



ABSTRACT

Fifth State Finance Commission Grant – Pooled Fund for Deficit Rural Local Bodies – Sanction of Rs.590,18,81,000/- for the year 2018-19 - Release of Rs.295,09,40,500/- as first instalment of Pooled Fund for Deficit Rural Local Bodies – Sanction – Orders - Issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O.(Ms) No.74

Dated: 01.06.2018.

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.21521/2017/PRI 2.2, dated 30.04.2018.

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ORDER:

In the Government order read above, as per the recommendations of Fifth State Finance Commission, Government have ordered to apportion the State Finance Commission Devolution Grant for the Rural Local Bodies among the Village Panchayats, Panchayat Unions and District Panchayats in the vertical sharing ratio of 55:37:8. The horizontal distribution of the State Finance Commission devolution to Rural Local Bodies within respective tier should be done on the basis of the following formula:-

a)	Total population (2011 Census)	60%
b)	Scheduled Castes /Scheduled Tribes population	15%
c)	Area	15%
d)	Per capita consumption-expenditure distance	10%

2. The Government have further ordered that devolution grant to Rural Local Bodies under Fifth State Finance Commission will be distributed as follows:-

i)	Capital Grant Fund	20%
ii)	Pooled Fund for Deficit Rural Local Bodies	10%
iii)	Devolution Grant for three tiers of Rural Local Bodies	70%

3. The Director of Rural Development and Panchayat Raj in the letter read above has stated that the Government has created the Pooled Fund for Deficit Rural Local Bodies based on the recommendation of the Fifth State Finance Commission in G.O. (Ms) No.84, Finance Department, dated 31.03.2017 and the Government have also issued detailed guidelines on Pooled Fund for Deficit Rural Local Bodies in G.O. (Ms) No.94, Rural Development and Panchayat Raj Department, dated 23.08.2017. Fifth State Finance Commission has observed that one of the main issues to be addressed in the financial position of Rural Local bodies is horizontal equity. State Finance Commission devolution has been the main source of funding for Rural Local Bodies in the last two decades. 20 years of devolution based on a variety of formulae have left many Panchayat Unions and Village Panchayats in surplus while some still suffer from chronic deficits. The Pooled Fund for deficit Rural Local Bodies has been created to specifically address deficits in some Rural Local Bodies.

4. The Director of Rural Development and Panchayat Raj has further stated that the Government has created the Pooled Fund for Deficit Rural Local Bodies with 10 percent of the overall devolution intended for Rural Local Bodies be credited into a Pooled Fund for Deficit Rural Local Bodies and distributed to deficit Panchayats as given below.

- i) Out of the fund earmarked, 40% of the amount available in this Fund shall be disbursed in the first three years of the award period from 2017-18 by the Director of Rural Development and Panchayat Raj, only amongst those Panchayat Unions and Village Panchayats which have been in deficit for at least 3 of the last 5 years. The distribution amongst these deficit Rural Local Bodies shall follow the vertical and horizontal distribution formulae indicated for Panchayat Unions and Village Panchayats.
- ii) 20% out of the Pooled Fund for Deficit Rural Local Bodies should be retained by the Director of Rural Development and Panchayat Raj and another 20% distributed amongst District Collectors based on the horizontal District Panchayat wise share. These funds shall be utilized by the Director of Rural Development and Panchayat Raj / District Collectors to provide grants to those Village Panchayats and Panchayat Unions who have special problems which cannot be addressed under any of the existing transfer mechanisms or schemes.
- iii) The balance 20% of the Pooled fund for Deficit Rural Local Bodies i.e. 2% of the Rural Local Body devolution grant shall be provided to Tamil Nadu Water Supply and Drainage Board to meet the deficit on Combined Water Supply Schemes in addition to the water charges levied and collected from Rural Local Bodies.

5. The Director of Rural Development and Panchayat Raj has stated that a sum of Rs.590,18,81,000/- have been allocated in the Budget Estimate for the year 2018-19 and requested the Government to issue orders authorizing him to draw and

disburse the Pooled fund of Rs.590,18,81,000/- for the year 2018-19 in two equal instalments on half yearly basis.

The breakup details are furnished below:-

Category	Amount (in Rupees.)
40% for Deficit Rural Local Bodies	236,07,52,400
20% vested with Director of Rural Development and Panchayat Raj	118,03,76,200
20% vested with District Collector	118,03,76,200
20% for Tamil Nadu Water Supply and Drainage Board to meet deficit on Combined Water Supply Schemes	118,03,76,200
Total	590,18,81,000

6. The Director of Rural Development and Panchayat Raj has therefore requested the Government to issue orders on the following items based on the recommendations of the Fifth State Finance Commission:

- i. To distribute Rs.236,07,52,400/- among the deficit 127 deficit Panchayat Unions and 3921 deficit Village Panchayats identified by the Fifth State Finance Commission.
- ii. To retain an amount of Rs.118,03,76,200/- by the Director of Rural Development and Panchayat Raj and utilize the same to provide grants to those Village Panchayats and Panchayat Unions who have special problems which cannot be addressed under any of the existing transfer mechanisms or schemes.
- iii. To distribute an amount of Rs.118,03,76,200/- to District Collectors based on the horizontal District Panchayat wise share to provide grants to those Village Panchayats and Panchayat Unions for addressing special problems which cannot be addressed under any of the existing schemes.
- iv. To release an amount of Rs.118,03,76,200/- to Tamil Nadu Water Supply and Drainage Board to meet the deficit on Combined Water Supply Schemes in addition to the water charges levied and collected from Rural Local Bodies.
- v. To adopt the guidelines for Pooled Fund for Deficit Rural Local Bodies issued in G.O.(Ms) No.94, Rural Development and Panchayat Raj Department, dated 23.08.2017 for sanction and utilization of fund for the year 2018-19.
- vi. To issue orders authorizing Director of Rural Development and Panchayat Raj to draw and disburse the Pooled Fund for Deficit Rural Local Bodies of Rs.590,18,81,000/- for the year 2018-19 in two equal instalment on half early basis, i.e., Rs.295,09,40,500/- as first instalment.

7. 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.590,18,81,000/- for the year 2018-19 in two instalments and release a sum of Rs.295,09,40,500/- (Rupees Two Hundred and Ninety Five Crore Nine Lakh Forty thousand and five hundred only) as 1st instalment of Pooled Fund for Deficit Rural Local Bodies under Fifth State Finance Commission Grant.

8. The Director of Rural Development and Panchayat Raj is authorized to draw and disburse the amount sanctioned in para 7 above and it shall be utilized in conformity with the guidelines issued in G.O.(Ms) No.94, Rural Development and Panchayat Raj Department, dated 23.08.2017. He is also requested to furnish necessary utilization certificate towards the utilization of funds sanctioned in para 7 above at the appropriate form to Government promptly.

9. The expenditure sanctioned in para 7 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 – BQ Pooled Fund Deficit - Rural Local Bodies – 09 Grants in Aid – 02-Grants for Creation of Capital Assets.

(DPC 3604-00-200-BQ-0927)

10. This order issues with the concurrence of Finance Department vide its U.O. No.24270/RD/2018, dated 23.05.2018.

(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 Senior 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

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// Forwarded by Order //

K. Gowri lakshmi
(K.Gowri lakshmi)

Under Secretary to Government.