ABSTRACT

Rural Development and Panchayat Raj Department - State Finance Commission Grant – Sanction of Rs.363.17 Crore as Special Grant for Committed liability for the ongoing schemes of 2019-20 – Orders – Issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O. (Ms) No.35 **Dated: 26.02.2021.**
சார்வரி, மாசி 14
திருவள்ளுவர் ஆண்டு 2052

Read:

From the Director of Rural Development and Panchayat Raj Letter No.57924/2020/PRI 2-2, dated 05.01.2021.

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ORDER:-

In the letter read above, the Director of Rural Development and Panchayat Raj has stated that as per the recommendations of Fifth State Finance Commission, the 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 funds of 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 to Rural Local Bodies	70%

2. The Director of Rural Development and Panchayat Raj has also stated that the Government have also ordered that the vertical sharing ratio among the three tiers of Rural Local Bodies (70%) shall be 8:37:55 for District Panchayats, Panchayat Unions and Village Panchayats respectively vide G.O. (Ms.) No.84, Finance (Finance Commission –IV) Department, Dated: 31.03.2017.

3. The Director of Rural Development and Panchayat Raj has further stated that As per the Fifth SFC recommendation, the Government have 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)

1. SFC Devolution Grant (2019-20)

The Government of Tamil Nadu has allocated an amount of Rs.6573.60 Crore as Budget Estimate for the year 2019-20 and it was revised as Rs.5554.24 Crore, leaving a deficit of Rs.1019.35 Crore. Consequently the devolution grant to three tier Rural Local Bodies (70%) has been revised from an amount of Rs.4601.52 Crore to Rs.3957.97 Crore during 2019-20 leaving a deficit of Rs.713.55 Crore.

2. Capital Grant Fund

Capital Grant Fund has been established by aggregating 20% of the 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 State level. These works should be identified and approved by a Committee comprising The Secretary to Government, Rural Development and Panchayat Raj Department, The Director of Rural Development and Panchayat Raj, a representative of the Finance Department and State Planning Commission. The Balance 80% of the fund is 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.

2) a. Capital Grant Fund 20%

Based on the above, an amount of Rs.1314.72 Crore as Capital Grant Fund was allocated under Budgetary Estimate for the year 2019-20.

The State level committee in the meeting held on 31.07.2019 had accorded approved for Upgradation / Strengthening of the Village Panchayat Roads and Panchayat Union Roads, which are less than 1 Km length at a cost of Rs.262.94 crore under the 20% share of Capital Grant Fund for the year 2019-2020.

Based on the same, the Government sanctioned an amount of Rs.262.94 crore for the upgradation/Strengthening of minor link roads which are having length of less than 1Km vide reference 10th cited.

Based on this, District Collector of all Districts sent proposals for the improvements of minor link roads and approval was accorded for **1018 Km** length of minor link roads which are having length of less than 1 Km at an estimated cost of **Rs.262.66 crore** under **20% Capital Grant Fund for the year 2019-2020.**

Subsequently, the Government vide G.O. (Ms.) No.11, Rural Development and Panchayat Raj (SGS-1) Department, dated 06.01.2020 has ordered for implementation of Revamped Comprehensive School Infrastructure Development Scheme (RCSIDS) with an estimate cost of Rs.100.00 crore from Capital Grant Fund - 20% for the year 2019-20.

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Hence, there is a total deficit of Rs. 156.77 crore due to reduction in revised estimate and additional works taken up under CGF 20% as detailed below.

(Rs. In crore)

Sl. No	Category of works tied up	BE 2019-20	As per RE 2019-20	Committed Liability	Gap
1	Roads less than 1 Km and RCSIDS	262.94	206.17	362.94	156.77

2) b.Capital Grant Fund 80%

Likewise, in G.O. (Ms.) No.108 Rural Development and Panchayat Raj (PR-1) Department, dated 21.09.2017, the Government have also ordered that the following items shall be accorded priority in sanction from the Capital Grant Fund 80% for Rural Local Bodies:

a. Improvement of 2500 km of local body roads to ODR standards with an allocation of Rs.100 crore per year for this purpose. Based on this, an amount of Rs.100 Crore has been released for the year 2019-20.

b. An amount of Rs.25 crore 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. The entire amount of Rs.25 Crore has been released to TWAD during 2017-18 and 2018-19 @ Rs.12.50 Crore.

c. An amount of Rs.309.00 crore be set apart for revamping of old CWSSs which are not functioning to full capacity to provide additional water supply to rural areas @ Rs.61.80 crore per year. An amount of Rs.185.40 crore has been released to TWAD Board during the year during 2017-18, 2018-19 and 2019-20.

d. The Balance funds are released to the DPC on the horizontal distribution formula adopted indicated above.

Gap in the Committed Expenditure under Capital Grant Fund 80%

In this regard, Government has issued orders vide G.O. (Ms) No.153, Rural Development and Panchayat Raj (SGS.2) Department, Dated: 22.10.2019 to implement the scheme Tamil Nadu Rural Roads Improvement Scheme (TNRRIS) for the year 2019-20 with an estimated cost of Rs.1200 Crore. Out of which, Rs.500 Crore was met out from the fund available under 80% of the Capital Grant Fund for the year.

In addition the DRD & PR in letter No.4509/2019/TU1, dated 06.08.2019 has directed the District Collectors to earmark an amount of Rs.300 Crore for upgrading the rural roads which are less than 1 km in length in rural areas. The works were planned and taken up based on the budgetary estimate for the year 2019-20. Due to the reduction in allocation as per Revised Estimate has left a deficit of **Rs.204.15 Crore**.

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(Rs. in Crore)

Sl. No	Category of works tied up	As per BE	As per RE	Difference
1	Revamping of old CWSS	61.80	61.80	0.00
2	Improvement of 2500 Km roads	100.00	100.00	0.00
3	TNRRIS	500.00	500.00	0.00
4	Road less than 1 Km/ Special Road	300.00	162.87	137.13
	Total	**1051.78**	**824.67**	**137.13**

Block Panchayat share of SFC Grant

As per the budgetary estimate the devolution grant for the Block panchayat (37% in the 70% devolution grant) was Rs.1702.56 Crore. Due to the reduction in allocation as per Revised Estimate the amount released was Rs.1464.45 leaving a deficit of Rs.238.11 Crore.

As stated earlier, the scheme Tamil Nadu Rural Roads Improvement Scheme (TNRRIS) for the year 2019-20 has been implemented by converging amount from various components under SFC. An amount of Rs.600 Crore was to be mobilized from SFC share of Panchayat Union Population grant. Further, as per the announcement made in the floor of the Assembly by the Hon'ble minister of Rural Development and Panchayat Raj during the year 2019-20, the Reverse osmosis plants were installed in the Village Panchayats with an estimated amount of Rs.150 Crore from SFC share of Panchayat Union Population grant.

The Director of Rural Development and Panchayat Raj in letter No.46072/ 19/MGNREGS 3.2, dated 24.09.2019 issued directions were issued to earmark an amount of Rs.300 Crore for Kudimaramathu scheme to renovate the ponds and ooranies etc in rural areas and the same has been completed with the Panchayat Union share of SFC Grant in addition to the Kudimaramathu scheme Budgetary allocation from the State Government. Tenders for these works were finalized by the District Rural Development Agencies and the works have been completed and paid.

Further the Director of Rural Development and Panchayat Raj in letter No.44297/2019/TU1, dated 24.09.2019 has earmarked an amount of Rs.500 crore from the State Finance Commission Devolutionary Grant of Panchayat Unions for Upgrade/Strengthen/ Renewal of Panchayat Union Roads based on need and prioritization. Accordingly, 1611 number of works at an estimate cost of Rs.483.73 crore were sanctioned by the District Collectors under Panchayat Union Grant of State Finance Commission 2019-20. Tenders have been finalized by District Rural Development Agencies (DRDA) and the works are in progress in various stages.

In this regard, the Commissioner of Rural Development and Panchayat Raj has stated that pension contribution to the Panchayat Union employees are being deducted from the SFC share of Panchayat Union population Grant and the same has been appropriated to Local Fund Audit Directorate. The Panchayat Union also undertakes their regular responsibilities including payment of wages to staff, mazdoors and Domestic Breeding checkers (DBCs) from this head. Due to the pandemic corona virus infection, the Rural Local Bodies has made huge expenditure

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on prevention and control of Corona infection. In this regard, the committed amount under the Panchayat Union share of SFC Grant to carry out the above mentioned activities is remains liable.

Rs.in Crore

Sl. No	Category of works tied up	Allocation	Fund available	Fund Required
1	TNRRIS - 2019-20	600.00	279.00	321.00
2	Kudimaramathu -2019-20	300.00	300.00	0
3	Road works taken under Panchayat Union share of SFC	483.73	139.17	344.56
4	Reverse osmosis plants- 2019-20	150.00	57.14	92.86
	Total	**1533.73**	**775.31**	**758.42**

All works put together the total committed liability consequent to the reduction in the devolution grant and other works taken up during 2019-20 is Rs.1052.32 Crore.

As above, the total fund required for works taken up during 2019-20 and 2020-21 are detailed below.

Rs. In Crore

Sl. No	Works taken up under the Components	Fund allocated by Govt / Earmarked by DRD&PR	Deficit/ Fund Required
I)	**2019-20**		
1	**Capital Grant Fund 20%**		
	a) Road Works – Roads less than 1 km length	262.94	56.77
	b) RCSIDS- 2019-20	100.00	100.00
2	**Capital Grant Fund 80%**		
	a) Rewamping of old CWSS	61.80	0
	b) Roads- Priority to Improve 2500 Km Roads	100.00	0
	c) TNRRIS- Roads	500.00	0
	d) Roads less than 1 km length	300.00	137.13
3	**Panchayat Union Share of SFC- 2019-20**		
	a) TNRRIS -2019-20	600.00	321.00
	b) Road works taken under Panchayat Union share of SFC	483.73	344.56
	c) Reverse Osmosis plants- 2019-20	150.00	92.86
	d) Kudimaramathu	300.00	0
	Total Fund gap for the year 2019-20		**1052.32**

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4. Hence, the Commissioner of Rural Development and Panchayat Raj has stated that the following methodology may be adopted to tie over the financial issues faced by the department under SFC.

1. Both the State level and District Planning Committee component of the Capital Grant Fund for the year 2020-21 may be deferred as already ordered by the Government vide G.O. (D). No.223, Municipal Administration and Water Supply (FC) Department, dated 29.06.2020. However the Government vide G.O. (Ms.) No.138, Rural Development and Panchayat Raj (SGS-1) Department, dated 19.08.2020 ordered to implement the Revamped Comprehensive School Infrastructure Development Scheme for the year 2020-21 with an estimate amount of Rs.50 Crore from 20% Component of Capital Grant Fund 2020-21. This amount may also be brought under this special arrangement now proposed.
2. Likewise, as per the above order of the Government, Pooled Fund for deficit Local Bodies vested with Director of Rural Development and Panchayat Raj (20%) and Pooled Fund for deficit Local Bodies vested with District Collectors (20%) may be deferred for the Financial Year 2020-21.

In terms of Pooled Fund for Deficit Rural Local Bodies for the deficit Panchayat unions and deficit Village Panchayats (40%) component and O & M gap component of TWAD board (20%) may be sanctioned. Pooled Fund for Deficit Rural Local Bodies for the deficit Panchayat unions and deficit Village Panchayats (40%) component may be utilized for the One Time Settlement (OTS) of Current Consumption charges to Tamil Nadu Generation Distribution Corporation (TANGEDCO). While settling the One Time Settlement of Current Consumption charges to TANGEDCO, the procedure enlisted in the G.O.(Ms.) No.203, Rural Development and Panchayat Raj (PR-1) Department, dated, 01.12.2020. has to be followed.

5. The Director of Rural Development and Panchayat Raj has therefore requested the Government to issue necessary orders to sanction a special Grant of Rs.1052.32 crore in place of deferred Capital Grant Fund and Pooled Fund for deficit RLBs to complete the works taken up during the year 2019-20 by considering the unforeseen financial crisis happened to the RLBs in terms of heavy expenditure on Covid 19 prevention and control activities and committed liabilities for the works taken up under various schemes during the year 2019-20. In terms of Pooled Fund for Deficit Rural Local Bodies vested with Deficit Panchayat Unions and deficit Village Panchayats (40%) and the TWAD component of Pooled Fund for Deficit Rural Local Bodies towards O&M of CWSS (20%), the fund may be released as per norms and the proposal for claiming the same will be sent to Government separately. However the government may consider this as special instance and sanction the above amount instead of SFC grant by deferring the Capital Grant Fund for the year 2020-21 and portion of Pooled Fund for Deficit Rural Local Bodies for the year 2020-21 and release the same to Director of Rural Development and Panchayat Raj and the same may be released to the Districts based on the progress of the works.

6. The Government have carefully examined the proposal of the Director of Rural Development and Panchayat Raj accord sanction a special Grant of Rs.363.17 crore (Rupees Three hundred and sixty three crore and seventeen lakh only) in place of deferred Capital Grant Fund and Pooled Fund for deficit RLBs to

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complete the works taken up during the year 2019-20 subject to the conditions that the Special Grant sanctioned should be utilized only for:-

(i) the repair works to maintain water supply in Rural Local Bodies;
(ii) the maintenance of street lights in Rural Local Bodies.

7. The expenditure sanctioned in para 6 above shall be debited under the following Heads of account:

Sl. No.	Head of Account	Amount (in crore)
1	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 – 309 Grants-in-Aid-02 Grants for creation of Capital Assets. **(DPC 3604 00 200 BP 30902)**	293.89/-
2	3604-00-COMPENSATION AND ASSIGNMENTS TO LOCAL BODIES AND PANCHAYAT RAJ INSTITUTIONS. - 197 – Assistance to Block Panchayats Intermediate Level Panchayats – State's Expenditure. AA-Grants to Panchayat Union as per the recommendation of State Finance Commission – Controlled by Director of Rural Development, 309 Grants-in-Aid-02 Grants for creation of Capital Assets. **(DPC 3604 00 197 AA 30902)**	69.28/-
	Total	**363.17/-**

8. The Director of Rural Development and Panchayat Raj is authorized to draw and disburse the amount of Rs.363.17 crore (Rupees Three hundred and sixty three crore and seventeen lakh only) sanctioned in para 6 above.

9. The Pay and Accounts Officer / Treasury Officers concerned are requested to admit and honour the bills as and when presented by the Director of Rural Development and Panchayat Raj, if they are found otherwise in order.

10. This order is issued with the concurrence of Finance Department vide its U.O. No.7200/Fin(RD)/2021, dated 26.02.2021.

(By Order of the Governor)

HANS RAJ VERMA
Additional Chief Secretary to Government

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

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All District Collectors (Except Chennai)
The Director, State Institute of Rural Development, Maraimalai Nagar, Kancheepuram District.
All Project Directors, District Rural Development Agencies.
The Pay and Accounts Officer (South), Chennai-35.
The Principal Accountant General (G&SSA) / (A&E) / (E&RSA), Chennai – 18.
The Principal Accountant General, Chennai – 9.
The Pay and Accounts Officer, Madurai.
All District Treasury Officers.

Copy to:

The Special Personal Assistant to Hon'ble Minister (Municipal Administration and Rural Development, Implementation of Special Programme) Chennai-9.
The Finance (RD/FC.IV/BGI / BG II /W&M) Department, Chennai-9.
The Principal Private Secretary to the Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department, Chennai-9.
The Rural Development and Panchayat Raj (B&C / SGS.1/SGS.2/ SGS.3/SGS.4 / PR.3/OP.II) Department, Chennai-9.
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Section Officer 26/2/2021

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