

No. 15(2)FC-XV/FCD/ 2020-25
Government of India
Ministry of Finance
Department of Expenditure
(Finance Commission Division)

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11th Block, 5th Floor,
CGO Complex, Lodi Road,
New Delhi- 110003.
Dated:- 01-06- 2020

To

The Chief Secretary,
(All State Governments)

Subject:-Issue of Operational Guidelines for the implementation of the recommendations on Local body grants contained in Chapter 5 of the Fifteenth Finance Commission (FC-XV) Report – regarding

Sir,

The recommendation of Fifteenth Finance Commission (FC-XV) for the Award year 2020-21 include, inter-alia, release of grant-in-aid to State Governments for Urban Local Bodies.

2. Kindly find enclosed herewith a copy of the guidelines for release and utilization of Grants recommended by the Fifteenth Finance Commission (FC-XV) for **Urban Local Bodies** for information and further necessary action.

Yours faithfully,

Encl.: as above



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Copy to:-
Principal Secretary/Secretary (Finance),
All State Governments.

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Operational Guidelines for the implementation of the recommendations on Urban Local body grants contained in Chapter 5(Local Body Grants) of the Fifteenth Finance Commission (FC-XV) Report.

Introduction

1. The Fifteenth Finance Commission (FC-XV) was constituted by the President on November 27th, 2017 and was, inter-alia, mandated to recommend measures needed to augment the Consolidated Funds of the States to supplement the resources of the Panchayats and Municipalities during 2020-25. Subsequently, the Commission was mandated to submit two reports, one for the year 2020-21 and the final Report for the period 2021-22 to 2025-26. The Commission submitted its first Report covering the financial year 2020-21 to the President on 5th December, 2019.
2. The Union Government on 31-01-2020 vide Explanatory Memorandum as to the Action Taken on the Recommendations made by the Fifteenth Finance Commission in its Report for the year 2020-21 inter-alia accepted the recommendations of the FC-XV in respect of the Local Bodies.

Grants recommended

3. The FC-XV have worked out a total size of the grant for local bodies amounting to Rs. 90,000 crore for twenty-eight States. Out of this corpus, the Commission have recommended allocation of Rs. 29,250 crore for **Urban Local bodies** in 2020-21. The Commission have divided the urban local bodies into two categories: (a) fifty Million-Plus urban agglomerations/cities, excluding Delhi and Srinagar, and (b) all other cities and towns with less than one million population. The Commission (FC-XV) have recommend **Rs. 9,229 crore for the Million-Plus cities comprising of Rs. 4400 crore allocated for Ambient Air quality and Rs. 4829 crore for Solid Waste Management & Sanitation. For all other cities and towns, the Commission (FC-XV) have recommend Rs. 20,021 crore, 50% of which will be basic (untied) and the remaining 50% as tied grant. State-wise allocation of Urban Local body grant is given in Annexure-I, attached.**

Distribution of ULB grants by the States

4. Million-Plus urban agglomerations/cities:- Urban agglomerations which contain more than one Million-Plus cities, the concerned State Government, in consultation with all such entities within the urban agglomeration, shall entrust one urban local body as a nodal entity to receive the grants. This nodal entity will also have the responsibility of achieving the performance indicators for the entire urban agglomeration.
5. All other cities and towns:- For urban local bodies other than Million-Plus cities, the grants should be distributed to each urban local body on the basis of accepted recommendations of the latest State Finance Commission (SFC) suitably modified to accommodate the Cantonment Boards. In case of non-availability of SFC recommendation for distribution within a particular category, the allocations should be on the basis of population and area in the ratio of 90:10.
6. The States should also make allotment of grants on population basis for the **Cantonment Boards** within their territories. The list of fifty-nine Cantonment Boards in seventeen States along with the population is at Annexure-II, attached.

Note:- wherever population is to be used, figures as reported in the population Census of 2011 will be used.)

Modalities for the release of grant

7. For Million-Plus urban agglomerations/cities:-

- (i) **Ministry of Environment, Forest and Climate Change (MoEF&CC)** as the nodal ministry shall, in consultation with the State Governments, to develop **city-wise** and **year-wise** targets on **ambient air quality** targets for 2020-25 based on annual average concentrations of PM10 and PM2.5, monitor and evaluate the improvement and recommend disbursement of grants to such cities in two equal instalments. The second instalment shall be disbursed against the stipulated performance-based outcomes in terms of year-on-year improvement in air quality in January 2021 (Annex 5.5). The MoEF&CC shall publish the benchmarks as immediately as possible and recommend release of grant (Rs. **Rs. 4400 crore** earmarked for the year 2020-21 for Ambient Air quality) as per the instructions contained in para xiii and xiv of Chapter 5 of FC-XV Report. In case of non-achievement of improvement targets by cities, the balance undistributed fund will be distributed as per the procedure laid down by the FC-XV in para vii of FC-XV Report.
- (ii) **Ministry of Housing and Urban Affairs (MoHUA)**, as the nodal ministry, shall, in consultation with the State Governments, develop **city-wise** and **year-**

wise targets for 2020-25 strictly as per the parameters laid down by FC-XV in Annexure 5.6 and recommend disbursement of **Solid Waste Management grant** to such cities in two equal instalments. The targets will be improvements over the base year. In 2020-21, the States need to draw up a detailed project report for capacity development and address the infrastructural issues for meeting the service level benchmarks (as per details at Annex 5.6 of FC-XV Report). For the year 2020-21, the recommended amount of Rs. 4,829 crore will be disbursed to concerned cities without any condition and amount released needs to be spent exclusively for improving water and solid waste management and achieving of star ratings by the urban local bodies. Subsequent instalments will be released on the recommendation of the **MoHUA based on the assessment about achievement of specified targets.**

- (iii) The States need to submit detailed utilization Reports to the nodal ministries clearly indicating the items on which expenditure has been incurred in consonance with the stipulated targets and achievements.

For Non-Million-Plus cities

8. For urban local bodies other than in Million-Plus cities:-

- (i) 50% of Rs. 20021 crore will be released as basic grant(untied) and the remaining 50% will be released as tied grant in two equal instalments. While basic grants can be utilized for location specific needs except for salary and establishment expenses, tied grants are to be utilized for (a) drinking water (including rainwater harvesting and recycling) and (b) solid waste management (as per details at Annex 5.6 of FC-XV Report). These urban local bodies shall earmark one half of the tied grants each to these two critical services and this amount will be in addition to the funds received from any other source/schemes from Union/State. However, if any local body has fully saturated the needs of one category, it can utilise the funds for the other category. **Subsequent instalment(s) of tied grants will be released on the recommendations of the MoHUA based on the assessment about achievement of specified targets.**

Utilisation of grants

- 9. The States need to submit detailed utilization Reports (for Million plus cities and other than Million plus cities) to the nodal ministries clearly indicating the items on which expenditure has been incurred in consonance with the stipulated targets and achievements along with the Utilisation Certificate on format as prescribed at

Annexure-III, attached and also make these details available on the website dedicated for the purpose.

Monitoring and concurrent evaluation

10. **Ministry of Housing and Urban Affairs**, Govt. of India shall also monitor the implementation of the remaining recommendations of the FC-XV with regard to ULBs.

Allocation of ULBs grant for the remaining years of the award period

11. State-wise Allocation for the remaining years of the award period will be intimated to all the States in due course of time.

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ANNEXURE (1)

Aggregate Grants to Urban Local Bodies for 2020-21

(Rs. Crore)

	Million-Plus Cities (details as per Annex.5.3)	Non Million-Plus Cities	Total Grants
Andhra Pradesh	270	994	1264
Arunachal Pradesh	0	111	111
Assam	0	772	772
Bihar	408	2008	2416
Chhattisgarh	214	486	700
Goa	0	36	36
Gujarat	810	728	1538
Haryana	96	513	609
Himachal Pradesh	0	207	207
Jharkhand	318	495	813
Karnataka	558	991	1549
Kerala	339	445	784
Madhya Pradesh	598	1320	1918
Maharashtra	1586	1220	2806
Manipur	0	85	85
Meghalaya	0	88	88
Mizoram	0	45	45
Nagaland	0	60	60
Odisha	0	1087	1087
Punjab	180	488	668
Rajasthan	562	1297	1859
Sikkim	0	20	20
Tamil Nadu	556	1181	1737
Telangana	468	421	889
Tripura	0	92	92
Uttar Pradesh	1428	3267	4695
Uttarakhand	0	278	278
West Bengal	838	1286	2124
Total	9229	20021	29250

ANNEXURE (I)

Grants to Million Plus Cities for 2020-21¹

(Rs. crore)

States/ U.A	Population	Air Quality	Solid Waste Management/ Sanitation	Total Grants
	in millions			
Andhra Pradesh	3.21	135	135	270
Vijayawada U.A.	1.48	62	62	124
Visakhapatnam	1.73	73	73	146
Bihar	2.05	204	204	408
Patna U.A.	2.05	204	204	408
Chhattisgarh	2.19	107	107	214
Durg Bhilai Nagar U.A.	1.06	52	52	104
Raipur U.A.	1.12	55	55	110
Gujarat	14.16	405	405	810
Ahmadabad U.A.	6.36	182	182	364
Rajkot U.A.	1.39	40	40	80
Surat U.A.	4.59	131	131	262
Vadodara U.A.	1.82	52	52	104
Haryana	1.41	48	48	96
Faridabad	1.41	48	48	96
Jharkhand	3.66	159	159	318
Dhanbad U.A.	1.2	52	52	104
Jamshedpur U.A.	1.34	58	58	116
Ranchi U.A.	1.13	49	49	98
Karnataka	8.52	279	279	558
Bruhat Bangalore U.A.	8.52	279	279	558
Madhya Pradesh	6.43	299	299	598
Bhopal U.A.	1.89	88	88	176
Gwalior U.A.	1.1	51	51	102
Indore U.A.	2.17	101	101	202
Jabalpur U.A.	1.27	59	59	118
Maharashtra	29.93	793	793	1586
Aurangabad U.A.	1.19	32	32	64
Greater Mumbai U.A.	18.39	488	488	976
Nagpur U.A.	2.5	66	66	132
Nashik U.A.	1.56	41	41	82

¹ According to the MoEF&CC, ambient air quality is not a major problem in eight urban agglomerations with a million plus population, namely, Kannur, Kochi, Kollam, Kozhikode, Malappuram, Thiruvananthapuram, and Thrissur in Kerala and Coimbatore in Tamil Nadu. With these cities way below the NAMP threshold for breaching pollution by particulate matter, their total grants will be linked to service-level benchmarks on solid waste management-star rating, drinking water, water recycling and rainwater harvesting.

Pune U.A.	5.06	134	134	268
Vasai-Virar City	1.22	32	32	64
Punjab	2.8	90	90	180
Amritsar U.A.	1.18	38	38	76
Ludhiana	1.62	52	52	104
Rajasthan	5.19	281	281	562
Jodhpur U.A.	1.14	62	62	124
Jaipur	3.05	165	165	330
Kota	1	54	54	108
Tamil Nadu	13.27	233	323	556
Chennai U.A.	8.65	181	181	362
Coimbatore U.A.	2.13		90	90
Madurai U.A.	1.47	31	31	62
Tiruchirappalli U.A.	1.02	21	21	42
Telangana	7.68	234	234	468
Hyderabad U.A.	7.68	234	234	468
Uttar Pradesh	14.03	714	714	1428
Agra U.A.	1.76	90	90	180
Allahabad U.A.	1.21	62	62	124
Ghaziabad U.A.	2.38	121	121	242
Kanpur U.A.	2.92	148	148	296
Lucknow U.A.	2.9	148	148	296
Meerut U.A.	1.42	72	72	144
Varanasi U.A.	1.43	73	73	146
West Bengal	15.3	419	419	838
Asansol U.A.	1.24	34	34	68
Kolkata U.A.	14.06	385	385	770
Kerala	12.14		339	339
Kannur U.A.	1.64		46	46
Kochi U.A.	2.12		59	59
Kollam U.A.	1.11		31	31
Kozhikode U.A.	2.03		57	57
Malappuram U.A.	1.7		47	47
Thiruvananthapuram U.A.	1.68		47	47
Thrissur U.A.	1.86		52	52
Total	141.97	4400	4829	9229

State Wise Cantonment Boards

Sl. No.	Name of State	Name of Cantonment	Population figure as per census 2011
1	Bihar	Danapur	28149
2	Gujarat	Ahmedabad	14345
3	Haryana	Ambala	55370
4	Himachal Pradesh	Bak-loh	1805
		Dagshai	2904
		Dalhousie	3549
		Jutogh	2062
		Kasauli	3885
		Khasyol	12028
		Subathu	3685
5	Jharkhand	Ramgarh	88781
6	Karnataka	Belgaum	19411
7	Kerala	Cannanore	4798
8	Madhya Pradesh	Jabalpur	72257
		Mhow	69281
		Morar	48464
		Pachmarhi	12062
		Saugor	32475
9	Maharashtra	Ahmednagar	28986
		Aurangabad	18051
		Dehu Road	48961
		Deolali	54027
		Kamptee	12457
		Kirkee	70399
		Pune	71831
10	Meghalaya	Shillong	11919
11	Punjab	Amritsar	10410
		Ferozepur	53199
		Jalandhar	47845
12	Rajasthan	Ajmer	3530
		Nasirabad	50804
13	Tamilnadu	St Thomas Mount	43795
		Wellington	19462
14	Telangana	Secunderabad	217910
15	Uttar Pradesh	Agra	53137
		Allahabad	39684
		Babina	27852
		Bareilly	30005
		Faizabad	12391
		Fatehgarh	14786
		Jhansi	28343
		Kanpur	108534
		Lucknow	63003
		Mathura	25603
		Meerut	93684
		Shahjahanpur	18116
		Varanasi	14119
16	Uttarakhand	Almora	2231
		Chakrata	5117
		Clement town	22577
		Dehradun	52716
		Landour	3543
		Lansdowne	5667
		Nainital	1398
		Ranikhet	18886
		Roorkee	14356
17	West Bengal	Barrackpore	17322
		Jalapahar	1711
		Lebong	1397
	TOTAL		1915075

Annexure –III**GRANT TRANSFER CERTIFICATE FOR THE GRANT RECEIVED FOR URBAN LOCAL BODIES RECOMMENDED BY FIFTEENTH FINANCE COMMISSION DURING ITS AWARD PERIOD 2020-2025.**

Name of State:-

1.	Million Plus Cities(MPC)/ Non-Million Plus Cities (NMPC)	Total No. of	MPC		Duly elected bodies in the State	MPC	
			NMPC			NMPC	
2.	Details of Basic Grant/Tied grant received:	Year	Instalment	Amount (Rs. in lakh)	Date of receipt		
3.	Details of Basic Grant/ Tied grant transferred*:	Year	Instalment	Amount (Rs. in lakh)	Date of Transfer	No. of days of delay	If delayed, amount of interest transferred (with rate of interest)
4.	Whether State Finance Commission(SFC) Recommendations available.	Yes/No		If yes, whether, grant distributed as per census 2011 population or as per the SFC recommendation.			
5.	Whether project works undertaken uploaded on the website.	Yes/No					

*.Strikeout whichever is not applicable.

**Please submit separate UC for separate component.

Certified that the grants have been utilized/proposed to be utilized for the purpose for which these have been provided and if any deviation is observed, the same will be intimated.

Signature with seal of
Secretary (Nodal department)

Countersigned:
Signature with seal of the Finance Secretary