

**GOVERNMENT OF INDIA
PANCHAYATI RAJ
LOK SABHA**

UNSTARRED QUESTION NO:4352

ANSWERED ON:26.08.2004

ALLOCATION OF FUNDS TO STATES UNDER PANCHAYATI RAJ

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Will the Minister of PANCHAYATI RAJ be pleased to state:

(a)the details of funds allocated to States/Union Territories under Panchayati Raj System during 2003-04 and 2004-05 State-wise, head-wise, particularly district- wise in Uttaranchal and Uttar Pradesh; and

(b)the rules and conditions governing the utilization of these funds?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a)A statement showing allocation and release of local bodies grants to PRIs as per the recommendations of the Eleventh Finance Commission (EFC) as on 23.8.2004, State-wise, is enclosed as Annexure-I. The Ministry of Finance has informed that they have only State-wise information and do not have head-wise and district-wise information in respect of PRIs. The detailed information in this respect will be available only with the State Governments.

(b)Conditionalities for release of Local Body Grants to States issued by the Ministry of Finance, Department of Expenditure for utilization of Eleventh Finance Commission's grants for local bodies are given in Annexure-II.

CONDITIONALITIES FOR RELEASE OF LOCAL BODY GRANTS [LBGs] TO STATES

1.Local Body grants shall be released to States that have completed the due election process in respect of the local bodies. Therefore, States should certify whether elections have been held, before the expiry of the terms of local bodies, to all the local bodies at all the levels/tiers. In case of delay in holding local body elections in time, funds will be deducted proportionately.

2.The intention of the 73rd and 74th Amendments to the Constitution was to empower PRIs and ULBs to discharge functions assigned to them under the Constitution. States are expected to devolve responsibilities, powers and resources upon the PRIs and ULBs, as envisaged in Schedule XI and XII respectively. Similarly for Schedule V areas other than the North-East, additional responsibilities are to be devolved upon the local bodies. Where such powers, responsibilities and resources have not been devolved upon local bodies, States should ensure that the same is done no later than 31st March 2002. The Central Government shall withhold 25% of the grants meant for PRIs and ULBs, from such States that do not devolve responsibilities, powers and resources, as recommended by the respective State Finance Commissions, upon the local bodies.

3.Details of release of grants to local bodies by the State Government in respect of grants received from the Central Government on the recommendation of the Tenth Finance Commission (TFC) and the utilization thereof shall be communicated to the Ministry of Finance.

4.A certificate stating that the grants have been released only to elected local bodies where elections are mandatory under the Constitution should be furnished to the Ministry of Finance. Also a certificate stating that the local bodies have utilized the grants released to them for the purposes of the Scheme should be furnished to that Ministry. This should contain the consolidated details of actual utilization of grants along with matching contribution by the local bodies within a period of eighteen months from the date of receipt of grants from the Central Government. The first such utilization certificate from State should reach Ministry of Finance latest by October 2002.

5.The State Government shall treat expenditure against these grants as part of Plan Expenditure in their budgets. Funds to the State Government under LBGs shall be treated as earmarked funds.

6.The LBGs shall not be diverted for any other purpose. Also, the grant shall not be withheld by the State Government.

7.The LBGs shall be transferred to the concerned Local Bodies within a month or earlier or if the local body if not able to raise matching funds, within three months or earlier of its being released to the State Government. The order of the State Government regarding onward release of grants to LBs should be endorsed to the FCD, Department of Expenditure, within a week of its issue. The onward release of grants to the LBs shall be an additionality over and above the amount s flowing from the State Government to the Local Bodies.

8.The State Government should ensure that the District Planning Committees and Metropolitan Planning Committees have been

constituted and they function as per the intention of the Constitution. The State Government should keep the Ministry of Finance informed about the status of these Committees.

9.No amount from the local body grants should be given to the intermediate or district level panchayats where these do not have any direct responsibility for maintenance of civic services.

10.The local bodies shall raise matching resources amounting to not less than 25 percent of the grants received from the Central Government in case of PRIs and 50 per cent in case of ULBs. In case any local body is unable to provide the matching contribution, the State Government should provide the balance within three months or earlier to the concerned local body. Grants flowing to local bodies on the recommendation of SFCs or sharing in taxes from the States will not be treated as matching contribution.

11.The grant shall be given only in respect of elected local bodies wherever such elections are mandatory under the Constitution. In case where elected local bodies are not in place, the Central Government shall hold the share of such bodies in trust on a non-lapsable basis during 2000-2005.

12.These grants would be untied except that they should not be used for payment of salaries and wages.