaged BT roads

The sanctioning authority shall follow the prioritizing of the roads based on the following criteria

1. Roads connecting unconnected habitations, irrespective of the population, are given the first priority
2. Upgrading and strengthening of bus-plying and mini / small bus plying roads
3. Important link roads connecting market places, Educational /Health Services and road which have good utility value are then selected.

### 2.3.2 Panchayat Union School Infrastructure

1. Construction of New works such as class rooms, toilets, kitchen sheds, compound wall, water supply and installation of R.O. Plants in all PU Schools irrespective of location.

2. Repair and renovation of existing Panchayat Union School class rooms, toilets, kitchen sheds, compound wall, water supply and other infrastructure in all PU Schools irrespective of location. (However no same type of repairs can be taken up within 3 years)

### 2.3.3 Sanitation and Waste Management

Construction and repairs of Community Sanitary complexes

#### 2.3.4 Water supply works

1. Water Supply works may be taken up only in areas where provision of 55 LPCD of water supply is not achieved so far
2. Alternative / Augmenting of sources, extension of pipelines, deepening of open wells wherever necessary and feasible may be taken up.
3. Construction of OHT should be taken up only after thorough study and wherever the present OHTs are not adequate to supply water in a particular area. It should be restricted to the requirement for storage of water to the size of population.

#### 2.3.5 Other works:

1. works in line with achieving commitments towards Sustainable Development Goals at the Panchayat level
2. Any convergence work under Central or State sponsored Schemes or Grants.
3. Flood mitigation, restoration and reconstruction works.
4. Construction / repair of Rain Water harvesting structures like soak pit, Recharge pit / shaft etc.

#### 2.4 Negative List / Prohibited works:

1. Installation of High mast light / sodium vapours Lamp.
2. Mini power pump
3. Gravel road
4. Construction of office and residential buildings belonging to central and state Governments including Public Sector Undertakings, Co-operatives and societies.
5. creation / repair of Assets for Individual/ family benefits
6. All renovation, maintenance and repair works except those that are specifically permitted under these guidelines
7. Any work in Government aided and Self Financing Schools and colleges.
8. All works involving Commercial establishment / units.
9. Grants and loans, contribution to any Central and state / UT relief funds.
10. Acquisition of land or compensation for land acquired.
11. Works within the place of religious worship and on the land belonging to or owned by religious faith/groups.
12. Reimbursement of any type of completed or partly completed works or items.
13. All revenue and recurring expenditure.
14. Cement concrete Pavement.
15. Purchase of all movable items and equipments ie. Tables, Chair, benches etc.
16. Construction of Monuments, memorials, statues, idols, arches / Welcome arches /gates etc.,

17. Works that are not permitted under the State schemes of MLACDS, SSS and THAI are also banned under this component.

### **2.5. Administrative Sanction:**

After the project wise allocation of funds by the District Planning Committee, the District Planning Officer shall send the list of project to District Rural Development Agency. The District Collector shall accord administrative sanction for the works, after getting detailed estimate.

### **2.6. Execution of works:**

The implementation of works shall be entrusted to the District Rural Development Agency or the Block Panchayat only. No work shall be entrusted to Line Departments.

The works under this Fund will be executed through tender as per Transparency in Tender Act, 1998 and Rules 2000 and the procedures prescribed in G.O.(Ms) No.203, Rural Development and Panchayat Raj Department dt.20.12.2007.

### **2.7. Monitoring:**

The District Planning Committee may record the progress of the works executed under this Scheme in their meetings. The District Collectors and the Project Director, District Rural Development Agency shall review the progress of the works executed under this Scheme and will be responsible for monitoring the works sanctioned under this Scheme and expenditure at District level.

### **2.8. Quality Control:**

- i. In order to ensure the required quality standards, the creation and establishment of the works taken up under this Scheme will be subject to third party quality control through the State Quality Monitors.
- ii. The State Quality Monitors will be deployed every month to inspect the works during various stages.
- iii. In the case of materials, specification, quality and installation will also be ensured by inspection and certification by AEE concerned and EE (RD).
- iv. In the case of materials a defect liability period will be provided and the supplier is liable to make good any defects during such period.
- v. Payment shall be made for the work materials only after verification and certification by the AEE concerned and EE (RD).

### **3. Revamping of CWSS:**

The Tamil Nadu Water Supply and Drainage Board (TWAD) is a statutory body constituted by the Government of Tamil Nadu in 1971 under the TWAD Act, 1970 for providing protected water supply and sewerage facilities for the entire State except the Chennai Metropolitan Area. TWAD Board's activities include Operation and Maintenance of CWSS and other water supply schemes which are not handed over to local bodies. TWAD Board currently maintains 548 CWSS which supply drinking water to 5176 Village Panchayats.

The major sources of income for TWAD Board are centage and investigation charges claimed for the implementation of various schemes for local bodies and collection of bulk water charges from local bodies and other customers for the Water Supply schemes



maintained by TWAD. The Commission has given a opinion that with the current O&M cost on CWSS, the water charges collected from local bodies are simply not sufficient to maintain the schemes. TWAD has suggested that reviving some of the existing CWSSs which have out lived their normal life would be a low cost way to enhance the levels of water supply to many Local Bodies. The Commission has recommended that an amount of Rs.309 crores be set apart for revamping of old CWSSs from out of CGF, which are not functioning to full capacity to provide additional water supply to rural areas.

In this regard TWAD Board may identify the CWSS that required to be revamped over a period of next five years and will finalize the list of CWSS to be taken up for revamping each year on priority basis in consultation with the Director of Rural Development and Panchayat Raj. TWAD Board will also prepare detailed cost estimate for revamping of each CWSS and get concurrence for the same from the Director of Rural Development and Panchayat Raj.

Director of Rural development and Panchayat Raj may draw one fifth of the amount of Rs.309 crore, i.e. 61.80 crore every year from 2017-18 to 2021-22 for the revamping of old CWSS. An amount of Rs.10 crore may be released to TWAD to carry out the startup activities for the revamping of old CWSS in the year 2017-18. After getting the Physical and financial progress from TWAD regarding the revamping of old CWSSs, balance fund may be released in installments by Director of Rural Development and Panchayat Raj to TWAD.

#### 4. Installation of Meters for Rural Local Bodies Bulk Consumers

The Commission in the report submitted to the government has informed that the quantum of supply of water from CWSS maintained by TWAD is not measured by 100% bulk supply metering, but by proxies including the number of fillings of Over Head Tanks. To maintain accountability and ensure proper supply as per requirement, it is essential that 100 per cent bulk water supply metering is carried out under all CWSS without fail. The Commission has recommended that an amount of Rs.25 crores spread over the first two years of the Award period be set apart from the Capital Grant Fund to install bulk meters for all Rural Local Bodies bulk consumers to accurately measure the actual quantity of water supplied under the CWSS.

In this regard TWAD will list out the water supply connections wherein the Meters are to be fixed and communicate the same to the Director of Rural Development and Panchayat Raj for information. Director of Rural Development and Panchayat Raj may release the fund earmarked for each year on receipt of claim from TWAD after completion of the work. The District Collectors should monitor the installation of the Meters. On installation of the meter TWAD board will submit their water charges claim based on the readings and the village Panchayats shall pay the dues without delay. This should also be monitored by the District Collector.

The Government is empowered to modify these guidelines whenever necessary in consultation with the Director of Rural Development and Panchayat Raj.

HANS RAJ VERMA,  
Additional Chief Secretary to Government.

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*P. Subramani*  
Section Officer.

26/21/9/17