



### ABSTRACT

Fourteenth Finance Commission Grant - Sanction of General Basic Grant of Rs.656.095 Crore (50%) towards the basic grant recommended by the Fourteenth Finance Commission for the year 2016-17 as first instalment - Issue of guidelines for the implementation of Fourteenth Finance Commission Basic Grant for the year 2016-17 - Orders - Issued.

### Rural Development and Panchayat Raj (PR.1) Department

G.O.(Ms) No.72

Dated:28.06.2016

Read:

- 1) From the Director of Rural Development and Panchayat Raj, Letter Roc. No.27340/2016/ PRI 2-1, dated 09.05.2016.
- 2) Government of India, Ministry of Finance, Department of Expenditure, Release order No. F.13(24)FFC/FCD/2015-16-12/2016-17, dated 15.06.2016.

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### ORDER:

The Director of Rural Development and Panchayat Raj in his letter first read above has stated that the Ministry of Panchayat Raj, Government of India has informed that Tamil Nadu is eligible to get Rs.1312.19 Crore as Fourteenth Finance Commission General Basic Grant for the year 2016-17. Hence, he has requested the orders of the Government to release the Basic Grant to the tune of Rs.656.095 Crore (50%) towards the first instalment of Basic Grant recommended by the Fourteenth Finance Commission for the year 2016-17. The Director of Rural Development and Panchayat Raj has also requested to issue necessary guidelines for implementation of Fourteenth Finance Commission Basic Grant for the year 2016-17.

2. The Government have examined the proposal of the Director of Rural Development and Panchayat Raj carefully and accord sanction for the release of Rs.656.095 Crore (Rupees Six hundred fifty six crore, nine lakh and five thousand only) (50%) as first instalment Basic Grant recommended by the Fourteenth Finance Commission for the year 2016-17. The Guidelines for the utilization of the funds released under Fourteenth Finance Commission Basic Grant shall be as per annexure to this order.

(P.T.O.)

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3. The expenditure sanctioned in para 2 shall be debited to the following head of account:-

"3604-00- Compensation and Assignments to Local Bodies and Panchayat Raj Insitutions-198 - Assistance to Gram Panchayats - II State Plan - JA Grants to Village Panchayats as per the recommendation of 14<sup>th</sup> Finance Commission - 09. Grants-in-aid -01. Grants for Current Expenditure. (DPC 3604-00- 198-JA-0919)"

4. The Director of Rural Development and Panchayat Raj is authorized to draw and disburse the amount sanctioned in para 2 above to all the Village Panchayats and the Grant 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 2 above at the appropriate form for forwarding the same to the Government of India.

5. This order issues with the concurrence of Finance Department vide its U.O.No.151/SC(E)/Finance (RD)/2016, dated 20.06.2016.

(By Order of the Governor)

Hans Raj Verma,  
Principal Secretary to Government.

To,  
The Director of Rural Development and Panchayat Raj, Chennai – 15.  
The Additional Chief Secretary / Commissioner of Rural Development and Panchayat Raj (Training), Chennai – 15.

All District Collectors,

All District Treasury Officers.

The Director of Treasuries and Accounts, Chennai-15.

The Director of Local Fund Audit, Chennai -118.

The Pay and Account Officer (South) Chennai 35

**Copy to:**

The Senior Personal Assistant to Hon'ble Minister, Municipal Administration and Rural Development, Special Implementation Programme, Chennai-9

The Principal Personal Secretary, Principal Secretary to Government, Rural Development and Panchayat Raj Department, Chennai-9

The Director, Finance Commission Division, Ministry of Finance, Department of Expenditure, CGO Complex, Lodhi Road, New Delhi 110003.

The Municipal Administration and Water Supply Department, Chennai-9

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

All sections in Rural Development and Panchayat Raj Department, Chennai-9.

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// Forwarded by Order //

*P. Subramanian*  
Section Officer.  
28/6/2016

**Annexure**

(G.O.(Ms) No.72, Rural Development and Panchayt Raj (PR-1) Department,  
Dated 28.06.2016.)

**Guidelines for implementation of 14<sup>th</sup> Finance Commission Basic Grant for the  
year 2016-17.**

**1. Introduction:**

The Ministry of Panchayat Raj, Government of India has informed that as per the recommendations of 14<sup>th</sup> Finance Commission, Tamil Nadu will get 14<sup>th</sup> Finance Commission 'Basic Grants' of Rs.7,899.69 crore from the year 2015-16 to 2019-20 as detailed below:

Year	Allocation (Rs. in crore)
2015-16	947.65
2016-17	1,312.19
2017-18	1,516.12
2018-19	1,753.87
2019-20	2,369.86
<b>Total</b>	<b>7,899.69</b>

The Ministry of Panchayat Raj has also informed that all the Basic Grants should be released to the Village Panchayats to enable delivery of basic services such as water supply, street lights, roads, sanitation including storm water drainage and solid waste management, parks, burial and cremation grounds. The criteria for distribution of grants to the Village Panchayats will be the same as the pattern adopted by the State Government for devolution of State Finance Commission Grants. As such, Basic Grants to the State for the year 2016-17 will be Rs.1312.19 crore.

**2. Allocation of grants to the Village Panchayats:**

The Fourteenth Finance Commission has recommended that the Basic Grants will be released to the Village Panchayats on the formula which is being followed by the State for devolution of State Finance Commission Grants. The Fourth State Finance Commission constituted by the State Government has recommended that the minimum lumpsum grant to Village Panchayats be increased from Rs.3 lakh to Rs.5 lakh per Panchayat. The balance amount from out of the share of Village Panchayats in the State Finance Commission devolution be distributed on the horizontal sharing ratio as below:

a) Total population (2011 census)	:	60%
b) SC/ST population	:	20%
c) Area	:	20%

The State Government has accepted the recommendations of 4<sup>th</sup> State Finance Commission and issued orders accordingly for release of devolution grants to Village Panchayats. In respect of distribution of 14<sup>th</sup> Finance Commission Basic Grants to the Village Panchayats, following formula may be adopted.

a) **Minimum lumpsum grant of Rs.3 lakh to each Village Panchayat:**

The devolution grant as per the recommendations of 4<sup>th</sup> State Finance Commission is Rs.5,340.98 crore in the year 2016-17. Out of this 60% is allocated to the Village Panchayats. Out of 60% share, Rs.5 lakh is released to all Village Panchayats as minimum lumpsum grant. Since, the 14<sup>th</sup> Finance Commission Basic Grant is Rs. 1312.19 crore, minimum grant of only Rs.3 lakh is suggested for all the Village Panchayats.

b) **The balance Grant will be released to Village Panchayats on the following basis:**

i)	Total population	:	60%
ii)	SC/ST population	:	20%
iii)	Area	:	20%

The above is the formula of distribution of grants of SFC and hence, the same is adopted for 14<sup>th</sup> CFC Grants.

**3. Preparation of Village Panchayat Development Plan and Identification of the requirement of basic amenities:**

As per the recommendations of Fourteenth Finance Commission, the Basic Grants are allocated for 5 year period from the year 2015-16. Total allocation as Basic Grant to the Village Panchayats for five year period will be Rs.7,899.69 crore. To enable grassroots level planning at the Village Panchayat level for optimal utilization of resources and delivery of basic services effectively as per the recommendations of the Fourteenth Finance Commission, Government have issued detailed guidelines for the preparation of Village Panchayat Development Plan for Comprehensive Development of Rural Areas in Tamil Nadu vide G.O.(Ms.) No.34, Rural Development and Panchayat Raj Department, Dt: 02.03.2016. Every Village Panchayat should prepare the Village Panchayat Development Plan as per the guidelines for taking up works/delivery of services under Fourteenth Finance Commission Basic Grant. Village Panchayat Development Plan would comprise of two components, namely, Perspective Plan (For a five year period) and Annual Plan (For a single year).

The District Collectors were already instructed to ensure the preparation of Village Panchayat Development Plan in all the Village Panchayats for 5 year period from the year 2015-16 and to prioritize the requirements for implementation of Fourteenth Finance Commission Basic Grant every year vide G.O.(Ms.) No.108, RD & PR (PR1) Department, dated 24.07.2015. Administrative sanction for works should be accorded by the District Collector for the yearly allocation on the basis of priority given by the Village Panchayats based on the Annual Plan subject to the type of works suggested in Para. 5.

#### **4. Executing Agency for utilisation of grants:**

Village Panchayat is the only local body which is eligible to get the Basic Grant of 14<sup>th</sup> Finance Commission. Since Village Panchayat is responsible for provision of basic amenities in rural areas, this amount will also be administered by the Village Panchayats and works will be executed through Village Panchayats. The infrastructure gaps are to be identified in the Village Panchayats as per the participatory planning process in accordance with the guidelines issued for the preparation of Village Panchayat Development Plan and the development works are to be prioritized and shortlisted for the amount available under the 14<sup>th</sup> Finance Commission Basic Grant.

#### **5. Type of works to be taken up:**

The guidelines issued by the Government for the preparation of Village Panchayat Development Plan vide G.O.(Ms.) No.34, Rural Development and Panchayat Raj Department, Dt: 02.03.2016 enlisted several financial resources (Resource Envelope - Resource for Planning) such as Tax Revenue, Non Tax Revenue, Assigned Revenue, Devolution Grants and Grants in aid for State sponsored Schemes and Centrally sponsored Schemes. Among the Resource Envelope for implementation of Village Panchayat Development Plan, the amount available as 14<sup>th</sup> Finance Commission Basic Grant is to be utilized for the following works/purposes.

##### **i) Settlement of current consumption charges to be paid to TANGEDCO and water charges to TWAD Board:**

The provision of street lights and water supply in rural areas is a basic function of every Village Panchayat as per Section 110 of the Tamil Nadu Panchayats Act, 1994. The Fourteenth Finance Commission has also recommended in Para 9.56, Chapter 9 of its report that the Basic Grant shall be utilized for fulfilling the basic functions/delivery of services by the Village Panchayats. Belated payment of Current Consumption charges beyond 60 days from the due date will attract penalty charges for the concerned Village Panchayats by TANGEDCO, besides disconnection of the services.

Therefore, in view of the necessity to maintain street lights, water supply in rural areas and electricity connections to Village Panchayat office buildings without any interruption, the District Collectors should instruct the Village Panchayats. Under State Finance Commission (SFC) Grants, the minimum lumpsum grant of Rs.5 lakh per Village Panchayat (Rs.2.5 lakh being the half-yearly amount) is to be sent only to the Account No.2 of the Village Panchayats. After deducting the SFC Minimum grant from the Half Yearly Average demand (in case the half yearly demand is more than the minimum of Rs.3 lakh), the remaining gap should also be met out from the Basic Grant and released by the District Collector to Account No.2 of the Village Panchayat. The half yearly average demand of current consumption charges and water charges of the concerned Village Panchayats should be calculated based on the pattern of dues payable to TANGEDCO and TWAD Board respectively for the year 2015-16.

The District Collectors should send the details of Village Panchayat wise half yearly average demand of current consumption charges and water charges to the Director of Rural Development and Panchayat Raj before June 7, 2016 for earmarking

the gap, if any, from the Fourteenth Finance Commission Basic Grant to Village Panchayat Account No.2. To reiterate, the Collector should ensure that money meant for Account No.2 is sent directly to Account No.2 of the Village Panchayat and only the balance fund be sent to Account No.3.

**Illustration:**

*The following steps are given for illustration purpose to calculate half yearly average demand of current consumption charges and water charges in the Village Panchayats:*

- i) *Aggregate annual demand of current consumption charges payable to TANGEDCO for the year 2015-16=Rs.4 lakh.*
- ii) *Therefore, aggregate half yearly demand of current consumption charges payable to TANGEDCO for the year 2015-16=Rs.2 lakh.*
- iii) *Aggregate annual demand of water charges payable to TWAD Board for the year 2015-16=Rs.2 lakh.*
- iv) *Therefore, aggregate half yearly demand of water charges payable to TWAD Board for the year 2015-16=Rs.1 lakh.*
- v) *Expected aggregate half yearly average demand of current consumption charges to be paid to TANGEDCO and water charges to TWAD Board=Rs.(2+1)=3 lakh.*
- vi) *State Finance Commission Minimum Grant for the Half year =Rs.2.50 lakh.*
- vii) *Fourteenth Finance Commission Basic Grant for the year 2016-17=Rs.10 lakh.*
- viii) *Fourteenth Finance Commission Basic Grant for the half year=Rs.5 lakh.*

*Therefore, amount to be earmarked under Fourteenth Finance Commission Basic Grant to Village Panchayat Account No.2= Rs.3 lakh – Rs.2.50 lakh = Rs.50,000/-. So, Rs.50,000/- should be released by District Collector during the end half year to Account No.2 of the Village Panchayat. This should be done at Collectors level and not left to Village Panchayat to avoid future EB-arrears by Panchayats in case of delays.*

**ii) Water Supply works:**

- a) Water Supply works should be planned to ensure provision of 55 LPCD of water in rural areas.
- b) No. of OHTs construction should be restricted to the requirement for storage of water to the size of population. [Total capacity of all OHTs should not exceed Total Population x 55 litres for a single filling purpose. If there are 2 fillings of a tank per day, the Total Capacity of OHTs is to be accordingly reduced.]

- c) Mini power pumps should **not** be taken from this Grant.
- d) Alternative sources/ extension of pipelines, deepening of open wells wherever necessary and feasible may be taken up.

iii) **Street lights:**

- a) New/extended areas should be provided only with **LED lights**.
- b) Technical specification for the installation of LED street lights should be **in accordance with the guidelines** issued vide Lr.(Ms) No.23, RD & PR (SGS-3) Dept.,/2016 dated 10.02.2016.
- c) LED lights may be provided wherever current consumption charges are heavy by **replacing** bulbs, sodium and mercury lamps in the existing poles.

iv) **Roads:**

- a) BT road connecting the habitations within the Panchayat, including culverts.
- b) **Paver Blocks** may be provided in the streets where there is no heavy vehicular movement. Outside residential area should not be taken up for Paver Block. Cement Roads should not be taken up under the Scheme.
- c) Pathway to burial ground upto WBM standard can be taken up.
- v) Any other permitted works such as **burial/cremation ground** as per need and requirement may be taken up. Non-essential works should **not** be taken up utilizing the Basic Grant.

vi) **Convergence of other funds/schemes:**

The Village Panchayat can take up works from the gaps identified in habitations by dovetailing funds under MGNREGS, SFC Grant, Pooled Assigned Revenue and General Funds of Village Panchayats in addition to the Fourteenth Finance Commission Basic Grant to create/improve infrastructure facilities in rural areas. Through proper convergence and dovetailing of different funds, the Village Panchayats can create more number of infrastructure facilities.

- vii) The works which are not eligible under Rural Development Schemes should not be taken up from this fund also.

- viii) Out of the allocation communicated to the Village Panchayats, **not less than 30% should be earmarked for provision of basic amenities** in SC/ST habitations.

## **6. Technical and Administrative support towards O&M and Capital Expenditure**

Out of the annual allocation of Fourteenth Finance Commission Basic Grant for each Village Panchayat, 2 % is allowed to Village Panchayat Account No. 1 for meeting the cost of technical and administrative support to Village Panchayats towards taking up the activities as detailed below:

### **6.1 List of activities on which 2% of the grants can be utilized**

- i) Cost of preparation of Village Panchayat Development Plan – covering all the processes like Participatory Village Panchayat Development Planning, conducting Grama Sabha meetings, surveys, holding consultations, preparing maps, cost of essential consumables and other documents.
- ii) Updation of Online accounts/data entry in PRIA Soft and Form 30 in TNRD website.
- iii) Cost for providing internet connectivity to Village Panchayat office computer and recurring charges.

### **6.2 Negative list of activities which cannot be undertaken utilizing these funds**

- i) Expenditure on activities already being funded from other schemes.
- ii) Honorarium, TA/DA of elected representatives and Salaries / honorarium of existing employees – permanent and contract.
- iii) Felicitation / cultural functions/decorations/inaugurations / advertisements.

## **7. Placement of works list in the Gram Sabha and approval:**

The works shortlisted by the Village Panchayat should be placed before the Grama Sabha and got approved for execution of works using the 14<sup>th</sup> Finance Commission Basic Grant.

## **8. Preparation of Estimates:**

After identification of works by the Village Panchayat to the amount allocated for the respective Village Panchayat and approval by the Gram Sabha, actual estimates should be prepared by the technical officers after visiting the site. No estimate should be prepared without verification at the field. Estimates prepared by the Engineers should be randomly checked by the Assistant Executive Engineer and the Executive Engineer (RD) in order to ensure actual and correct estimates only are prepared. **The Estimate for Roads should compulsorily have the photograph of the site at every 100 m distance and the photographs should be attached to the Estimate itself to enable the AEE / EE and BDO / PD, DRDA test verify the need of the work.**



**9. Administrative sanction:**

The District Collector will accord administrative sanction for the works after detailed scrutiny of the estimates by the Project Director, DRDA and the Executive Engineer(RD). No sanction should be given without proper estimates and no estimate of Roads should be without photographic record incorporated alongwith.

**10. Mode of Execution:**

The works will be executed by the Village Panchayats 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. The Block Development Officer (Village Panchayats) is the monitoring officer at Block level and the Project Director, DRDA is the monitoring officer at District level. The Overseer, Assistant Engineer / Junior Engineer and the Assistant Executive Engineer are responsible for quality of works. District Collector is the overall authority for implementation of scheme at District level.

**11. Release of funds:**

- i) The Director of Rural Development and Panchayat Raj will release 14<sup>th</sup> Finance Commission basic grant to the District Collectors as per the guidelines given by the Government of India.
- ii) The Director of Rural Development and Panchayat Raj should earmark 2% of the annual allocation of Fourteenth Finance Commission Basic Grant of each Village Panchayat concerned to Village Panchayat Account No. 1 for meeting the cost of technical and administrative support.
- iii) In proportion to the Village Panchayat wise half yearly average demand in respect of payment of CC charges for TANGEDCO and water charges to TWAD Board after deducting the SFC Minimum Grant received from the District Collectors, the Director of Rural Development and Panchayat Raj should earmark the portion of the Basic Grant to Account No.2 of the Village Panchayat concerned and only the balance amount to be released to Account No.3.
- iv) The District Collectors will release grants to the Village Panchayats as per their entitlement immediately after receipt of funds from the Directorate and after earmarking the amount to be sent to Account 1, 2 & 3 of the Village Panchayat concerned.
- v) No amount should be kept at District level at any point of time since the Grant is the entitlement of Village Panchayat and any delay in timely release will attract penal interest.

**12. Documentation/ Utilisation Certificates:**

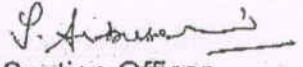
The works taken up under 14<sup>th</sup> Finance Commission Grant should be properly documented at District level. Utilisation Certificates should be got from all the Village

Panchayats and consolidated report should be sent by the District Collectors to the Directorate for utilisation of funds.

13. The Principal Secretary to Government, Rural Development and Panchayat Raj Department is empowered to modify the guidelines issued for utilisation of 14<sup>th</sup> Finance Commission basic grant whenever necessary in consultation with the Director of Rural Development and Panchayat Raj and Additional Chief Secretary to Government, Finance Department.

Hans Raj Verma,  
Principal Secretary to Government.

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Section Officer.

*PR*  
*28/10/2016*