

FINANCE COMMISSION DIVISION

**PROACTIVE DECLARATION UNDER SECTION 4(b) OF RIGHT TO
INFORMATION ACT, 2005 – ACTION TAKEN IN RESPECT OF
FINANCE COMMISSION DIVISION**

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(i) The particulars of its organization, function and duties

The particulars are given in the website of Finance Minister (www.finmin.nic.in)

(ii) The powers and duties of its officers and employees

Shri Rajan Kumar, Director – Overall supervision of the Affairs of Division.

(I) Administrative Work

Shri A.K. Raina, Deputy Director, Smt. C. Saha, Technical Assistant, Shri Kishan Lal, UDC and Shri V.K. Choudhary, LDC, Shri Raju, Scooter Driver.

(II) Cash

Shri R.P. Yadav, Assistant Director, Shri Ramesh Kumar, Assistant

(III) Library

Shri D.K. Sharma, AL&IO, Shri Ram Das Sah, Record Keeper

(IV) Technical

A.-Shri A.K. Raina, Deputy Director, Shri R.P. Yadav, Asstt. Director, Shri Ashok Kumar, Junior Investigator.

1. All residual matters relating to upgradation and special problem grants in respect of EFC.
2. All matters relating to CRF/NCCF grants.
3. All matters relating to release of Non-Plan Revenue Deficit Grant, Grants-in-aid for Education Sector, Health Sector, Maintenance of Roads & Buildings, Maintenance of Public Buildings, Maintenance of Forests, Heritage Conservation and State Specific Needs as recommended by TFC.
4. All matters relating to VIP references/Parliament Questions on the allotted subjects.
5. Other work assigned from time to time.

B.-Ms. Nalini Pathak, Assistant Director and Shri R.C. Bhatt, Senior Investigator

1. All matters relating to release of Local Body grants.
2. Implementation and monitoring of other recommendations of TFC.
3. All matters relating to concerned VIP references/Parliament Questions on the allotted subjects.
4. Any other work assigned from time to time.

- (iii) The procedure followed in the decision making process, including channels of submission and accountability
-

As prescribed in rules/guidelines issued by this Division. Files are submitted through Director (FCD) to JS(PF-I).

(iv) The norms set by it for the discharge of its functions.

As prescribed in the rules.

- (v) The rules, regulations, instructions, manuals and records, held by it or under its control or used by its employees for discharging its functions.
-

Prescribed rules, regulation etc. and guidelines issued for release of grants recommended by 12th Finance Commission.

(vi) A statement of the categories of documents that are held by it or under its control.

- i. Record handed over by previous Finance Commission.
- ii. Files relating to working of the Division.

- (vii) The particulars of any arrangement that exists for consultation with, or representation by the members of the public in relation to the formulation of its policy or implementation thereof.
-

No consultation with the public. Whenever there is a need consultation is done with the concerned Central Ministries or State Governments.

- (viii) A statement of the boards, councils, committees and other bodies consisting of two or more persons constituted as its part or for the purpose of its advice, and as to whether meetings of those boards, councils, committees and other bodies are open to the public, or the minutes of such meetings are accessible for public.
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Nil

(ix) A directory of its officers and employees

Link to Administration Division.

- (xi) The budget allocated to each of its agency, indicating the particulars of all plans, proposed expenditures and reports on disbursements made.
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Demand No.35

TRANSFERS TO STATE AND UNION TERRITORY GOVERNMENTS
2006-07 (BE)

(In thousands of Rupees)

Grants-in-aid to State Governments (Major Head)	Total
Grants to cover deficits on Revenue Account	11,315,21,00
Contribution to Calamity Relief Fund	3,080,82,00
Grants for Local Bodies	5,000,00,00
Grants-in-aid for Education Sector	1,844,51,00
Grants-in-aid for Health Sector	1,044,71,00
Grants-in-aid for Maintenance of Forests	200,00,00
Grants-in-aid for Roads and Bridges	3,750,00,00
Grants-in-aid for Public Buildings	1,250,00,00
Grants-in-aid for Heritage Conservation	156,25,00
Grants-in-aid for State Specific Needs	1,765,00,00
Grants-in-aid to States from NCCF for calamities of severe nature	1,500,00,00

- (xii) The manner of execution of subsidy programmes, including the amounts allocated and the details of beneficiaries of such programmes.
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Not applicable

- (xiii) Particulars of recipients of concessions, permits or authorizations granted by it.
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Not applicable

(xiv) Details in respect of the information, available to or held by it, reduced in an electronic form.

- i. Guidelines issued
- ii. Grants-in-aid recommended by Twelfth Finance Commission for 2005-06 and released till 20.10.2005

- (xv) The particulars of facilities available to citizens for obtaining information, including the working hours of a library or reading room, if maintained for public use.
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- i. Website.
- ii. Library between 1000 to 1700 hours

- (xvi) The names, designations and other particulars of the Public information Officer.
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Shri Shasank Saksena, Director (FCD), Room No.503, Block No.XI, 5th Floor,
CGO Complex, New Delhi Phone : 24360647, Fax : 24360174

(xvii) Such other information as may be prescribed.

Total transfers recommended by Eleventh Finance Commission (200-05) and released till 31.3.2005

FINANCE COMMISSION DIVISION

Scheme for Constitution and Administration of the Calamity Relief Fund

Title of the Scheme

1. The scheme shall be called 'Calamity Relief Fund scheme.

Period of Operation

2. The scheme will be operative from financial year 2005-06 and continue till the end of the financial year 2009-10.

Calamities covered under the Scheme

3. The CRF shall be used only for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack.

Constitution of Calamity Relief Fund

4. The Calamity Relief Fund will be constituted in the Public Account and classified under the head "8235-General and Other Reserve Funds-111 Calamity Relief Fund" in the accounts of the State Government concerned and would be invested as per provisions of para 9 of the scheme. However, if for some reason, a State is not in a position to invest the fund in a manner prescribed in the said para 9 of the scheme, such State can be permitted by Ministry of Finance to Constitute CRF, under the head "8121- General and Other Reserve Funds – Calamity Relief Fund" in the interest bearing section of the Public Account.

Contributions to the Fund

5.1 The amount of annual contribution to the Calamity Relief Fund of each State (hereinafter the "CRF") for each of the financial years 2005-06 to 2009-10 would be as indicated in Annex-I to this scheme. Of the total contribution indicated, Government of India will contribute 75% of the total yearly allocation in the form of a non-plan grant and the balance 25% amount will be contributed by the State Government concerned. The yearly shares of the Government of India and the State Governments are shown in Annex-II and III respectively.

5.2 The share of the Government of India to the CRF shall be paid as Grants-in-aid and accounted for in the Government of India accounts under the head "3601-Grants-in-aid to State Governments-01 Non-plan grants- 109 Grants towards contribution to Calamity Relief Fund". The State Governments shall take these as receipts in their budget and account under the head "1601- Grants-in-aid from Central Government-01 Non- plan Grant-109 Grants towards contribution to Calamity Relief Fund".

5.3 In order to enable transfer of the total amount of contribution to the CRF (including the State's share of contribution), the State Governments would make suitable Budget provision on the expenditure side of their budget under the head "2245-Relief on Account of Natural Calamities-05 Calamity Relief Fund -101 Transfers to Reserve Fund and Deposit Accounts-Calamity Relief Fund". Immediately upon receipt of Government of India's share as per para 5.2 of the scheme, the States would transfer the amount, along with their share if not already transferred, to the Public Account Head indicated in para 4 of the scheme, as the case may be.

5.4 The share of the Central Government shall be remitted to the State Governments in two instalments on June 1, and December 1, in each financial year. Likewise, the State Governments shall also transfer their contribution to the CRF in two instalments in June and December of the same year, provided that if Ministry of Finance is satisfied that exigencies of a particular calamity so warrant, the State shall be able to draw 25% of the funds due to the State in the following year from the Centre to be adjusted against the dues of the subsequent year.

Release of Central Contribution to the Fund

6. The share of the Government of India to the CRF due in a year shall be released to the State Governments subject to the following conditions:

(i) A 'Calamity Relief Fund' has been duly constituted by the State Government in the manner prescribed in para 4 above. The creation of the Fund duly certified by the Accountant General(A&E) of the State shall be furnished by the State Government to the Ministry of Finance before July 31, 2005.

(ii) The State Government shall furnish a certificate to the Ministry of Finance in the months of April and October every year indicating that the amount received earlier has been credited to the Fund along with the State's share of contribution, accompanied by a statement giving the up-to-date expenditure and the balance amount available in the CRF. This statement should be in the proforma at Annex-IV.

(iii) Centre's contribution due on December 1, shall be released only after the 'Annual Report on Natural Calamities' as per provisions of para 11.2 of the scheme is received by the Ministry of Home Affairs and the Ministry of Finance. This Annual Report shall furnish details of expenditure incurred by the State Government on each of the calamities, for each type of expenditure allowed as per the norms of CRF so fixed.

(iv) Whenever CRF of a State is replenished with additional grants-in-aid from National Calamity Contingency Fund (NCCF), the State Government would treat the flow of grants from the GoI in the same manner as far as transfer and accounting is concerned and furnish a specific utilization certificate, in proforma at Annex-V, within three months of the Financial year in which such a grant is released.

(v) The release of both the instalments shall be made by Ministry of Finance subject to the above conditions being satisfied unless advised by Ministry of Home Affairs for withholding of release to any State.

Relationship of Fund with General Revenues/ Public Account

7. The periodic contributions to the CRF as well as the other income of the CRF shall be invested in the manner prescribed in para 9 of the scheme. Wherever Government of India's concurrence has been provided for constituting interest bearing Public Account as per para 4 above, the State Government shall pay interest to the CRF at the rate applicable to overdrafts under overdraft Regulation scheme of the RBI. The interest will be credited on a half yearly basis.

State Level Committee

8.1 A State-level Committee (hereinafter referred to as 'the Committee') shall be constituted by the State Government to administer the CRF, by issue of a suitable notification in this behalf. A copy of the notification shall be furnished to Ministry of Finance and Ministry of Home Affairs.

Composition of State Level Committees

8.2 The Chief Secretary to the State Government shall be the ex-officio Chairperson of the Committee. The Committee would consist of officials who are normally connected with relief work and experts in various fields in the State affected by natural calamities.

Sub-Committee

8.3 The State Governments and/or the State level Committees may constitute sub-committees as may be considered necessary by them in connection with the work of the Committee.

Functions of the State Level Committee

8.4 The Committee will decide on all matters connected with the financing of the relief expenditure from CRF.

8.5 The Committee will arrange to obtain the contributions from the concerned Governments, administer the CRF and invest the accretions to the CRF in accordance with the norms approved by the Government of India from time to time. The norms of investment are indicated in para 9.3 of the scheme.

8.6 The Committee shall also be responsible to ensure that the money drawn from the Calamity Relief Fund is actually utilised for the purposes for which the CRF has been set up, and only on items of expenditure and as per norms contained in the guidelines issued by the Ministry of Home Affairs .

8.7 The accretions to the CRF, together with the income earned on the investments of the Fund, will be used by the Committee to meet items of expenditure covered by the norms contained in the guidelines. No further financial assistance (beyond the Central Government's yearly contribution to the CRF) will ordinarily be available for the purpose.

Expenditure of Committee

8.8 All administrative and miscellaneous expenses of the Committee shall be borne by the State Government under its normal budgetary provisions and not from the CRF.

Administration of the Fund

9.1 As stated in paragraph 8.1 above, the responsibility for the administration of the CRF will rest with the Committee.

9.2 On receipt of the amounts of contributions from the Government of India and/or the State Government, the Committee would take action for investment of the funds as per the norms prescribed in para 9.3 of the scheme. The investment of the funds shall be carried out by the branch of the Reserve Bank of India (having Banking Department) at the headquarters of the State, or a Bank designated by RBI. In the case of Jammu & Kashmir and Sikkim, these functions shall be carried out by their bankers.

Pattern of Investment from the Fund

9.3 The accretions to the Fund together with the income earned on the investment of the Fund shall, till contrary instructions are issued by Government of India under para 8.5, be invested in one or more of the following instruments:

- (a) Central Government dated Securities
- (b) Auctioned Treasury Bills
- (c) Interest earning deposits and certificates of deposits with Scheduled Commercial Banks;
- (d) Interest earning deposits in Co-operative Banks;

Account of Investment Transactions

9.4 The Committee will, from time to time, issue instructions to the concerned local bankers indicated in para 9.2 above to invest specified amount(s) from the CRF in the securities specified in clauses (a) to (d) under paragraph 9.3. Such instructions will be issued by the Chairman or any one of the members of the Committee. The banks will immediately arrange to make the necessary investment locally or through their branches/respondent banks/RBI at Mumbai or other metropolitan centres. The banks would scroll to the Government the debit on account of the investment and other incidental charges like brokerage, commission etc. in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions these may be indicated distinctly in separate scrolls.

9.5 On receipt of the scrolls the investment transactions would be accounted for under the head "8235- General and Other Reserve Fund-112 Calamity Relief Fund." The incidental charges like brokerage, commission etc. shall be accounted for as a charge on the Fund.

9.6 As far as practicable, the investment in the dated securities of the Central Government should be made in their new issues, that is to say, at the time when they are offered for subscription to the public.

9.7 The Bank will arrange to collect interest on these securities/bonds and credit the same to the account of the Government on the due date. These receipts shall form a part of the receipts of the CRF and would be accounted for as such. Further, these would require to be invested by the Committee as in the case of the contributions by the Government i.e. in accordance with the investment norms prescribed in para 9.3 above. On maturity of the securities, the proceeds will be collected and credited to the account of the Government or reinvested on the basis of instructions received from the Committee. As in the case of the debit scrolls the banks shall use separate scrolls for the receipts.

9.8 On receipt of instructions from the Committee, the concerned bank will arrange to sell the securities at the ruling price through its branches/correspondent banks/RBI at Mumbai or any other metropolitan Centre and credit the amount realised, less incidental charges, to the account of the Government.

9.9 The receipts on account of maturity or sale of the securities would be taken to the account of the "Calamity Relief Fund". The incidental charges on sale would be charged on the Fund.

9.10 The auctioned Treasury Bills may be purchased by the bank either at the Treasury Bill auctions on the basis of a non-competitive bid or in the market.

Assessing Expenditure Requirements

9.11 The Committee will assess the requirements of assistance from the CRF for financing relief expenditure. The provision for expenditure on relief will be made in the budget of the State Government under the relevant heads. The extent of relief expenditure to be financed from the CRF as decided/ authorised shall be withdrawn from the Fund by the Committee after disposal of the investment holdings in the manner prescribed in para 9.12 and credited to the CRF Account.

Encashment of Securities

9.12 To meet liability on account of the claims sanctioned for relief, the Committee will first dispose of its holdings of auctioned Treasury Bills to the extent required, the oldest lot of bills being sold first and so on. If the amount obtained by the sale of auctioned Treasury Bills is not sufficient to meet the liability towards relief sanctioned, the Committee may encash the deposits with the local branches of the scheduled commercial banks and the co-operative banks. The Central Government dated securities may be sold only if the amount realised by the sale of treasury bills and encashment of the deposits is not adequate.

9.13 The concerned State Government will pay to the RBI/SBI/ other banks a commission at the rate determined by RBI in consultation with the concerned State Government. These charges shall also be borne by the Fund as in the case of the charges indicated in paras 9.4 and 9.8. The loss or gain on the sale of securities shall also be taken to the account of the Fund.

10.1 The norms for the amounts to be incurred on each approved item of expenditure shall be prescribed by the Ministry of Home Affairs. Concurrence of Ministry of Finance should be obtained on file on any changes proposed in the norms. In case any State Government exceeds the amount prescribed, the excess expenditure should be borne on the budget of the State Government and not on CRF.

10.2 Expenditure on training of the core multi-disciplinary group created in the State as per the guidelines of the Ministry of Home Affairs, shall be met from CRF.

Items and Norms of Expenditure

10.3 The expenditure on restoration of damaged infrastructure and capital assets should be met from the normal budgetary heads, except when it is to be incurred as part of providing immediate relief.

The restoration/replacement of damaged infrastructure has to be planned very often to new standards, arrived at after detailed analysis of the phenomena that caused the damage, which cannot be done as part of immediate relief assistance. Such expenditure is, therefore, to be met from plan funds.

10.4 The provision for disaster preparedness and mitigation needs to be built into the State plans, and not as a part of calamity relief.

Monitoring by the Ministry of Home Affairs

11.1 The Ministry of Home Affairs will be the nodal Ministry for overseeing the operation of CRF. They shall monitor the scheme of CRF and may advise the State Level Committee from time to time in this regard to ensure proper functioning of the scheme. Further, the Ministry of Home Affairs shall recommend for adjustment/ withholding of release of any instalment to the States in the event of any deficiency/shortcoming in the implementation of the scheme by the States.

11.2 The State Governments shall be expected to furnish every year an Annual Report on Natural Calamities in the format prescribed by the Ministry of Home Affairs. This report shall be sent by every State Government to the Ministry of Home Affairs and to Ministry of Finance positively by September 30, every year.

11.3 The Ministry of Home Affairs shall, inter-alia, undertake evaluation of the expenditure incurred out of CRF. They will get such evaluation done by an independent agency for at least six States in a year, so as to ensure that the evaluation for all States is done at least once in five years. Terms of Reference for the independent evaluation shall be decided by the Ministry of Home Affairs in consultation with Ministry of Finance.

Unspent Balance in the Fund.

12. The unspent balance in the CRF as at the end of the Financial year 2004-05 shall be the opening balance of CRF for 2005-06. Any balance available at the end of 2005-10 will be available to the State Government for being used as a resource for the next plan, if the scheme of CRF is discontinued by GoI upon consideration of XIII Finance Commission recommendations. Otherwise, the closing balance would be available for relief expenditure under CRF in the ensuing period of 2010-2015.

Accounts and Audit

13.1 The Accounts of the Fund and the investment shall be maintained by the Accountant General in charge of accounts of the State in the normal course. The Committee will, however, maintain subsidiary accounts in such manner and details as may be considered necessary by the State Government in consultation with the Accountant General.

13.2. Comptroller and Auditor General of India would cause audit of CRF to be conducted every year in terms of the purposes of the CRF scheme. The State Government shall furnish a copy of the audit report of the Comptroller and Auditor General of India in respect of CRF to the Ministry of Finance, which in turn, will provide a copy to the Ministry of Home Affairs.

Savings

14. The Ministry of Finance shall issue instructions relating to the provisions of the scheme, as may be considered from time to time, to enable smooth functioning of the scheme. The Ministry of Finance may also alter/modify the scheme, if considered necessary subsequently. In case of any difficulty in the operation of any provision of this scheme, the Central Government, if satisfied, may relax the provisions.

(Anurag Goel)
Additional Secretary to Government of India
Department of Expenditure

FINANCE COMMISSION DIVISION

Scheme for Constitution and Administration of the National Calamity Contingency Fund

Title of the Scheme

1. The scheme shall be called 'National Calamity Contingency Fund' Scheme.

Period of operation

2. The scheme shall come into force with effect from the financial year 2005-06 and will be operative till the end of the financial year 2009-10.

Calamities covered under the Scheme

3. Natural calamities of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack considered to be of severe nature by Government of India and requiring expenditure by the State Government in excess of the balances available in its own Calamity Relief Fund, will qualify for relief assistance under the scheme.

National Calamity Contingency Fund

4. The existing 'National Calamity Contingency Fund' (hereinafter referred to as 'the NCCF') will be operated by the Government of India for the purpose of dealing with the above mentioned calamities of severe nature. The NCCF is classified in the Public Account of the Government of India under the major head 8235- 'General and other Reserve Funds' – National Calamity Contingency Fund in the sub-section 'Reserve Funds not bearing interest'

Contribution to the National Fund

5.1 The National Calamity Contingency Fund has a corpus of Rs.500 crore provided by Government of India. The closing balance of the fund at the end of financial year 2004-05 shall be the opening balance of the fund in the year 2005-06.

5.2 During the course of the year transfers to the National Calamity Contingency Fund established in the Public Account of India will be made by operating the following heads of account

Major Head "2245-Relief on account of Natural Calamities – 80-General-797-Transfers to Reserve Funds and Deposit Account'-Transfer to National Calamity Contingency Fund.

5.3 The budget provision for transferring funds to the National Calamity Contingency Fund as mentioned in para 5.2 above shall be made in grant No. 36-“Transfers to State and UT Governments” (under non-plan provision) of the Ministry of Finance.

Arrangements for Monitoring natural calamities

6. The Ministry of Home Affairs may make appropriate arrangements to monitor the occurrences of natural calamities relating to cyclone, drought, earthquake, fire, flood, hailstorm, landslide, avalanche, cloud burst and pest attack on a regular basis and assess their impact on area and population and set up a committee consisting of scientists, flood control specialist and

other experts to study and map the hazards to which several States are subject to, given the geophysical and agro-meteorological heterogeneity of the country.

Assessment of Relief Assistance from the NCCF

7 The Ministry of Home Affairs in respect of natural calamities of cyclone, earthquake, fire, flood, landslide, avalanche and cloud burst and the Ministry of Agriculture in respect of drought, hailstorm and pest attacks will assess, upon a request made by a State not having adequate balance in their Calamity Relief Fund, whether the State will require additional assistance from NCCF to provide relief in any specific case of calamity of severe nature. Following procedure will be adopted for making the assessment:

- (i) Memorandum of State Government will be examined to assess whether the State is affected by a severe calamity, and the likely requirement of funds as per norms of CRF/NCCF. If the preliminary examination reveals that there are adequate funds with the State for providing relief as per the norms, the State would be advised accordingly.
- (ii) If the preliminary examination reveals that the State is in need of assistance, a Central Team will be deputed for making on the spot assessment.
- (iii) The report of the Central Team shall be examined by an Inter-Ministerial Group (IMG) to be constituted by the Ministry of Home Affairs/Ministry of Agriculture, for assessing the requirement of assistance from NCCF. The IMG shall then make recommendations to the High Level Committee (HLC) regarding the likely expenditure for meeting the calamity, and the extent of assistance and expenditure which may be funded from the NCCF.

High Level Committee (HLC)

8. The High Level Committee/Group of Ministers will consist of Agriculture Ministry, Home Minister, Finance Minister and Deputy Chairman, Planning Commission. The High Level Committee will decide about the quantum of assistance and release of funds from NCCF, for meeting the severe calamity. HLC will be serviced by the Disaster Management Division of Ministry of Home Affairs.

Ministry of Home Affairs to supervise

9. The Ministry of Home Affairs shall oversee that the money drawn from the NCCF is actually utilised by the State Governments for the purpose for which the NCCF has been set up.

Inadmissible assistance from NCCF

10. The assistance from NCCF will be only for immediate relief and rehabilitation. Any reconstruction of assets or restoration of damage infrastructure should be financed through re-allocation of Plan funds.

Allocation of foodgrains

11 The expenditure on allocation of food grains to the affected States by the Central Government is essentially relief expenditure for mitigation in the aftermath of drought or other calamities. Foodgrains would be allocated by HLC. A transparent policy will be formulated by the Ministry of Home Affairs and approved by HLC for this purpose.

Releases to States

12.1 Release of assistance to the State Governments from NCCF shall be made under the head "2245 – Relief on account of Natural Calamities – 80- General – 103 -Assistance to States from NCCF" with equivalent amount shown as recovery from the fund maintained in the Public Account of India, under the head – "8235-General and Other Reserve Funds-119 National Calamity Contingency Fund". The amount recovered from the fund shall be shown as below the line recovery in the demands for grants.

12.2 On receipt of assistance from the NCCF, the State Government shall treat them as receipts along with the receipts of Central/State shares of Calamity Relief Fund under the major head "1601" - Grants-in- aid from Central Government -01 Non-Plan Grants- Grants from National Calamity Contingency Fund . In order to enable transfer of the amount received as assistance from NCCF, the State Government would make suitable budget provision on the expenditure side of their budget under the relevant minor heads under the major head "2245-Relief on Account of Natural Calamities". The State's CRF account should distinctly show the receipt of assistance from NCCF apart from the remaining four sources of receipts into the fund; namely (i) Centre's share of Calamity Relief Fund (ii) State's share of Calamity Relief Fund (iii) Return on investments and (iv) redemption of investments.

12.3 The Pay and Accounts Office, Ministry of Finance on the basis of the sanction orders issued by the Ministry of Finance shall release payments to the State Governments. The detailed account of the Fund shall be maintained by the Controller General of Accounts through the Chief Controller of Accounts, Ministry of Finance.

Functions of the State Level Committee.

13. The State Level Committee constituted by the State Government to administer the Calamity Relief Fund shall also be responsible to ensure that expenditure incurred out of the funds received under the NCCF is as per the items and norms of expenditure as decided for in respect of the Calamity Relief Fund.

Special Surcharge on the Central Taxes

14. Any assistance provided by the Centre to the States from the NCCF shall be financed by levy of a special surcharge on the Central taxes for the period 2005-06 to 2009-10. Collection from such surcharge shall be initially credited to the Consolidated Fund and thereafter transferred to the NCCF. Any drawal from the Fund for providing assistance to States shall be accompanied by imposition of the special surcharge so that it is immediately recouped.

Monitoring

15. The Ministry of Home Affairs shall monitor the scheme of NCCF.

Unspent balances in the National Fund

16. The unspent balance in the NCCF at the end of the financial year 2009-10 will be available to the Central Government for being used as a resource for the next Plan, provided the scheme is not continued further.

Accounts and Audit

17. The accounts of the NCCF shall be maintained by the Chief Controller of Accounts, Ministry of Finance. The Controller General of Accounts (CGA) may prescribe detailed accounting procedure for the purpose as required. The Ministry of Finance will, however, maintain subsidiary accounts in such manner and detail as may be considered necessary by the Central Government (Controller General of Accounts) in consultation with the Comptroller and Auditor General of India. The accounts of the NCCF shall be audited annually by Comptroller & Auditor General. The State Government shall furnish a copy of the audit Report of CAG to Ministry of Finance and Ministry of Home Affairs.

Savings

18. The Central Government may issue instructions relating to the provisions of the scheme as may be considered necessary from time to time to enable smooth functioning of the scheme. The Central Government may also alter/ modify the scheme if considered necessary subsequently. In case of any difficulty in the operation of any provision of this scheme, the Central Government, if satisfied, may relax the provisions.

(Anurag Goel)
Additional Secretary to Government of India
Department of Expenditure

MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
FINANCE COMMISSION DIVISION

**Guidelines for Release and Utilisation of grants-in-aid, other than
Local Bodies Grants and Calamity Relief Grants, recommended by
the Twelfth Finance Commission (TFC grants-in-aid)**

**1.0 TWELFTH FINANCE COMMISSION'S RECOMMENDATIONS OF GRANTS
IN AID AND INTER-STATE DISTRIBSUTION**

1.1 The Twelfth Finance Commission (TFC) was required to make recommendations under para 4(ii) of their Terms of Reference on the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India, and the sums to be paid to the States, which are in need of the assistance by way of grants-in-aid of their revenues under Article 275 of the Constitution. TFC has given their recommendations on this term of reference, which have been accepted by the Union Government.

1.2 The Twelfth Finance Commission (TFC) has recommended various grants amounting to Rs. 1,42,640 crores payable during the period 2005-10 as under:

Sl.No.	Item	Amount (Rs. crore)
1.	Post-devolution non-plan revenue deficit	56,856
2.	Health sector	5887
3.	Education sector	10,172
4.	Maintenance of roads & bridges	15,000
5.	Maintenance of buildings	5000
6.	Maintenance of forests	1000
7.	Heritage conservation	625
8.	State-specific needs	7100
9.	Local bodies	25,000
10.	Calamity relief	16,000
	Total	142640

1.3 Non Plan Revenue Deficit Grants: TFC has assessed non-plan revenue deficit of the States on a normative basis to ensure that deficiency in fiscal capacity is corrected by the States, but inadequate revenue effort or excessive expenditure is not encouraged. TFC has recommended total non-plan revenue deficit grants of Rs. 56855.87 crore during the award period. Fifteen States are recommended non-plan revenue deficit grants for the first year, whereas only nine States would get these grants in the last year. Statewise yearwise non-plan revenue deficit grants recommended by the TFC, given in table 10.4 of the Report, is reproduced at Annex-A.

1.4 Education and Health Sector Grants: TFC has recommended grants for States, using equalisation principle on the expenditure side, for education and health. The States, adjusted for their expenditure preference, spending less than the group average, have been provided grants in aid to cover 15% of the distance. Eight States have been recommended a total grant in aid of Rs. 10,171.65 crore for education and seven States for health totalling to Rs. 5887.08 crore. Education sector grants, given in table 10.5 of the Report, are reproduced in Annex-B. Health sector grants, given in table 10.6 of the Report, are reproduced in Annex-C.

1.5 Maintenance of Roads and Buildings: Adopting the norms for plains and hilly areas furnished by the Ministry of Road Transport and Highways for maintenance of roads and bridges, and after applying adjustment factors, TFC has recommended a total grants in aid of Rs. 15000 crore for additional expenditure on maintenance of roads and bridges. Statewise yearwise grants recommended for this purpose, given in table 10.7 of the Report, is reproduced at Annex-D. TFC has also recommended additional grants of Rs. 5000 crore over this period for maintenance of public buildings. Statewise yearwise grants recommended for this purpose, given in table 10.8 of the Report, is reproduced at Annex-E.

1.6 Additional Grants in Aid: TFC has recommended additional grants in aid for maintenance of Forests (Annex-F) and heritage conservation (Annex-G).

1.7 State Specific Needs grants: TFC has recommended a total grant of Rs. 7100 crore for pressing state specific needs. State specific needs identified for grants and grant recommended for each such specific needs is at Annex-H.

2.0 CONDITIONS FOR RELEASE OF GRANTS

2.1 There are no conditionalities attached for release of Non Plan Revenue Deficit Grants.

2.2 Equalisation grants for education and health sector are provided as additionality to the normal expenditure by the States. These grants are to be utilised only for the respective sectors (non-plan) i.e. major head 2202 in the case of education and major heads 2210 & 2211 in the case of health. TFC has specified conditionalities governing the release and utilisation of these grants. Common conditionalities specified for education and health sector for release given in annexure 10.1 of the Report are reproduced at Annex-I. The expenditure projected by the TFC for education sector both normal and from this grant, given at annexure 10.2 and for health sector given at annexure 10.3 of the Report is reproduced at Annex-J and Annex-K respectively.

2.3 Maintenance grants for roads and buildings sector are also provided as additionality to the normal expenditure by the States. TFC has specified conditionalities governing the release and utilisation of these grants. Common conditionalities specified for roads and buildings sector for release given in annexure 10.4 of the Report are reproduced at Annex-L. The expenditure projected by the TFC for roads and bridges sector both normal and from this grant, given at annexure 10.5 and for public buildings sector given at annexure 10.6 of the Report is reproduced at Annex-M and Annex-N respectively.

2.4 Maintenance grants for forest and heritage conservation are also provided as additionality to the normal expenditure by the States.

2.5 Specific needs grants can only be spent for the specific need identified.

3.0 MONITORING AGENCY

3.1 Every State shall constitute a high level committee (HLC) to ensure proper utilisation of these GRANTS IN AID.

3.2 This HLC shall be headed by the Chief Secretary of the State and will include Finance Secretary and Secretaries of the concerned Departments as members.

3.3 HLC shall be responsible for the following:

- a. Approval of the projects at the beginning of every year to be undertaken in each sector, quantify the targets, both in physical and financial terms and lay down a time-table for achievement of specific milestones;
- b. Monitoring both physical and financial targets and ensuring adherence to the specific conditionalities in respect of each grant, wherever applicable;

3.4 HLC shall meet at least once in every quarter to review the utilisation of grants and to issue directions for mid-course correction, if considered necessary. Minutes of HLC meetings shall be provided to the Department of Expenditure (Finance Commission Division) for information.

3.5 A Central Review Committee will be constituted in the Government of India, headed by Secretary (Expenditure) to review the releases and utilisation of grants.

4.0 MODE OF RELEASE OF GRANTS IN AID TO STATES.

4.1 Non-plan revenue deficit grants recommended for specified States would be released in 12 equal instalments in the first week of every month.

4.2 Equalisation grants for education and health would be released in two instalments, normally in the month of May and November, depending upon satisfaction of conditions specified above.

4.3 Maintenance grants for roads and bridges, public buildings, forest and heritage conservation would also be released in two instalments, normally in the month of May and November, depending upon satisfaction of conditions specified above.

4.4 A schedule of phasing of state specific grants would be drawn, taking into consideration, the demands of each project, as assessed by the state HLC. Grants in year 2006-07 would be released in four quarterly instalments in May, August, November and February for the requirement assessed for the year and subsequent yearly releases for FY 2007-08 and 2008-09 would be made when 75% of the grants released are certified to be utilised. Grants for 2009-10 would be released in two instalments. First instalment would

be released when 90% of the grant is certified to be utilised and last 10% would be released when completion certificate is provided by the States.

5.0 AUDIT BY THE CONTROLLER AND AUDITOR GENERAL

5.1 Controller and Auditor General of India would be expected to audit the release and use of the GRANTS IN AID within the time and for the purposes mentioned by the TFC, reproduced above. GOI may take appropriate decision about withholding grants of a State, if CAG reports that the State allowed the grants to be used for purposes other than for which these are being provided.

(S.C.Garg)
Joint Secretary (FCD)
Department of Expenditure

Annex A**Grant-in-aid for Non-Plan Revenue Deficit (2005-10)**

State	(Rs. in crore)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
Arunachal Pradesh	271.84	262.94	293.07	273.92	256.11	1357.88
Assam	305.67	Nil	Nil	Nil	Nil	305.67
Himachal Pradesh	2164.12	2107.14	2120.96	1991.64	1818.52	10202.38
Jammu & Kashmir	2458.56	2446.64	2552.18	2510.64	2385.44	12353.46
Kerala	470.37	Nil	Nil	Nil	Nil	470.37
Manipur	808.39	841.17	889.10	918.50	934.82	4391.98
Meghalaya	376.67	359.02	393.24	355.78	312.15	1796.86
Mizoram	537.19	556.52	605.17	634.00	644.91	2977.79
Nagaland	993.65	1037.66	1124.44	1168.17	1212.58	5536.50
Orissa	488.04	Nil	Nil	Nil	Nil	488.04
Punjab	1556.83	922.64	653.20	Nil	Nil	3132.67
Sikkim	66.81	47.06	52.86	21.94	Nil	188.67
Tripura	1041.91	1064.30	1122.91	1131.90	1133.18	5494.20
Uttaranchal	1112.91	1064.30	1115.02	992.02	830.43	5114.68
West Bengal	2438.90	605.82	Nil	Nil	Nil	3044.72
Total States	15091.86	11315.21	10922.15	9998.51	8528.14	56855.87

Annex B**Grants-in-aid for Education Sector (major head 2202)**

State	(Rs. in crore)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
Assam	183.20	200.60	219.66	240.53	263.38	1107.37
Bihar	443.99	486.17	532.36	582.93	638.31	2683.76
Jharkhand	107.82	118.06	129.28	141.56	155.01	651.73
Madhya Pradesh	76.03	83.25	91.16	99.82	109.30	459.56
Orissa	53.49	58.57	64.13	70.22	76.89	323.30
Rajasthan	20.00	20.00	20.00	20.00	20.00	100.00
Uttar Pradesh	736.87	806.87	883.52	967.45	1059.36	4454.07
West Bengal	64.83	70.99	77.73	85.11	93.20	391.86
Total States	1686.23	1844.51	2017.84	2207.62	2415.45	10171.65

Annex C**Grants-in-aid for Health Sector (major head 2210 & 2211)**

State 1	(Rs. in crore)					
	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-10 6	2005-10 7
Assam	153.58	171.24	190.93	212.89	237.38	966.02
Bihar	289.30	322.57	359.66	401.02	447.14	1819.69
Jharkhand	57.39	63.99	71.35	79.55	88.70	360.98
Madhya Pradesh	28.88	32.20	35.90	40.03	44.63	181.64
Orissa	31.22	34.81	38.81	43.28	48.25	196.37
Uttar Pradesh	367.63	409.90	457.04	509.60	568.21	2312.38
Uttaranchal	10.00	10.00	10.00	10.00	10.00	50.00
Total States	938.00	1044.71	1163.69	1296.37	1444.31	5887.08

Grants-in-aid for Maintenance of Roads & Bridges

State	2005-06	2006-07	2007-08	2008-09	2009-10	(Rs. in crore)
						1 2 3 4 5 6 7
Andhra Pradesh	0.00	245.03	245.03	245.03	245.03	980.12
Arunachal Pradesh	0.00	11.09	11.09	11.09	11.09	44.36
Assam	0.00	82.53	82.53	82.53	82.53	330.12
Bihar	0.00	77.34	77.34	77.34	77.34	309.36
Chhattisgarh	0.00	65.60	65.60	65.60	65.60	262.40
Goa	0.00	9.87	9.87	9.87	9.87	39.48
Gujarat	0.00	223.80	223.80	223.80	223.80	895.20
Haryana	0.00	45.68	45.68	45.68	45.68	182.72
Himachal Pradesh	0.00	65.41	65.41	65.41	65.41	261.64
Jammu & Kashmir	0.00	29.42	29.42	29.42	29.42	117.68
Jharkhand	0.00	102.26	102.26	102.26	102.26	409.04
Karnataka	0.00	364.53	364.53	364.53	364.53	1458.12
Kerala	0.00	160.58	160.58	160.58	160.58	642.32
Madhya Pradesh	0.00	146.72	146.72	146.72	146.72	586.88
Maharashtra	0.00	297.42	297.42	297.42	297.42	1189.68
Manipur	0.00	19.24	19.24	19.24	19.24	76.96
Meghalaya	0.00	21.60	21.60	21.60	21.60	86.40
Mizoram	0.00	10.53	10.53	10.53	10.53	42.12
Nagaland	0.00	30.22	30.22	30.22	30.22	120.88
Orissa	0.00	368.77	368.77	368.77	368.77	1475.08
Punjab	0.00	105.24	105.24	105.24	105.24	420.96
Rajasthan	0.00	158.33	158.33	158.33	158.33	633.32
Sikkim	0.00	4.66	4.66	4.66	4.66	18.64
Tamil Nadu	0.00	303.60	303.60	303.60	303.60	1214.40
Tripura	0.00	15.37	15.37	15.37	15.37	61.48
Uttar Pradesh	0.00	600.79	600.79	600.79	600.79	2403.16
Uttaranchal	0.00	81.14	81.14	81.14	81.14	324.56
West Bengal	0.00	103.23	103.23	103.23	103.23	412.92
Total	0.00	3750.00	3750.00	3750.00	3750.00	15000.00

Grants-in-aid for Maintenance of Public Buildings

State 1	(Rs. in crore)					
	2	3	4	5	6	7
Andhra Pradesh	0.00	60.64	60.63	60.63	60.63	242.53
Arunachal Pradesh	0.00	14.35	14.35	14.36	14.36	57.42
Assam	0.00	57.66	57.66	57.66	57.66	230.64
Bihar	0.00	89.90	89.90	89.91	89.90	359.61
Chhattisgarh	0.00	45.78	45.77	45.77	45.77	183.09
Goa	0.00	6.05	6.05	6.04	6.04	24.18
Gujarat	0.00	50.90	50.90	50.90	50.91	203.61
Haryana	0.00	37.95	37.95	37.95	37.95	151.80
Himachal Pradesh	0.00	36.90	36.90	36.90	36.90	147.60
Jammu & Kashmir	0.00	41.14	41.14	41.13	41.13	164.54
Jharkhand	0.00	39.90	39.90	39.90	39.91	159.61
Karnataka	0.00	51.28	51.28	51.28	51.28	205.12
Kerala	0.00	25.88	25.88	25.87	25.87	103.50
Madhya Pradesh	0.00	110.76	110.76	110.75	110.75	443.02
Maharashtra	0.00	55.90	55.90	55.90	55.91	223.61
Manipur	0.00	9.42	9.43	9.43	9.43	37.71
Meghalaya	0.00	8.75	8.76	8.75	8.76	35.02
Mizoram	0.00	5.82	5.82	5.82	5.83	23.29
Nagaland	0.00	11.54	11.55	11.54	11.54	46.17
Orissa	0.00	97.28	97.28	97.29	97.29	389.14
Punjab	0.00	37.95	37.95	37.95	37.95	151.80
Rajasthan	0.00	53.27	53.27	53.27	53.28	213.09
Sikkim	0.00	8.04	8.03	8.04	8.04	32.15
Tamil Nadu	0.00	60.64	60.63	60.63	60.63	242.53
Tripura	0.00	12.53	12.53	12.53	12.52	50.11
Uttar Pradesh	0.00	150.07	150.07	150.08	150.06	600.28
Uttaranchal	0.00	24.40	24.40	24.40	24.40	97.60
West Bengal	0.00	45.30	45.31	45.32	45.30	181.23
Total	0.00	1250.00	1250.00	1250.00	1250.00	5000.00

Grants-in-aid for Maintenance of Forests

Grants-in-aid for Heritage Conservation

State	(Rs. in crore)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	0.00	10.00	10.00	10.00	10.00	40.00
Arunachal Pradesh	0.00	1.25	1.25	1.25	1.25	5.00
Assam	0.00	5.00	5.00	5.00	5.00	20.00
Bihar	0.00	10.00	10.00	10.00	10.00	40.00
Chhattisgarh	0.00	2.50	2.50	2.50	2.50	10.00
Goa	0.00	5.00	5.00	5.00	5.00	20.00
Gujarat	0.00	6.25	6.25	6.25	6.25	25.00
Haryana	0.00	3.75	3.75	3.75	3.75	15.00
Himachal Pradesh	0.00	2.50	2.50	2.50	2.50	10.00
Jammu & Kashmir	0.00	2.50	2.50	2.50	2.50	10.00
Jharkhand	0.00	2.50	2.50	2.50	2.50	10.00
Karnataka	0.00	12.50	12.50	12.50	12.50	50.00
Kerala	0.00	6.25	6.25	6.25	6.25	25.00
Madhya Pradesh	0.00	5.00	5.00	5.00	5.00	20.00
Maharashtra	0.00	12.50	12.50	12.50	12.50	50.00
Manipur	0.00	1.25	1.25	1.25	1.25	5.00
Meghalaya	0.00	1.25	1.25	1.25	1.25	5.00
Mizoram	0.00	1.25	1.25	1.25	1.25	5.00
Nagaland	0.00	1.25	1.25	1.25	1.25	5.00
Orissa	0.00	12.50	12.50	12.50	12.50	50.00
Punjab	0.00	2.50	2.50	2.50	2.50	10.00
Rajasthan	0.00	12.50	12.50	12.50	12.50	50.00
Sikkim	0.00	1.25	1.25	1.25	1.25	5.00
Tamil Nadu	0.00	10.00	10.00	10.00	10.00	40.00
Tripura	0.00	1.25	1.25	1.25	1.25	5.00
Uttar Pradesh	0.00	12.50	12.50	12.50	12.50	50.00
Uttaranchal	0.00	1.25	1.25	1.25	1.25	5.00
West Bengal	0.00	10.00	10.00	10.00	10.00	40.00
Total	0.00	156.25	156.25	156.25	156.25	625.00

Grants-in-aid for the specific needs of the States

State	Purpose	Amount (Rs. Crore)
Andhra Pradesh	i) Drinking water supply to fluoride- affected areas ii) Improving the socio-economic conditions of the people living in the remote areas	325 175
Arunachal Pradesh	i) Treasury buildings	10
Assam	i) Development of Urban areas ii) Health Infrastructure	121 9
Bihar	i) Technical Education ii) Establishment of Administrative Training Institute iii) E -Governance iv) Construction of Homes under Juvenile Justice Act and improvement of remand home, after-care home and residential school for the handicapped v) Improvement of urban water supply and drainage vi) Fire Services vii) Construction of residential schools and hostels for SC/ST/OBC	50 50 40 20 180 10 50
Chhattisgarh	i) Development of State Capital at Raipur ii) Improving the police infrastructure Rs.	200 100
Goa	i) Health infrastructure	10
Gujarat	i) Salinity ingress	200
Haryana	i) Water logging / salinity and declining water table	100
Himachal Pradesh	i) Development of urban areas	50
Jammu & Kashmir	i) Tourism related schemes ii) Construction of Public Service Commission building at Jammu	90 10
Jharkhand	i) Development of State Capital at Ranchi ii) Special needs of police force	200 130
Karnataka	i) General administration ii) Use service and sports facilities iii) Improvement of police administration iv) Improvement of health services	250 100 100 150
Kerala	i) Inland waterways and canals ii) Coastal zone management iii) Improvement of quality of school education	225 175 100
Madhya Pradesh	i) Development of tourism ii) Development of road infrastructure iii) Development of urban areas	67 208 25
Maharashtra	i) Infrastructure for women and child development programme ii) Coastal and eco-tourism	50 250
Manipur	i) Secretariat Complex ii) Sports Complex iii) Loktak lake	3.50 15 11.50

Meghalaya	i) Zoological park ii) Botanical Garden	30 5
Mizoram	i) Bamboo flowering ii) Sports complex	40 25
Nagaland	i) Health facilities ii) Assembly secretariat	15 30
Orissa	i) Consolidation and strengthening eco restoration work in the Chilika lake ii) Sewerage system for Bhubaneswar	30 140
Punjab	i) Stagnant agriculture	96
Rajasthasn	i) Indira Gandhi Nahar Pariyojana ii) Meeting drinking water scarcity in border and desert districts	300 150
Sikkim	i) Construction of airport	100
Tamil Nadu	i) Development of urban areas ii) Sea erosion and coastal area protection works	250 50
Tripura	i) Construction of Capital Complex ii) Establishment of a 150 bedded hospital for Dhalai District at Kulai iii) Construction of modal prison at Bishalgarh	28 11 10
Uttar Pradesh	i) renovation of more than 100 year old collectorate buildings ii) Accelerating the development of Bundelkhand and eastern regions iii) Development of urban areas	60 700 40
Uttranchal	i) Development of State Capital ii) Promotion of tourism iii) Health infrastructure	200 35 5
West Bengal	i) Arsenic contamination of ground water ii) Problems relating to erosion by Ganga-Padma river in Malda and Murshidabad districts iii) Development of Sundarbans Regions	600 190 100

Conditionality for Release of Grants-in-aid for Education
(major head 2202) and Health (major heads 2210 & 2211)

1. The grant should be utilised only for meeting the non-plan revenue expenditure under the respective major head 2202 in the case of education and major heads 2210 & 2211 in the case of health)
2. The grant may be allocated in two equal instalments in each financial year. While there will be no pre-condition for release of the first instalment in any year, the second instalment will be released on the fulfillment of the conditions laid down in para 3 below.
3. Pre-conditions for release of the second instalment in a year will be as follows :

Year	Condition for release of second instalment
2005-06	2005-06 BE under NPRE of the relevant head should not be less than the projected “total NPRE” for 2005-06, as shown in annexure 10.2/10.3
2006-07	2006-07 BE under NPRE of the relevant head should not be less than the projected “total NPRE” for 2006-07, as shown in annexure 10.2/10.3. And 2005-06 RE for NPRE of the relevant head should not be less than the total of “normal expenditure” as shown in annexure 10.2/10.3 plus the actual release of the “grant” for 2005-06.
2007-08	2007-08 BE under NPRE of relevant head should not be less than the projected “total NPRE” for 2007-08, as shown in annexure 10.2/10.3. And Actuals of 2005-06 for NPRE of the relevant head should not be less than the total of “normal expenditure” as shown in annexure 10.2/10.3 plus the actual release of the “grant” for 2005-06.
2008-09	2008-09 BE under NPRE of the relevant head should not be less than the projected “total NPRE” for 2008-09, as shown in annexure 10.2/10.3. And Actuals of 2006-07 for NPRE of the relevant head should not be less than the total of “normal expenditure” as shown in annexure 10.2/10.3 plus the actual release of the “grant” for 2006-07.
2009-10	2009-10 BE under NPRE of the relevant head should not be less than the projected “total NPRE” for 2009-10, as shown in annexure 10.2/10.3. And Actuals of 2007-08 for NPRE of relevant head should not be less than the total of “normal expenditure” as shown in annexure 10.2/10.3 plus the actual release of the “grant” for 2007-08.

Projection for Non-Plan Revenue Expenditure on Education (MH 2202)

State 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-10 6	(Rs. in crore) 2005-10 7
Assam						
Normal Expenditure	2125.60	2327.54	2548.65	2790.77	3055.90	12848.46
Grant	183.20	200.60	219.66	240.53	263.38	1107.37
Total NPRE	2308.80	2528.14	2768.31	3031.30	3319.28	13955.83
Bihar						
Normal Expenditure	3376.63	3697.41	4048.66	4433.29	4854.45	20410.44
Grant	443.99	486.17	532.36	582.93	638.31	2683.76
Total NPRE	3820.62	4183.58	4581.02	5016.22	5492.76	23094.20
Jharkhand						
Normal Expenditure	1177.70	1289.58	1412.09	1546.24	1693.13	7118.74
Grant	107.82	118.06	129.28	141.56	155.01	651.73
Total NPRE	1285.52	1407.64	1541.37	1687.80	1848.14	7770.47
Madhya Pradesh						
Normal Expenditure	2056.74	2252.13	2466.08	2700.36	2956.89	12432.20
Grant	76.03	83.25	91.16	99.82	109.30	459.56
Total NPRE	2132.77	2335.38	2557.24	2800.18	3066.19	12891.76
Orissa						
Normal Expenditure	1886.98	2066.24	2262.54	2477.48	2712.84	11406.08
Grant	53.49	58.57	64.13	70.22	76.89	323.30
Total NPRE	1940.47	2124.81	2326.67	2547.70	2789.73	11729.38
Rajasthan						
Normal Expenditure	3960.41	4336.65	4748.63	5199.75	5693.72	23939.16
Grant	20.00	20.00	20.00	20.00	20.00	100.00
Total NPRE	3980.41	4356.65	4768.63	5219.75	5713.72	24039.16
Uttar Pradesh						
Normal Expenditure	6510.06	7128.52	7805.73	8547.27	9359.27	39350.85
Grant	736.87	806.87	883.52	967.45	1059.36	4454.07
Total NPRE	7246.93	7935.39	8689.25	9514.72	10418.63	43804.92
West Bengal						
Normal Expenditure	5029.25	5507.03	6030.19	6603.06	7230.35	30399.88
Grant	64.83	70.99	77.73	85.11	93.20	391.86
Total NPRE	5094.08	5578.02	6107.92	6688.17	7323.55	30791.74
Total Normal Expenditure	26123.37	28605.10	31322.57	34298.22	37556.55	157905.81
Total Grant	1686.23	1844.51	2017.84	2207.62	2415.45	10171.65
Grant Total NPRE	27809.60	30449.61	33340.41	36505.84	39972.00	168077.46

Projection for Non-Plan Revenue Expenditure on Health Sector (MH 2210 & 2211)

State	(Rs. in crore)					
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Assam						
Normal Expenditure	196.94	219.58	244.84	272.99	304.39	1238.74
Grant	153.58	171.24	190.93	212.89	237.38	966.02
Total NPREG	350.52	390.82	435.77	485.88	541.77	2204.76
Bihar						
Normal Expenditure	500.82	558.41	622.63	694.23	774.07	3150.16
Grant	289.30	322.57	359.66	401.02	447.14	1819.69
Total NPREG	790.12	880.98	982.29	1095.25	1221.21	4969.85
Jharkhand						
Normal Expenditure	219.74	245.01	273.19	304.60	339.63	1382.17
Grant	57.39	63.99	71.35	79.55	88.70	360.98
Total NPREG	277.13	309.00	344.54	384.15	428.33	1743.15
Madhya Pradesh						
Normal Expenditure	607.66	677.55	755.46	842.34	939.21	3822.22
Grant	28.88	32.20	35.90	40.03	44.63	181.64
Total NPREG	636.54	709.75	791.36	882.37	983.84	4003.86
Orissa						
Normal Expenditure	434.88	484.90	540.66	602.83	672.16	2735.43
Grant	31.22	34.81	38.81	43.28	48.25	196.37
Total NPREG	466.10	519.71	579.47	646.11	720.41	2931.80
Uttar Pradesh						
Normal Expenditure	1610.74	1795.97	2002.51	2232.80	2489.57	10131.59
Grant	367.63	409.90	457.04	509.60	568.21	2312.38
Total NPREG	1978.37	2205.87	2459.55	2742.40	3057.78	12443.97
Uttaranchal						
Normal Expenditure	161.73	180.32	201.06	224.18	249.96	1017.25
Grant	10.00	10.00	10.00	10.00	10.00	50.00
Total NPREG	171.73	190.32	211.06	234.18	259.96	1067.25
Total Normal Expenditure	3732.51	4161.74	4640.35	5173.97	5768.99	23477.56
Total Grant	938.00	1044.71	1163.69	1296.37	1444.31	5887.08
Grant Total NPREG	4670.51	5206.45	5804.04	6470.34	7213.30	29364.64

Annex L

**Conditionality for Release of Grants-in-aid for Maintenance of Roads & Bridges
(major head 3054-sub major heads 03 & 04) and for Maintenance of Buildings
(major head 2059-minor head 053 under various sub major heads)**

1. These grants should be spent on non-salary maintenance items for Roads & Bridges and for Buildings.
2. The grants meant for buildings should be spent only on public buildings other than residential.
3. These grants should be budgeted and spent for meeting the non-plan revenue expenditure under the heads (major head 3054-sub major head 03&04 in case of Roads & Bridges, and major head 2059-minor head 053 under various sub major heads in case of Buildings).
4. The grants may be allocated in two equal instalments in a financial year. While there will be no pre-conditions for release of the first instalment in any year, the second instalment will be released on the fulfilment of the conditions laid down in para 5 below.
5. Pre-conditions for release of the second instalment in a year will be as follows:

Year	Conditions for release of second instalment
2006-07	2006-07 BE under NPARE of the relevant major heads (major head-3054 for Roads & Bridges and major head 2059 for Buildings) should not be less than the projected “total NPARE” for 2006-07 as shown in annexure 10.5/10.6. And 2005-06 RE for NPARE of the relevant major head should not be less than the projected “normal expenditure” for 2005-06 as shown in annexure 10.5/10.6.
2007-08	2007-08 BE under NPARE of the relevant head should not be less than the projected “total NPARE” for 2007-08 as shown in annexure 10.5/10.6. And 2005-06 (Actuals) for NPARE of the relevant major head should not be less than the projected “normal expenditure” for 2005-06, as shown in the annexure 10.5/10.6.
2008-09	2008-09 BE under NPARE of the relevant head should not be less than the projected “total NPARE” for 2008-09 as shown in annexure 10.5/10.6. And 2006-07 (Actuals) under NPARE of the relevant head should not be less than the total of projected “normal expenditure” for 2006-07 as shown in annexure 10.5/10.6 plus the actual release of “grant” for 2006-07.
2009-10	2009-10 (BE) NPARE of the relevant head should not be less than the projected “total NPARE” for 2009-10 as shown in annexure 10.5/10.6. And 2007-08 (Actuals) under NPARE of the relevant head should not be less than the total of projected “normal expenditure” for 2007-08 as shown in annexure 10.5/10.6 plus the actual release of “grants” for 2007-08.

Projection of Non-Plan Revenue Expenditure for Roads and Bridges (MH 3054)

Sl.No	State	(Rs. in crore)					
		2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1		3	4	5	6	7	8
1	Andhra Pradesh						
a	Normal Expenditure	675.37	709.14	744.60	781.83	820.92	3731.86
b	Grant	0.00	245.03	245.03	245.03	245.03	980.12
c	Total NPRE	675.37	954.17	989.63	1026.86	1065.95	4711.98
2	Arunachal Pradesh						
a	Normal Expenditure	15.73	16.52	17.34	18.21	19.12	86.92
b	Grant	0.00	11.09	11.09	11.09	11.09	44.36
c	Total NPRE	15.73	27.61	28.43	29.30	30.21	131.28
3	Assam						
a	Normal Expenditure	300.62	315.65	331.43	348.00	365.40	1661.10
b	Grant	0.00	82.53	82.53	82.53	82.53	330.12
c	Total NPRE	300.62	398.18	413.96	430.53	447.93	1991.22
4	Bihar						
a	Normal Expenditure	258.90	271.84	285.44	299.71	314.69	1430.58
b	Grant	0.00	77.34	77.34	77.34	77.34	309.36
c	Total NPRE	258.90	349.18	362.78	377.05	392.03	1739.94
5	Chhattisgarh						
a	Normal Expenditure	203.23	213.39	224.06	235.26	247.02	1122.96
b	Grant	0.00	65.60	65.60	65.60	65.60	262.40
c	Total NPRE	203.23	278.99	289.66	300.86	312.62	1385.36
6	Goa						
a	Normal Expenditure	37.25	39.11	41.07	43.12	45.28	205.83
b	Grant	0.00	9.87	9.87	9.87	9.87	39.48
c	Total NPRE	37.25	48.98	50.94	52.99	55.15	245.31
7	Gujarat						
a	Normal Expenditure	435.62	457.40	480.27	504.29	529.50	2407.08
b	Grant	0.00	223.80	223.80	223.80	223.80	895.20
c	Total NPRE	435.62	681.20	704.07	728.09	753.30	3302.28
8	Haryana						
a	Normal Expenditure	141.92	149.01	156.46	164.29	172.50	784.18
b	Grant	0.00	45.68	45.68	45.68	45.68	182.72
c	Total NPRE	141.92	194.69	202.14	209.97	218.18	966.90
9	Himachal Pradesh						
a	Normal Expenditure	292.75	307.39	322.76	338.89	355.84	1617.63
b	Grant	0.00	65.41	65.41	65.41	65.41	261.64
c	Total NPRE	292.75	372.80	388.17	404.30	421.25	1879.27
10	Jammu and Kashmir						
a	Normal Expenditure	37.53	39.40	41.37	43.44	45.62	207.36
b	Grant	0.00	29.42	29.42	29.42	29.42	117.68
c	Total NPRE	37.53	68.82	70.79	72.86	75.04	325.04
11	Jharkhand						
a	Normal Expenditure	92.05	96.65	101.48	106.56	111.89	508.63
b	Grant	0.00	102.26	102.26	102.26	102.26	409.04
c	Total NPRE	92.05	198.91	203.74	208.82	214.15	917.67

12	Karnataka						
a	Normal Expenditure	237.96	249.86	262.35	275.47	289.24	1314.88
b	Grant	0.00	364.53	364.53	364.53	364.53	1458.12
c	Total NPRE	237.96	614.39	626.88	640.00	653.77	2773.00
13	Kerala						
a	Normal Expenditure	448.92	471.36	494.93	519.68	545.66	2480.55
b	Grant	0.00	160.58	160.58	160.58	160.58	642.32
c	Total NPRE	448.92	631.94	655.51	680.26	706.24	3122.87
14	Madhya Pradesh						
a	Normal Expenditure	259.31	272.28	285.89	300.18	315.19	1432.85
b	Grant	0.00	146.72	146.72	146.72	146.72	586.88
c	Total NPRE	259.31	419.00	432.61	446.90	461.91	2019.73
15	Maharashtra						
a	Normal Expenditure	1065.74	1119.03	1174.98	1233.73	1295.42	5888.90
b	Grant	0.00	297.42	297.42	297.42	297.42	1189.68
c	Total NPRE	1065.74	1416.45	1472.40	1531.15	1592.84	7078.58
16	Manipur						
a	Normal Expenditure	48.29	50.71	53.24	55.91	58.70	266.85
b	Grant	0.00	19.24	19.24	19.24	19.24	76.96
c	Total NPRE	48.29	69.95	72.48	75.15	77.94	343.81
17	Meghalaya						
a	Normal Expenditure	52.50	55.13	57.88	60.78	63.81	290.10
b	Grant	0.00	21.60	21.60	21.60	21.60	86.40
c	Total NPRE	52.50	76.73	79.48	82.38	85.41	376.50
18	Mizoram						
a	Normal Expenditure	21.76	22.85	23.99	25.19	26.45	120.24
b	Grant	0.00	10.53	10.53	10.53	10.53	42.12
c	Total NPRE	21.76	33.38	34.52	35.72	36.98	162.36
19	Nagaland						
a	Normal Expenditure	11.35	11.92	12.52	13.14	13.80	62.73
b	Grant	0.00	30.22	30.22	30.22	30.22	120.88
c	Total NPRE	11.35	42.14	42.74	43.36	44.02	183.61
20	Orissa						
a	Normal Expenditure	170.59	179.12	188.08	197.48	207.36	942.63
b	Grant	0.00	368.77	368.77	368.77	368.77	1475.08
c	Total NPRE	170.59	547.89	556.85	566.25	576.13	2417.71
21	Punjab						
a	Normal Expenditure	106.27	111.58	117.16	123.02	129.17	587.20
b	Grant	0.00	105.24	105.24	105.24	105.24	420.96
c	Total NPRE	106.27	216.82	222.40	228.26	234.41	1008.16
22	Rajasthan						
a	Normal Expenditure	181.37	190.43	199.96	209.95	220.45	1002.16
b	Grant	0.00	158.33	158.33	158.33	158.33	633.32
c	Total NPRE	181.37	348.76	358.29	368.28	378.78	1635.48
23	Sikkim						
a	Normal Expenditure	17.84	18.73	19.67	20.65	21.68	98.57
b	Grant	0.00	4.66	4.66	4.66	4.66	18.64
c	Total NPRE	17.84	23.39	24.33	25.31	26.34	117.21
24	Tamil Nadu						
a	Normal Expenditure	474.06	497.77	522.66	548.79	576.23	2619.51
b	Grant	0.00	303.60	303.60	303.60	303.60	1214.40
c	Total NPRE	474.06	801.37	826.26	852.39	879.83	3833.91
25	Tripura						
a	Normal Expenditure	40.04	42.04	44.14	46.35	48.66	221.23

b c	Grant Total NPREG	0.00 40.04	15.37 57.41	15.37 59.51	15.37 61.72	15.37 64.03	61.48 282.71
26	Uttar Pradesh						
a	Normal Expenditure	555.23	582.99	612.14	642.75	674.89	3068.00
b	Grant	0.00	600.79	600.79	600.79	600.79	2403.16
c	Total NPREG	555.23	1183.78	1212.93	1243.54	1275.68	5471.16
27	Uttarakhand						
a	Normal Expenditure	46.11	48.41	50.83	53.37	56.04	254.76
b	Grant	0.00	81.14	81.14	81.14	81.14	324.56
c	Total NPREG	46.11	129.55	131.97	134.51	137.18	579.32
28	West Bengal						
a	Normal Expenditure	189.35	198.82	208.76	219.20	230.16	1046.29
b	Grant	0.00	103.23	103.23	103.23	103.23	412.92
c	Total NPREG	189.35	302.05	311.99	322.43	333.39	1459.21
	Total Normal Expenditure	6417.66	6738.53	7075.46	7429.24	7800.69	35461.58
	Total Grant	0.00	3750.00	3750.00	3750.00	3750.00	15000.00
	Grant Total NPREG	6417.66	10488.53	10825.46	11179.24	11550.69	50461.58

Notes: 1. Grant referred to above are for major head 3054 – sub major heads 03 and 04 – non-plan.
2. Normal expenditure referred to above is under major head 3054 – non-plan.

Projection of Non -Plan Revenue Expenditure for Buildings (MH 2059 & 2216)

SL.No	State	2005-06		2006-07		2007-08		2008-09		2009-10		(Rs. in crore)	
		2005-06 1	2005-06 2	2006-07 4	2006-07 5	2007-08 6	2007-08 7	2008-09 8	2008-09 6	2009-10 7	2009-10 8		
1	Andhra Pradesh												
a	Normal Expenditure	74.62		78.35		82.27		86.38		90.70		412.32	
b	Grant	0.00		60.64		60.63		60.63		60.63		242.53	
c	Total NPRE	74.62		138.99		142.90		147.01		151.33		654.85	
2	Arunachal Pradesh												
a	Normal Expenditure	28.98		30.43		31.95		33.54		35.22		160.12	
b	Grant	0.00		14.35		14.35		14.36		14.36		57.42	
c	Total NPRE	28.98		44.78		46.30		47.90		49.58		217.54	
3	Assam												
a	Normal Expenditure	113.48		119.15		125.11		131.37		137.93		627.04	
b	Grant	0.00		57.66		57.66		57.66		57.66		230.64	
c	Total NPRE	113.48		176.81		182.77		189.03		195.59		857.68	
4	Bihar												
a	Normal Expenditure	120.97		127.01		133.36		140.03		147.03		668.40	
b	Grant	0.00		89.90		89.90		89.91		89.90		359.61	
c	Total NPRE	120.97		216.91		223.26		229.94		236.93		1028.01	
5	Chhattisgarh												
a	Normal Expenditure	68.23		71.64		75.22		78.98		82.93		377.00	
b	Grant	0.00		45.78		45.77		45.77		45.77		183.09	
c	Total NPRE	68.23		117.42		120.99		124.75		128.70		560.09	
6	Goa												
a	Normal Expenditure	26.86		28.20		29.61		31.09		32.65		148.41	
b	Grant	0.00		6.05		6.05		6.04		6.04		24.18	
c	Total NPRE	26.86		34.25		35.66		37.13		38.69		172.59	
7	Gujarat												
a	Normal Expenditure	209.88		220.38		231.40		242.97		255.12		1159.75	
b	Grant	0.00		50.90		50.90		50.90		50.91		203.61	
c	Total NPRE	209.88		271.28		282.30		293.87		306.03		1363.36	
8	Haryana												
a	Normal Expenditure	75.56		79.33		83.30		87.47		91.84		417.50	
b	Grant	0.00		37.95		37.95		37.95		37.95		151.80	
c	Total NPRE	75.56		117.28		121.25		125.42		129.79		569.30	
9	Himachal Pradesh												
a	Normal Expenditure	68.72		72.15		75.76		79.55		83.52		379.70	
b	Grant	0.00		36.90		36.90		36.90		36.90		147.60	
c	Total NPRE	68.72		109.05		112.66		116.45		120.42		527.30	
10	Jammu & Kashmir												
a	Normal Expenditure	153.04		160.69		168.73		177.16		186.03		845.65	
b	Grant	0.00		41.14		41.14		41.13		41.13		164.54	
c	Total NPRE	153.04		201.83		209.87		218.29		227.16		1010.19	
11	Jharkhand												
a	Normal Expenditure	74.84		78.58		82.51		86.64		90.97		413.54	
b	Grant	0.00		39.90		39.90		39.90		39.91		159.61	
c	Total NPRE	74.84		118.48		122.41		126.54		130.88		573.15	
12	Karnataka												
a	Normal Expenditure	298.74		313.68		329.36		345.83		363.12		1650.73	
b	Grant	0.00		51.28		51.28		51.28		51.28		205.12	
c	Total NPRE	298.74		364.96		380.64		397.11		414.40		1855.85	

13	Kerala						
a	Normal Expenditure	114.15	119.86	125.85	132.14	138.75	630.75
b	Grant	0.00	25.88	25.88	25.87	25.87	103.50
c	Total NPRE	114.15	145.74	151.73	158.01	164.62	734.25
14	Madhya Pradesh						
a	Normal Expenditure	130.20	136.71	143.55	150.72	158.26	719.44
b	Grant	0.00	110.76	110.76	110.75	110.75	443.02
c	Total NPRE	130.20	247.47	254.31	261.47	269.01	1162.46
15	Maharashtra						
a	Normal Expenditure	724.77	761.00	799.05	839.01	880.96	4004.79
b	Grant	0.00	55.90	55.90	55.90	55.91	223.61
c	Total NPRE	724.77	816.90	854.95	894.91	936.87	4228.40
16	Manipur						
a	Normal Expenditure	33.04	34.69	36.43	38.25	40.16	182.57
b	Grant	0.00	9.42	9.43	9.43	9.43	37.71
c	Total NPRE	33.04	44.11	45.86	47.68	49.59	220.28
17	Meghalaya						
a	Normal Expenditure	52.76	55.40	58.17	61.08	64.13	291.54
b	Grant	0.00	8.75	8.76	8.75	8.76	35.02
c	Total NPRE	52.76	64.15	66.93	69.83	72.89	326.56
18	Mizoram						
a	Normal Expenditure	18.62	19.55	20.53	21.56	22.64	102.90
b	Grant	0.00	5.82	5.82	5.82	5.83	23.29
c	Total NPRE	18.62	25.37	26.35	27.38	28.47	126.19
19	Nagaland						
a	Normal Expenditure	106.99	112.34	117.95	123.85	130.04	591.17
b	Grant	0.00	11.54	11.55	11.54	11.54	46.17
c	Total NPRE	106.99	123.88	129.50	135.39	141.58	637.34
20	Orissa						
a	Normal Expenditure	162.86	171.00	179.55	188.53	197.95	899.89
b	Grant	0.00	97.28	97.28	97.29	97.29	389.14
c	Total NPRE	162.86	268.28	276.83	285.82	295.24	1289.03
21	Punjab						
a	Normal Expenditure	250.35	262.86	276.01	289.81	304.30	1383.33
b	Grant	0.00	37.95	37.95	37.95	37.95	151.80
c	Total NPRE	250.35	300.81	313.96	327.76	342.25	1535.13
22	Rajasthan						
a	Normal Expenditure	92.98	97.63	102.51	107.64	113.02	513.78
b	Grant	0.00	53.27	53.27	53.27	53.28	213.09
c	Total NPRE	92.98	150.90	155.78	160.91	166.30.	726.87
23	Sikkim						
a	Normal Expenditure	14.33	15.04	15.80	16.59	17.41	79.17
b	Grant	0.00	8.04	8.03	8.04	8.04	32.15
c	Total NPRE	14.33	23.08	23.83	24.63	25.45	111.32
24	Tamil Nadu						
a	Normal Expenditure	175.31	184.07	193.28	202.94	213.09	968.69
b	Grant	0.00	60.64	60.63	60.63	60.63	242.53
c	Total NPRE	175.31	244.71	253.91	263.57	273.72	1211.22
25	Tripura						
a	Normal Expenditure	54.60	57.33	60.19	63.20	66.36	301.68
b	Grant	0.00	12.53	12.53	12.53	12.52	50.11
c	Total NPRE	54.60	69.86	72.72	75.73	78.88	351.79
26	Uttar Pradesh						
a	Normal Expenditure	539.72	566.71	595.04	624.80	656.04	2982.31
b	Grant	0.00	150.07	150.07	150.08	150.06	600.28
c	Total NPRE	539.72	716.78	745.11	774.88	806.10	3582.59
27	Uttarakhand						
a	Normal Expenditure	121.60	127.68	134.06	140.76	147.80	671.90
b	Grant	0.00	24.40	24.40	24.40	24.40	97.60

c	Total NPRE	121.60	152.08	158.46	165.16	172.20	769.50
28	West Bengal						
a	Normal Expenditure	303.80	318.99	334.94	351.69	369.27	1678.69
b	Grant	0.00	45.30	45.31	45.32	45.30	181.23
c	Total NPRE	303.80	364.29	380.25	397.01	414.57	1859.92
	Total Normal Expenditure	4210.00	4420.45	4641.49	4873.58	5117.24	23262.76
	Total Grant	0.00	1250.00	1250.00	1250.00	1250.00	5000.00
	Grant Total NPRE	4210.00	5670.45	5891.49	6123.58	6367.24	28262.76

Notes: 1. Grant referred to above are for major head 2059 – minor head 053 under various sub major heads – non-plan.
 2. Normal expenditure referred to above is under major heads 2059 & 2216 – non-plan.

MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
FINANCE COMMISSION DIVISION

Guidelines for Release and Utilisation of Grants recommended by the Twelfth Finance Commission for Augmentation of the Consolidated Funds of the States for supplementing the resources of the Rural and Urban Local Bodies (Local Bodies Grants)

1.0 **TWELFTH FINANCE COMMISSION'S RECOMMENDATIONS OF LOCAL BODY GRANTS AND INTER-STATE DISTRIBUTION**

1.1 The Twelfth Finance Commission (TFC) was required to make recommendations on the measures needed to augment the Consolidated Funds of the States to supplement the resources of the Panchayats and Municipalities on the basis of the recommendations of the State Finance Commissions (SFCs). TFC has given recommendations on this term of reference, which have been accepted by the Union Government.

1.2 The Twelfth Finance Commission (TFC) has recommended grants amounting to Rs.25,000 crores payable during the period 2005-10 (Rs. 20,000 crores for Panchayats and Rs.5,000 crores for Municipalities) to States for Rural and Urban Local Bodies. The **inter-State allocation** recommended by TFC for Rural Local Bodies i.e. Panchayati Raj Institutions (PRIs) and for Urban Local Bodies (ULBs), given at Table 8.1 of the Report of the TFC are reproduced at **Annex-I**. The inter-se allocation amongst States is based on factors and weights assigned by the TFC as under:

Criterion	Weight (per cent)
i) Population	40
ii) Geographical area	10
iii) Distance from highest per capita income	20
iv) Index of deprivation	10
v) Revenue effort	20
of which (a) with respect to own revenue of states	10
(b) with respect to GSDP	10

1.3 The allocation amongst various Municipalities and Panchayati Raj Institutions and also autonomous councils in excluded areas would be made by the States.

2.0 OBJECTIVES OF THE LOCAL BODY GRANTS SCHEME

2.1 TFC felt that grants for PRIs should be used to improve the service delivery by the Panchayats in respect of water supply and sanitation. Panchayats need to be encouraged to take over water supply assets created under the Swajaldhara Programme and maintain them with the help of these grants.

2.2 TFC has stressed the importance of public private partnership to enhance service delivery of solid waste management services in the urban areas. TFC has urged that States may require municipalities of towns of over 100,000 population as per 2001 census to prepare comprehensive scheme including composting and waste to energy programmes to be undertaken in the private sector for appropriate funding from the grants recommended by the TFC. TFC has suggested earmarking of at least 50% of grants for this purpose.

2.3 TFC has further felt it to be imperative that high priority need to be assigned to creation of database and maintenance of accounts at the grass root levels.

3.0 RECOMMENDATIONS OF THE TFC

3.1 The summary of the recommendations of the TFC is reproduced below:

- i) The best practices listed in para 8.19 of the report (included in para 4 of these guidelines) may be considered for adoption by States to improve the resources of the panchayats.
- ii) The States should avoid delays in the constitution of the SFCs, their constitution in phases, frequent reconstitution, submission of reports and tabling of the ATR in the legislature. It is desirable that SFCs are constituted at least two years before the required date of submission of their recommendations, and the deadline should be so decided as to allow the state government at least three months' time for tabling the ATR, preferably along with the budget for the ensuing financial year.
- iii) The SFC reports should be readily available to the Central Finance Commission, when the latter is constituted so that an assessment of the state's need could be made by the Central Finance Commission on the basis of uniform principles. This requires that these reports should not be too dated. As the periodicity of constitution of the Central Finance Commission is predictable, the States should time the constitution of their SFCs suitably.
- iv) SFCs must be constituted with people of eminence and competence with qualification and experience in the relevant fields.
- v) The convention established at the national level of accepting the principal recommendations of the Finance Commission without modification should be followed at the State level in respect of SFC reports.
- vi) The SFCs must clearly identify the issues which require action on the part of the central government to augment the consolidated fund of the State and list

- them out in a separate chapter for the consideration of the Central Finance Commission.
- vii) The suggestions made by SFCs regarding raising the ceiling on professional tax is endorsed for action by Central Government.
 - viii) It is desirable that the SFCs follow the procedure adopted by the Central Finance Commission for transfer of resources from the Centre to the States in respect of resources transfers from State Governments to local bodies. The SFC reports should contain an estimation and analysis of the finances of the State government as well as the local bodies at the pre and post transfer stages along with a quantification of the revenues that could be generated additionally by the local bodies by adopting the measures recommended therein. The gaps that may still remain would then constitute the basis for the measures to be recommended by the Central Finance Commission.
 - ix) While estimating the resources of the local bodies, the SFCs should follow a normative approach in the assessment of revenues and expenditure rather than made forecasts based on historical trends.
 - x) A permanent SFC cell may be created in the finance department of State governments as the collection and collation of data would need to be done constantly and data would need to be made available to the SFC as and when it is constituted.
 - xi) A sum of Rs. 20,000 crore for the Panchayats and Rs. 5000 crore for the Municipalities may be provided as grants-in-aid to augment the consolidated fund of the States for the period 2005-10 to be distributed with inter-se shares as indicated in table 8.1 of the report. (Annex -I)
 - xii) The PRIs should be encouraged to take over the assets relating to water supply and sanitation and utilize the grants for repairs / rejuvenation as also the O&M costs. The PRIs should, however, recover at least 50 percent of the recurring costs in the form of user charges.
 - xiii) Of the grants allocated for Panchayats, priority should be given to expenditure on the O&M costs of water supply and sanitation. This will facilitate Panchayats to take over the schemes and operate them.
 - xiv) At least 50 per cent of the grants-in-aid provided to each State for the urban local bodies should be earmarked for the scheme of solid waste management through public-private partnership. The Municipalities should concentrate on collection, segregation and transportation of solid waste. The cost of these activities whether carried out in house or out sourced could be met from the grants.
 - xv) Most States do not have credible information on the finances of their local bodies. Local bodies would continue to need funding support for building data base and maintenance of accounts. States may assess the requirement of each local body in this regard and earmark funds accordingly out of the total allocation recommended by us.
 - xvi) Separate grants-in-aid for the normal and the excluded areas are not proposed. It is for the State concerned to distribute the grants recommended for the State among the local bodies including those in the excluded areas in a fair and just manner.

- xvii) No conditionality over and above those recommended by us need be imposed by the Central Government for releasing the grants-in-aid.

4.0 BEST PRACTICES FOR AUGMENTING THE RESOURCES OF THE PRIs

4.1 TFC has recommended best practices for augmenting the resources of the PRIs based on a study conducted by the TFC and have commended them for adoption by the States. The best practices are reproduced below:

- i) Levy of certain major taxes and exploitation of non-tax revenue sources be made obligatory for the Panchayats. The minimum rates for all such levies be fixed by the state government;
- ii) A minimum revenue collection from the Panchayat taxes be insisted;
- iii) Incentive grants related to revenue collection beyond a prescribed minimum be introduced by the State government;
- iv) User charges be made obligatory levies;
- v) All common property resources vested in the village Panchayats may be identified, listed and made productive of revenue;
- vi) Valuation of taxable lands and buildings should be done by a separate cell in the Panchayati Raj Department of the State Government and not left to the panchayats;
- vii) Powers to levy a tax/surcharge/cess on agricultural holdings should be given to the intermediate or district Panchayats;
- viii) Revenue transfers from the States to Panchayats in the form of revenue sharing/revenue assignment be made statutory in nature;
- ix) State Governments should desist from unilaterally taking decisions in regard to revenues whose proceeds are to be transferred either in full or in part to the panchayats;
- x) The quantum of revenue that a Panchayat can reasonably expect under the revenue sharing mechanism should be predictable;
- xi) State Government should adhere to its commitment in regard to the grants-in-aid; all untied grants to the panchayats should be made statutory in nature;

- xii) SFC should be constituted for a lifespan of 18 months and a time limit of six months be prescribed for a State government to act on the SFC recommendations;
- xiii) The maintenance of accounts by the Panchayats be standardized; Panchayat department officials should not be made statutory auditors of the village Panchayats; the accounts of the intermediate and district Panchayats be subjected to audit by Comptroller and Auditor General (C&AG);
- xiv) A performance audit system be adopted.

5.0 MONITORING AGENCIES

5.1 Every State shall constitute a High Level Committee (HLC) to ensure proper utilisation of Local Bodies Grants.

5.2 This HLC shall be headed by the Chief Secretary to the State Government and will include Finance Secretary and Secretaries of the concerned Departments as members.

5.3 HLC shall be responsible for the following:

- a. Approval of the projects at the beginning of every year to be undertaken in each sector, quantify the targets, both in physical and financial terms and lay down a time-table for achievement of specific milestones;
- b. Monitoring both physical and financial targets and ensuring adherence to the specific conditionalities in respect of each grant, wherever applicable;

5.4 HLC shall meet at least once in every quarter to review the utilisation of grants and to issue directions for mid-course correction, if considered necessary. Minutes of HLC meetings shall be provided to the Department of Expenditure (Finance Commission Division), Ministry of Finance, Government of India for information.

5.5 A Central Review Committee will be constituted in the Government of India, headed by Secretary to Government of India, Ministry of Finance, Department of Expenditure to review the releases and utilisation of grants. The Committee will include representatives from the Ministry of Panchayati Raj, Ministry of Urban Development and Poverty Alleviation, Ministry of Home Affairs and Ministry of Finance (Department of Expenditure). The Committee shall meet at least once in a year.

5.6 Given the much higher quantum of grants and larger number of rural local bodies, a separate Committee for Panchayati Raj Institutions (PRIs) will be constituted to monitor the mode of release of local body grants to Panchayats as mentioned in the guidelines from para 6.1 to para 7. The Committee will be chaired by Secretary to

Government of India, Ministry of Panchayati Raj with the Joint Secretary (State Finances) and Financial Adviser (Panchayati Raj) as Member and Jt. Secretary (Panchayati Raj) as Member Secretary. The Committee shall meet at least once in a quarter. This Committee shall bring out the points for intervention by Government of India in Ministries of Panchayati Raj and Finance to ensure smooth and uninterrupted flow of funds to PRIs.

6.0 MODE OF RELEASE OF LOCAL BODY GRANTS TO STATES.

6.1 Local bodies grants will be released in two equal instalments in July and January every year. States have to mandatorily transfer the grants released by the Centre to the PRIs and ULBs within 15 days of the same being credited to the State's account. Also, Panchayats as defined in the Constitution can exist only when they are constituted as per the mandatory provisions of Articles 243B and 243 C. Hence, grants will not be provided to a State (which is covered under Part IX of the Constitution) where elections for constituting these Panchayats have not been held for the period for which there were no elected panchayats as per the provisions of the Constitution.

6.2 Two sets of details, one on allocation of funds and another on release of funds, will be reported by the State Government in the format prescribed at **Annex – II** for the purpose prior to the release of each instalment by the Government of India. However, the first six monthly instalment for 2005-06 shall be released to a State after receiving only the details (in the above said format) of the allocation of these funds to the PRIs and ULBs in that State. All subsequent instalments shall be released after receiving both sets of details – the certificate of the release of funds to the PRIs and ULBs for the previous instalment and the information about allocation of funds for the subsequent instalment. For the first instalment for 2005-06, information on allocation upto district level alone need to be sent by the State. For the subsequent releases, the breakup of the allocation to each PRI and ULB at the three levels should be provided. The States are advised to inform Government of India about allocated share of each PRI and ULB at all levels before October 31, 2005. The certification and allocation information (as per the format) may please be sent to the Ministry of Finance both in hard copy as well as on a magnetic media (e.g. floppy or CD). State Finance Secretary would be required to provide a certificate within 15 days of the release of each instalment by Government of India under his signature certifying the dates and amounts of local grants received by the State from the Government of India, and the dates and amounts of grants released to the PRIs and ULBs. This certification and information will be in the above mentioned format.

6.3 State Finance Secretary would also be required to provide a certificate every year of the percentage of grants spent by the ULBs on schemes of solid waste management and on schemes of water supply and sanitation by the PRIs. States would also be required to provide details of recurring O&M cost recoverable by the PRIs on schemes of water supply.

6.4 The second instalment of local bodies grants for the year 2005-06 shall be released upon receipt of the release certificate for the previous instalment and allocation information for the subsequent instalment referred to in para 6.2 . In case of delayed transfer to PRIs / ULBs beyond the specified period of 15 days, the State Government shall transfer to PRI / ULB amount of interest at the rate equal to the RBI Bank rate alongwith such delayed transfer of grants.

6.5 The second instalment from the year 2006-07 would be released on receipt of the certificate referred to in para 6.3 in addition to the release certificate and allocation information referred to in para 6.2. Government of India will withhold the amount short spent on the schemes of solid waste management by the ULBs and on schemes of water supply and sanitation by the PRIs. The withheld amount will be subsequently reimbursed upon confirmation that the short spending has been compensated in the subsequent period.

7.0 AUDIT BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

7.0 Comptroller and Auditor General of India would be expected to audit the release and use of the local bodies grants within the time and for the purposes mentioned by the TFC, reproduced above. Government of India may take appropriate decision about withholding grants of a State if the Comptroller and Auditor General of India reports that the State has either not transferred the grants to the local bodies or has allowed the grants to be used for purposes other than for which these are being provided or that local bodies have not been able to give priority to spend on the O&M of water supply and sanitation for the rural areas and on schemes of solid waste management in the urban areas.

(Anurag Goel)
**Additional Secretary to Government of India
Department of Expenditure**

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(Anurag Goel)
**Additional Secretary to Government of India
Department of Expenditure**

ALLOCATION AND RELEASES OF GRANTS RECOMMENDED BY TFC FOR 2006-07

(As on 17.10.2006)
(Rs. in crore)

Sl. No.	State	Share in Central Taxes & Duties		NPRDG		Forest Sector		Health Sector		Education Sector		Maintenance of Roads & Bridges		Maintenance of Public Buildings		Heritage Conservation		State Specific Need		Local Bodies Grant		CRF		Total			
		BE 2006- 07	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases	Allocation	Releases		
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	25	26		
1	Andhra Pr.	8355.23	4177.6			13.00						245.03	122.52	60.64	30.32	10.00	5.00	125.00		392.20	158.70	270.96	335.48	9472.06	4829.62		
2	Arunachal P.	327.14	163.52	262.94	153.37	20.00	10.00					11.09	5.55	14.35	7.18	1.25		2.50		14.20	6.80	21.84	10.92	675.31	357.33		
3	Assam	3674.38	1837.22			8.00	4.00	171.24	85.62	200.60	100.30	82.53	41.27	57.66	28.83	5.00		32.50		116.20		148.97	72.40	4497.08	2169.63		
4	Bihar	12525.99	6262.97			1.00	1.00	322.57	161.29	486.17	243.09	77.34	38.67	89.90	44.95	10.00	5.00	100.00	52.24	353.20	353.20	114.92		14081.09	7162.40		
5	Chhattisgarh	3014.52	1507.24			17.00	8.50					65.60	32.80	45.78	22.89	2.50	1.25	75.00	38.70	140.60	71.65	86.23	150.33	3447.23	1833.36		
6	Goa	294.13	147.14			0.60	0.30					9.87	4.94	6.05	3.03	5.00		2.50		6.00	2.40	1.66	1.62	325.81	159.42		
7	Gujarat	4053.81	2026.85			4.00	2.00					223.80	111.90	50.90	25.45	6.25	3.13	50.00	25.00	269.00	134.50	193.73	246.87	4851.49	2575.69		
8	Haryana	1221.01	610.47			0.40	0.20					45.68	22.84	37.95	18.98	3.75	1.88	25.00	12.50	95.80	47.90	97.95	58.31	1527.54	773.07		
9	Himachal P.	592.92	296.52	2107.14	1229.20	4.00	2.00					65.41	32.71	36.90	18.45	2.50	1.25	12.50	14.38	31.00	15.50	77.70	38.85	2930.07	1648.86		
10	J & K	1337.69	668.85	2446.64	1427.23	6.00						29.42	14.71	41.14	20.57	2.50		25.00	11.25	63.80	35.24	66.72	33.36	4018.91	2211.21		
11	Jharkhand	3817.52	1908.76			6.00		63.99	32.00	118.06	59.03	102.26	51.13	39.90	19.95	2.50		82.50		116.00		97.28	48.64	4446.01	2119.51		
12	Karnataka	5064.72	2532.39			11.00	5.50					364.53	182.27	51.28	25.64	12.50	6.25	150.00	96.60	242.20	242.20	90.28	113.98	5986.51	3204.83		
13	Kerala	3027	1513.54			5.00						160.58	80.29	25.88	12.94	6.25		125.00		226.80	113.40	67.33	33.67	3643.84	1753.84		
14	Madhya Pr.	7622.57	3811.29			23.00	11.50	32.20	16.10	83.25	41.63	146.72	73.36	110.76	55.38	5.00	2.50	75.00	26.00	404.80	202.40	196.18	246.67	8699.48	4486.83		
15	Maharashtra	5675.79	2837.8			14.00						297.42	148.71	55.90	27.95	12.50		75.00		554.80	554.80	175.54	220.00	6860.95	3789.26		
16	Manipur	411.2	205.59	841.17	490.70	6.00	3.00					19.24	9.62	9.42	4.71	1.25	0.63	7.50	3.31	11.00		4.29		1311.07	717.56		
17	Meghalaya	421.41	210.63	359.02	209.44	6.00						21.60	10.80	8.75	4.38	1.25		8.75		11.60	5.80	8.71	8.59	847.09	449.64		
18	Mizoram	271.45	135.73	556.52	324.66	5.00	2.50					10.53	5.27	5.82	2.91	1.25	0.63	16.25	3.75	6.00	6.00	5.08	5.01	877.90	486.45		
19	Nagaland	298.67	149.38	1037.66	605.29	5.00	2.50					30.22	15.11	11.54	5.77	1.25		11.25	8.00	9.20	4.60	2.95		1407.74	790.65		
20	Orissa	5862.06	2930.97			15.00	7.50	34.81	17.41	58.57	29.29	368.77	184.39	97.28	48.64	12.50	6.25	42.50		181.40	90.70	232.68	291.34	6905.57	3606.48		
21	Punjab	1475.44	737.73	922.64	538.23	0.40						105.24	52.62	37.95	18.98	2.50		24.00		99.00	17.10	115.00	54.76	2782.17	1419.42		
22	Rajasthan	6370.93	3185.49			5.00	2.50					20.00	10.00	158.33	79.17	53.27	26.64	12.50	6.25	112.50		290.00		327.32	413.66	7349.85	3723.70
23	Sikkim	257.84	128.94	47.06	27.44	1.60	0.80					4.66	2.33	8.04	4.02	1.25		25.00		2.80		13.53		361.78	163.53		
24	Tamilnadu	6025.53	3012.73			6.00	3.00					303.60	151.80	60.64	30.32	10.00		75.00	37.50	288.40		164.65		6933.82	3235.35		
25	Tripura	486.07	242.97	1064.30	620.83	3.00						15.37	7.69	12.53	6.27	1.25		12.25		13.00	6.50	9.92		1617.69	884.25		
26	Uttar Pr.	21880.71	10940.4			4.00		409.90	204.95	806.87	403.44	600.79	300.40	150.07	75.04	12.50	6.25	200.00	7.21	689.00	396.20	228.36	114.18	24982.20	12448.03		
27	Uttaranchal	1066.61	533.33	1064.30	620.83	7.00		10.00	5.00			81.14	40.57	24.40	12.20	1.25		60.00		39.20	39.20	72.44	36.22	2426.34	1287.35		
28	West Bengal	8015.62	4007.92	605.82	353.36	3.00	1.50					70.99	35.50	103.23	51.62	45.30	22.65	10.00	5.00	222.50		332.80	166.40	181.12	9590.38	4643.94	
	Total	113447.96	56723.94	11315.21	6600.58	200.00	68.30	1044.71	522.36	1844.51	922.26	3750.00	1875.00	1250.00	625.00	156.25	51.25	1775.00	336.44	5000.00	2671.19	3073.34	2534.84	142856.98	72931.15		

As on 11.09.2006

**Release of assistance from NCCF
(Rs. in crores)**

	State	2006-07
0	1	3
1	Andhra Pradesh	203.06
2	Arunachal Pradesh	44.38
3	Assam	
4	Bihar	
5	Chattisgarh	
6	Goa	
7	Gujarat	545.69
8	Haryana	
9	Himachal Pradesh	25.14
10	Jammu & Kashmir	
11	Jharkhand	
12	Karnataka	384.97
13	Kerala	
14	Madhya Pradesh	30.85
15	Maharashtra	589.90
16	Manipur	
17	Meghalaya	
18	Mizoram	
19	Nagaland	0.81
20	Orissa	25.00
21	Punjab	
22	Rajasthan	100.00
23	Sikkim	5.20
24	Tamilnadu	
25	Tripura	
26	Uttar Pradesh	
27	Uttaranchal	7.06
28	West Bengal	
	Total	1962.05