



ABSTRACT

Rural Development and Panchayat Raj Department - Fifth State Finance Commission Grant – Pooled Fund for Deficit Rural Local Bodies – Sanction and Release of a sum of Rs.319,40,62,200/- for the year 2020-21 - Orders - Issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O. (Ms) No.48

Dated: 23.03.2021

சார்வரி, பங்குனி 10

திருவள்ளூர் ஆண்டு 2052

Read:

- 1) G.O. No.84, Finance (Finance Commission –IV) Department, Dated: 31.03.2017.
- 2) G.O. (Ms) No.94, Rural Development and Panchayat Raj (PR-1) Department, dated 23.08.2017.
- 3) G.O. (D) No.223, Municipal Administration and Water Supply Department, dated 29.06.2020.
- 4) From the Commissioner of Rural Development and Panchayat Raj Letter No.43822/2020/PRI 2-2, dated 26.02.2021.

ORDER:

As per the recommendations of Fifth State Finance Commission, the Government have ordered to apportion the Devolution Grant of Rural Local Bodies among the Village Panchayats, Panchayat Unions and District Panchayats in the ratio of 55:37:8 and stated that the funds will be distributed as follows:

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

2. The Government have also ordered that the horizontal distribution of the SFC devolution to Rural Local Bodies should be done on the basis of following formula:

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

(P.T.O)

3. In the Government Order 2nd read above the Government have created the Pooled Fund for Deficit Rural Local Bodies with 10% 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 with following criteria:

- i) Out of fund earmarked, 40% of the amount available in this Fund, i.e. 4% of overall Devolution intended for RLBs, shall be disbursed in the first three years of the award period 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 years of the last 5 years. The distribution amongst these deficit RLBs shall follow the vertical and horizontal distribution formula indicated for Panchayat Unions and Village Panchayats.

After the first three years of the Award Period, the list of deficit Rural Local Bodies shall be updated on the basis of the accounts for the subsequent years and the distribution shall be done amongst those Rural Local Bodies which are still found to be deficit.

- ii) 40% of the Pooled Fund for Deficit RLBs should be allocated with 20% retained by the Director of Rural Development and Panchayat Raj and 20% distributed amongst the 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) TWAD provides a basic service as an agent of Rural Local Bodies/ Urban Local Bodies. It also incurs a huge deficit in the maintenance of Combined Water Supply Schemes. 20% of the Pooled fund for deficit Rural Local Bodies i.e. 2% of the RLBs devolution grant shall be provided to TWAD to meet the deficit on Combined Water Supply Schemes in addition to the water charges levied and collected from Rural Local Bodies.

4. In the Government Order 3rd read above the Government has decided to adopt the following methodology for devolving SFC devolution to Local Bodies.

'8. (c), The sanction of Capital Grant Fund, Pooled Fund for Deficit Rural Local Bodies, operational and Maintenance Gap Filling Fund, Incentive Fund, Special Grant to Tamil Nadu Institute of Urban studies will be deferred for the time being and it will be reconsidered later in the Financial Year 2021 based on the fiscal position of the Government.

5. In the letter 4th read above the Commissioner of Rural Development and Panchayat Raj has stated that the meeting conducted by the Additional Chief Secretary to Government, Finance with Rural Development and Panchayat Raj, TANGEDCO and TWAD Board officials has stated that the Pooled Fund for Deficit Rural Local Bodies will be released after finalization of Revised Estimate and the Pooled fund for Deficit Rural Local Bodies shall be utilized for one time settlement to TANGEDCO & TWAD Board and to settle the O & M for TWAD Board.

(Contd..)

6. The Commissioner of Rural Development and Panchayat Raj has also stated that in Revised Estimate 2020-21, an amount of Rs.399,25,78,000/- is provided under the Head of Account 3604-00-200-BQ-30902 pertaining to Pooled Fund for Deficit Rural Local Bodies for the year 2020-21. Accordingly, an amount of Rs.399,25,78,000/- is calculated under the following components of Pooled Fund for Deficit Rural Local Bodies for the year 2020-21.

(in Rupees)

Category	Total allocation as per RE 2020-21
40% for Deficit RLBs	159,70,31,200
20% vested with CRD&PR	79,85,15,600
20% vested with District Collectors	79,85,15,600
20% for TWAD to meet Deficit on CWSSs	79,85,15,600
Total	399,25,78,000

7. The Commissioner of Rural Development and Panchayat Raj has submit the following details for the consideration of the Government.

- i) 40% of the Pooled Fund earmarked for Deficit Panchayat Unions and Village Panchayats may be utilized for settling the current consumption charge dues to TANGEDCO as One Time Settlement.

As per the consensus arrived at the meeting conducted by the Additional Chief secretary to Government, Finance with Rural Development and Panchayat Raj, TANGEDCO and TWAD board officials, a One Time Settlement has been proposed for the Village Panchayats which have more pendency towards Current Consumption charges towards TANGEDCO. Now, the Tamil Nadu Generation and Distribution Corporation has sent the list of Village Panchayats which has more pendency in terms of settlement of Current Consumption charges as on 01.02.2021 in report furnished by TANGEDCO containing Panchayat wise pending dues of Current Consumption Charges as on 01.02.2021.

Based on the list given by TANGEDCO an analysis was made and the Village Panchayats with pendency more than Rs.10.00 lakh has been considered for the one-time settlement of CC charges. Out of the analysis there are 1539 number of Village Panchayats are facing difficulty in payment of Current Consumption charges to TANGEDCO due to chronic accumulation of dues over the period of time amounting to Rs.444.36 Crore. To clear the pending dues, an amount of Rs.206.14 Crore (46 % of Rs. 444.36 Crore) have already been given to Village Panchayats for One Time Settlement of dues to TANGEDCO utilizing Pooled Assigned Revenue vide the Proceedings of the Commissioner of Rural Development and Panchayat Raj, dated 6.02.2021. Now, the balance amount of Rs.238.22 Crore is still pending as due to TANGEDCO in the said 1539 Village Panchayats.

(P.T.O)

Hence, this amount of Rs.159.70 Crore under the Pooled Fund for Deficit RLBs may be sent to the Village Panchayats which are constantly struggling to settle the current consumption charges to TANGEDCO and water charges to TWAD so as to fulfill the bona fide intention of 5th State Finance Commission 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.

- ii) 40% of the Pooled Fund for Deficit RLBs should be allocated with 20% retained by the Commissioner of Rural Development and Panchayat Raj and 20% distributed amongst District Collectors based on the horizontal District Panchayat wise share. These funds shall be utilized by the Commissioner 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.

As per the Revised Estimate for the year 2020-21, an amount of Rs.79.85 Crore under the pooled fund for Deficit RLBs vested with District Collectors and an amount of Rs.79.85 Crore under the pooled fund for deficit RLBs vested with Commissioner of Rural Development and Panchayat Raj has been allocated by the Government. The amount earmarked for District Collectors may be utilized for settling the bills of TNRRIS works taken up during the year 2020-21. Further an amount of Rs.79.85 Crore vested with Commissioner of Rural Development and Panchayat Raj may be retained to utilize it for the Village Panchayats or Panchayat Unions which have special problems and which cannot be addressed by any of the existing transfer mechanism.

- iii) TWAD provides a basic service as an agent of RLBs / ULBs. It has also incurs a huge deficit in the maintenance of CWSSs. 20% of the Pooled fund for deficit RLBs i.e.2% of the RLBs devolution grant shall be provided to TWAD to meet the deficit on CWSSs in addition to the water charges levied and collected from RLBs.

8. The Commissioner of Rural Development and Panchayat Raj has therefore requested the Government to issue orders on the following:

- (i) To accord sanction for the total amount of **Rs.399,25,78,000/-** (Rupees Three hundred ninety nine Crore twenty five lakh and seventy eight thousand only) being Revised allocation for the year 2020-21 and to release the entire amount towards Pooled Fund for Deficit Rural Local Bodies grant for the year 2020-21 under the following components:

(Contd..)

(in Rupees)

Category	Total allocation as per RE 2020-21
40% for Deficit RLBs	159,70,31,200
20% vested with CRD&PR	79,85,15,600
20% vested with District Collectors	79,85,15,600
20% for TWAD to meet Deficit on CWSSs	79,85,15,600
Total	399,25,78,000

- (ii) To authorize the Commissioner of Rural Development and Panchayat Raj, Chennai to draw the amount and disburse the grant as per above mentioned components under the following Head of Account for the year 2020-21.

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 – 309 Grants in Aid – 02-Grants for Creation of Capital Assets

(DPC 3604-00-200-BQ-30902)

9. The Government after careful examination of the proposal of the Commissioner of Rural Development and Panchayat Raj accord sanction for a sum of Rs.319,40,62,200/- (Rupees Three hundred and nineteen crore forty lakh sixty two thousand and two hundred only) towards Pooled Fund for Deficit Rural Local Bodies Grant for the year 2020-21 and also accord permission for the release of the following:-

- (a) **Rs.212,93,75,200/-** (Rupees Two hundred and twelve crore ninety three lakh seventy five thousand and two hundred only) as one-time settlement of Current Consumption Charges dues to TANGEDCO and water charges to TWAD by utilizing the amount earmarked for deficit Rural Local Bodies (RLBs).
- (b) **Rs.106,46,87,000/-** (Rupees One hundred and six crore forty six lakh and eighty seven thousand only) being 20% for TWAD to meet Deficit on Combined Water Supply Schemes (CWSS) to Tamil Nadu Water Supply and Drainage Board (TWAD Board).

10. The Government authorize the Commissioner of Rural Development and Panchayat Raj to draw the amount sanctioned in para 9 above and disburse the grant as per the component mentioned above under the following Head of Account for the year 2020-21.

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 – 309 Grants in Aid – 02-Grants for Creation of Capital Assets

(DPC 3604-00-200-BQ-30902)

(P.T.O)

11. This order issues with the concurrence of Finance Department vide its U.O.13585/Fin(RD)/2021, dated 23.03.2021.

(By Order of the Governor)

HANS RAJ VERMA
Additional Chief Secretary to Government.

To
The Commissioner 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 Accounts Officer (South) Chennai -35.

Copy to:

The Special Personal Assistant to Minister (Municipal Administration and Rural Development, Implementation of Special Programme), 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.
The Rural Development and Panchayat Raj (B&C/OP II/SGS-II/SGS-III) Department, Chennai-9.
Stock File / Spare Copy.

// Forwarded by Order //

S. Narayani
23/03/2021

(S.NARAYANI)

UNDER SECRETARY TO GOVERNMENT.

23/03/2021