

F.No. M-11011/1/2018-FD  
Government of India  
Ministry of Panchayati Raj  
(Fiscal Devolution Division)

11th Floor, Jeevan Prakash Building,  
K.G. Marg, New Delhi-110001  
Dated: 27<sup>th</sup> April, 2018

**OFFICE MEMORANDUM**

**Subject: Proceedings of the "Conference of State Panchayati Raj Ministers and Chairpersons of State Finance Commissions on Panchayat Finances" held at Vigyan Bhavan on 30<sup>th</sup> January, 2018**

The undersigned is directed to enclose a copy of the approved proceedings of the "Conference of State Panchayati Raj Ministers and Chairpersons of State Finance Commissions on Panchayat Finances" held at Vigyan Bhavan on 30<sup>th</sup> January, 2018 for information and necessary action.

This issues with the approval of Secretary, PR



(R. Shivakumar)  
Under Secretary to the Govt. of India  
Telefax: 011-23753812

Encl: a/a

To

All Participants in the Conference

Copy for information to

PS to SPR  
PPS to AS(BP)  
PPS to AS(SP)  
PS to JS(SKP)



**Proceedings**  
**of**  
**“Conference of State Panchayati Raj Ministers and**  
**Chairpersons of State Finance Commissions on**  
**Panchayat Finances”**

**January 30, 2018**

**Conference Hall No. 4, Vigyan Bhawan, New Delhi**

**Organized by**  
**Ministry of Panchayati Raj**  
**Government of India**

**Proceedings of “Conference of State Panchayati Raj Ministers and  
Chairpersons of State Finance Commissions on Panchayat Finances”**

**CONTENT**

<b>Sl. No.</b>	<b>Subject</b>	<b>Page No.</b>
1.	Background	3-4
2.	<b>Inaugural Session</b>	4-7
3	<b>Technical Session I - Perspective of State Governments on Panchayat Finances</b>	7-11
4.	<b>Technical Session II -Perspectives of State Finance Commissions on Panchayat Finances</b>	11-15
5.	<b>Technical Session III-Concluding Session</b>	16-17
	<b>Annexure I : List of Participants</b>	18-21
	<b>Annexure II : Program</b>	22 - 23

# **Proceedings of “Conference of State Panchayati Raj Ministers and Chairpersons of State Finance Commissions on Panchayat Finances”**

## **1. Background**

The passage of 73rd and 74th Constitutional Amendments incorporating Part IX and IXA of the Constitution has accelerated the process of decentralization with greater devolution and delegation of powers to local governments and the recognition of panchayats and municipalities in the book of statute as institutions of self-government. Under the Constitutional provision, the States are authorized to devolve the specific responsibilities, powers and authorities to the local governments to enable them to function as institutions of local self-government. States may empower the rural and urban local governments to levy, collect and appropriate certain taxes, duties, tolls and fees, etc. and also assign to them the revenues of certain State level taxes subject to such conditions imposed as well as grants-in-aid may also be provided to these local governments.

Despite considerable measures to empower the local self-governments through devolution of enhanced functional responsibilities, it has been observed that still huge mismatch between such functional responsibilities and financial autonomy exists leading to severe fiscal stress at the local levels. Own revenues of local governments are not generated adequately and hence the local governments are dependent on the higher level of governments to finance their activities.

The Government of India, vide GOI Gazette Notification dated 27th November, 2017, has constituted the Fifteenth Finance Commission (XV FC) with the following reference. (copy from notification)

Ministry of Panchayati Raj (MoPR) organized the Conference of the State Panchayat Ministers and Chairpersons/Members of State Finance Commissions (SFCs) to deliberate on the issues of Financial Devolution to the Rural Local Bodies (RLBs) and the role of State Finance Commissions towards performance improvement of the RLBs on 30<sup>th</sup> January, 2018 at Vigyan Bhawan. The Conference had participation from State Ministers of Panchayati Raj, Chairpersons/Members of State Finance Commissions (Current or the latest one which had submitted its report), Principal Secretary/ Secretary and senior officials of Panchayati Raj Departments of the States, senior officials of Niti

Aayog & World Bank and other invited experts and academicians. The list of participants of the Conference is given at Annexure I.

The deliberations of the Conference centered around the following Objectives:

- To review the current functional / financial status of the rural local bodies (RLBs) and effectiveness of functioning of State Finance Commissions (SFCs)
- To review the effectiveness of implementation of earlier UFC& SFC recommendations for RLBs & SFCs.
- To discuss Measurement of Outcome of Finance Commission Award to Gram Panchayats
- To discuss means for Own Source Revenue (OSR) generation by the RLBs
- To arrive at suitable suggestions to be made to Fifteenth Finance Commission towards RLB finances and better functioning of State Finance Commissions(SFCs)

The Conference had the inaugural session and three technical sessions for discussion of the various issues. The Schedule of the Conference is given at Annexure II.

## **2. Inaugural Session**

1. The inaugural session was graced by the august presence of Shri Narendra Singh Tomar, Hon'ble Union Minister for Panchayati Raj, Rural Development and Mines, Government of India and Shri Parshottam Rupala, Hon'ble Minister of State for Agriculture, Farmers welfare & Panchayati Raj, Government of India and State Panchayati Raj Ministers from Arunachal Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Tamil Nadu, Uttar Pradesh, Uttarakhand and Telangana.
2. Shri J. S. Mathur, Secretary, Ministry of Panchayati Raj in his welcome address informed about the various key initiatives undertaken by the Ministry of Panchayati Raj (MoPR) in the recent past for strengthening of the Panchayati Raj institutions (PRIs) like revamping of the RGSA scheme to facilitate the current requirements of PRIs in India, steps taken by MoPR to recommend and monitor disbursement and utilisation of FFC grants and in designing the FFC Performance Grant Scheme. He also mentioned that the Common Review Mission (CRM) formed for monitoring of the FFC grants had in its initial finding showed that the FFC grants play an important role in the living standards of the

rural population by making available basic services at the grass root level. He also informed that the efforts of MoPR in the last two years have resulted in preparation of over 2.44 lakhs Gram Panchayat Development Plans (GPDPs) and the subsequent emphasis being felt on the increased public participation in preparation of plans and quality improvement in the services. He expressed confidence that the suggestions that would emerge from the Conference will provide a roadmap for proper delivery of Governance at the Panchayat level and also create useful inputs to the next Financial Commission recommendations.

3. Dr. Bala Prasad, Additional Secretary, Ministry of Panchayati Raj made a presentation on the recommendations related to PRIs and SFCs made by the past Financial Commissions (12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> Finance Commissions). In his presentation, he highlighted the current Government's focus on maximum disbursement of funds to the Panchayats and cited the example of increase in disbursements from 85% to 95% of the allocations to PRIs. He also informed that the Ministry of Panchayati Raj has formulated the scheme for the FFC Performance Grant with two more components of immunisation and sanitation which are the focused priorities of the Government. He also highlighted the key issues/ challenges related to release of FFC grants and MoPR's approaches to mitigate these issues.
4. Hon'ble Minister of State for Agriculture, Farmers Welfare & Panchayati Raj, Shri Parshottam Rupala, in his Presidential address narrated his working experience at different Panchayat levels and also quoted related references of Babu's book on "Hind Gram Swaraj". He pointed out that due to the 14<sup>th</sup> Finance Commission funds reaching directly to the Gram Panchayats, many development activities are taking place and the Panchayat Presidents are given importance even by the elected representatives of the legislatures and the Parliament. He however reflected the concerns of the District Panchayat and Intermediate Panchayat representatives on the issue of no FFC funds to these levels. He made the suggestions that similar to the development funds given to the Members of Parliament and Legislatures for undertaking development activities in their areas, similar fund allocations may be considered for the Presidents of District/ Intermediate level Panchayats. He expressed satisfaction that the focus on Open Defecation Free (ODF) has resulted in construction of large number of toilets & solved the personal hygiene issue in the rural areas, but problems of

waste management are still persistent at the Panchayat level which might have been caused due to paucity of funds. He suggested that the Ministry of Panchayati Raj may design a scheme where Block Panchayats may take lead to solve the issue of Waste Management at cluster levels with techno-commercially viable solutions.

5. Hon'ble Union Minister for Panchayati Raj, Rural Development and Mines, Government of India, Shri Narendra Singh Tomar, in his inaugural address highlighted about the importance of Panchayats and their role in vibrant democracy. In this regard, to quote him in verbatim, *"India's soul dwells in the villages and accountability of the overall system begins from the villages with the local institutions, which is the Gram Panchayat in a democratic system"; "If there is a primary school for democracy, then it is the Gram Panchayat, being the foundations of the country. Only if the foundation will be strong, its quality will be fine and have a broad vision, only then the country will be strong."* He exhorted the State Governments to introspect as to whether proper powers and funds have been devolved to the lower tiers of Panchayats to perform their duty. He also asked for introspection as to whether we have been able to provide enablement & proper strengthening of the Elected Representatives so that they can aim for holistic growth of the country along with their own Panchayats. He indicated that the new generation would expect answer to such questions in a time-bound manner and display good results. He also reiterated the vision of Hon'ble Prime Minister in providing three-fold increase in allocation of the Finance Commission Grant to the Gram Panchayats, which has resulted in increase of untied funds in their hand for developmental activities as per their local needs. He highlighted the major issues of the Conference and asked the participants to come up with suggestions on how the Fourteenth Finance Commission Grant has impacted in betterment of life at GP level and expectations of the States from the next Finance Commission. He also appreciated the efforts of the MoPR, which resulted in preparation of over 2.44 lakh GPDPs, but also insisted that more focus has to be given now on implementation of these GPDPs by following proper processes & procedures. He also stressed the importance of the requirement of maintenance of the various infrastructure created with the funds and the need for the users to make some contribution towards user charges for such services. He indicated that the ultimate aim would be to create self-sustainable Gram Panchayats in the Country.



Pointing out that the Government is committed towards achievement of the Sustainable Development Goals (SDGs) by 2030, he said that the role of Panchayats would be very important in this direction. He highlighted the Government's commitment in this regard, by mentioning about the Antyodhaya Scheme wherein it is proposed to uplift over 50,000 villages and its 5000 clusters above the poverty line and the recent initiation of work to holistically improve 115 aspirational districts in a time bound manner and achieve initial results by 31<sup>st</sup> March, 2018 as directed by the Hon'ble Prime Minister. He concluded his address by expressing confidence that the conference would bring out many valuable suggestions which would be further taken up the Ministry as well as the Fifteenth Finance Commission towards providing solution to all the challenges being faced by the Panchayati Raj Institutions.

6. The inaugural session concluded with vote of thanks from Shri Sanjeeb Patjoshi, Joint Secretary, Ministry of Panchayati Raj.

### **3. Technical Session I - Perspective of State Governments on Panchayat Finances**

1. The technical session I on "Perspective of State Governments on Panchayat Finances" was chaired by Shri Narendra Singh Tomar, Hon'ble Union Minister for Panchayati Raj, Rural Development and Mines, Government of India. The State Panchayati Raj Ministers from the States of Arunachal Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and Uttarakhand presented their thoughts on the subject during the session.
2. Shri Arvind Pandey, Hon'ble Minister of Panchayati Raj of Uttarakhand State commended the Central Government's initiative to empower Gram Panchayats by direct transfer of funds to them. However, he informed that the Himalayan States like Uttarakhand are unique as the Gram Panchayats in the Hill districts are located over vast areas with less population in each of them. Hence allocations, which are predominantly based on population may not be able to proper justice to the basic requirements of these GPs. The State Government has taken many initiatives like all-weather roads for connectivity of these GPs. He suggested that the 15th Finance Commission should make separate and adequate provisions for the requirement of the rural bodies of mountainous States like Uttarakhand. He also said that while the Finance Commission funds have empowered GPs, and the direct control over such funds has also given immense

powers to the Pradhans and Panchayat Secretaries, going forward, specific checks and balances and monitoring mechanisms need to be provisioned/ included to prevent possible corruption in use of such funds. He also suggested for monitoring mechanism for expenditure which should be evolved by the Centre.

3. Shri Alo Libang, Hon'ble Minister of Panchayati Raj for Arunachal Pradesh State said that his State also has the GPs located in large mountainous areas with lesser population in each of them and also unique considering from the aspect of Security being a sensitive border State. He indicated that the Zilla Parishads (ZPs) and Block Parishads (BPs), which were used to get Funds of 13<sup>th</sup> Finance Commission earlier are being deprived due to non-allocation of such funds by the FFC. He said that the State Government is providing some funds to the ZPs/BPs as per the recommendation of State Finance Commission, however these levels will also require additional support from the Centre. He indicated that the withdrawal of support under RGPSA and BRGF schemes have adversely affected the performance of the PRIs in the State and many GPs in the State are yet to have the facility of their own buildings. He also suggested that the hilly terrain, being a challenge in the State, separate provisions are to be made for the PRIs. Hence, other than population & area, land topology may also be taken into account for deciding the share of the Panchayats.
4. Shri S. P. Velumani, Hon'ble Minister of Panchayati Raj of Tamil Nadu State in his speech thanked the Hon'ble MPR for release of the Finance Commission and PMGSY II funds to the State immediately after making requests in this regard for the same by the State. He said that the local Bodies in the State have become vibrant institutions for delivery of public services to citizens. The GPs in the State have also been empowered to collect taxes. The 5<sup>th</sup> State Finance Commission has recommended devolution of 52% of local revenue to the RLBs with minimum lump sum grant of Rs. 7 lakhs to each GP. The State has also implemented the Solid & Liquid Waste Management (SLWM) system by convergence of 14<sup>th</sup> Finance Commission grants with MGNREGA funds. Regarding suggestions to the 15<sup>th</sup> Finance Commission, he wanted that at least 50% of the surplus should be devolved to the States.
5. Shri Jupally Krishna Raio, Hon'ble Minister of Panchayati Raj of Telangana State indicated that the PRIs have been unable to fully discharge their functions due to want of funds. He pointed out that the Telangana State panchayats have

been able to achieve a success rate of 89% in tax collection and they are making efforts to achieve 100% tax collection in the current year. He suggested that the 15th Finance Commission may double the allocation of funds to the Panchayats to meet the growing aspirations of the Panchayats & increasing costs. He pointed out that earlier the ZPs/BPs have been able to get the benefit of BRGF, which has now been discontinued. Hence, he suggested that the 15th Finance Commission should provide funds for their requirements also. He also wanted that funds may be earmarked for computerisation & infrastructure development such as CC roads, drainages etc. He also advocated for flexibility to States in determining permissible works and level of implementation of works. The quantum of Performance Grant may also be raised under the 15th Finance Commission Award.

6. Shri Kapil Dev Kamat, Hon'ble Minister of Panchayati Raj of Bihar State said that the State has taken up many basic infrastructure projects for delivery of basic services like water supply, drainage, road connectivity etc. under the Chief Ministers' schemes. He indicated that all the 3 tiers of PRIs need to participate in the growth of Rural India. Hence, allocation of funds to ZPs & BPs also are important, as they need to be engaged to ensure & monitor proper programme implementation. He also advocated for additional funds allocation to the State for payments to the panchayat functionaries and appointment of required audit personnel. He suggested that more untied funds be provided to the State so that the State can utilise such funds based on the actual needs of the rural communities. He also pointed out that the Bihar State is not receiving Performance Grants and efforts are being made to get the audit of the Gram Panchayats at a faster pace. He suggested that the performance grants due to the State may be provided to them in the interim as a special case.
7. Shri Gopal Bhargava, Hon'ble Minister of Panchayati Raj of Madhya Pradesh State suggested that Development index may be prepared to identify and allocate higher share of funds to laggard Panchayats, as the predominantly population based criteria adopted by the 14<sup>th</sup> Finance Commission has deprived those panchayats having lesser populations. He also advocated for restoration of Finance Commission Funds for ZPs/BPs. He also suggested that the 15<sup>th</sup> Finance Commission may provide some funds to the State level to enable monitoring, MIS and other administrative requirements. He also explained that the MP state

has created an online system wherein all the information about panchayats' performance are displayed in the public domain which helps in transparency and accountability and suggested that same may be benchmarked by the 15<sup>th</sup> Finance Commission for following by other States.

8. Shri Om Prakash Dhankar, Hon'ble Minister of Panchayati Raj of Haryana State informed the audience about the Seven Star rating system developed for the Gram Panchayats in the State. He described the details of the Seven Star rating systems as below:

- The panchayats whose performance is good in sex ratio will get the pink colour award.
- The White colour is awarded to that gram panchayat who score best in cleanliness and maintain hygiene in their premises.
- The green colour is awarded to that gram panchayat who score best in healthy environment.
- The saffron colour will be awarded to crime free gram panchayat.
- The sky colour is given to gram panchayat which is best in education with no drop outs in village.
- The golden colour award is given to gram panchayat which is best in good governance under Haryana Panchayat scheme in state.
- The Silver colour is awarded to gram panchayat for maximum involvement in development activities.

The State has launched the identification process in a systematic manner and the selected panchayats will receive grants and award under Haryana panchayat scheme in state.

He also insisted that the Funds may be allocated to all the three tiers of PRIs. He suggested that irrespective of the calculation formula, certain minimum fund allocation should be provided to each PRI for delivering basic services. Year wise sectoral targets may also be identified for funds allocated to PRIs as this will promote efficient use of the funds as thin spread of the scare financial resources over many schemes is unlikely to provide the desired impact.

9. Shri Bhupendra Singh, Hon'ble Minister of Panchayati Raj of Uttar Pradesh State also concurred with the requirement for funds to be allocated to all three tiers of PRIs. He suggested that the factors of Income Distance, Backwardness Index, Total Area and Population density may be considered for calculating State's share of Finance Commission funds. He requested for more funds towards development/ construction of Panchayat Bhawans, provisioning of manpower and office infrastructure at GPs level. He suggested for automated fund management systems like PFMS, so that receipt and expenditure can be monitored in real time.
10. Shri Jayadrathsinhji Parmar, Hon'ble Minister of Panchayati Raj of Gujarat State informed that the State of Gujarat has already devolved most of the functions listed in the Constitution to the Gram Panchayats, thus playing a very supportive and facilitative role towards strengthening the PRIs. The Gujarat Government has also accepted most of the recommendations of the First and Second State Finance Commissions pertaining to Panchayat Department. The recommendations of the 3<sup>rd</sup> Finance Commission are under consideration. He informed that from the Fourteenth Finance Commission funds, major works are taken up under sectors like drinking water, sanitation, primary education, anganwadi and road repairing etc. He appreciated the introduction of factors of ODF & immunisation in the FFC performance grants scheme for the Panchayats. He also requested for funds to be allocated to all three tiers of PRIs so that all the three tier Panchayats may be strengthened. He advocated for more focus on areas like health, agriculture and other social sectors by the 15<sup>th</sup> Finance Commission and also provide more fund and power delegation to Panchayat System.
11. The session ended with vote of thanks to the Chair and the speakers.

#### **4. Technical Session II -Perspectives of State Finance Commissions on Panchayat Finances**

1. The technical session II on "Perspectives of State Finance Commissions on Panchayat Finances" was chaired by Dr. Bala Prasad, Additional Secretary, MoPR. He requested the Chairpersons/Members of the State Finance Commissions (SFCs) to present their views on the issues of the Conference.
2. Shri C. G. Chinnaswamy, Chairman, 4<sup>th</sup> SFC, Karnataka in his speech said that Radical transformation has occurred with 73rd Amendment of the Constitution.

The percentage of devolution of funds by the State Government to the PRIs by the first, second and third SFCs of the State government was 30%, 32% and 32% respectively. The Fourth SFC is also following a global sharing system and not a tax based system. 50% reservation has been made for women in PRIs in the State and all the functions have been transferred to the PRIs with specific roles assigned. The Fourth SFC has developed an online application of Questionnaire for ULBs/RLBs to get the feedback from them with more ULBs responding than RLBs to the questionnaires. He expressed hopes that the system of obtaining such feedback would become a practice to be followed by others also. He also made the following suggestions for the Fifteenth Central Finance Commission:

- Grants should be recommended for panchayats at intermediate and district level as well.
  - Utilization of funds should be allowed for concretization of roads also.
3. Shri S. Krishnan, Chairman, 5th SFC, Tamil Nadu in his speech said that the State Government has accepted 144 out of total 161 recommendations of the 5<sup>th</sup> SFC. Tamil Nadu ranks 2<sup>nd</sup> in Financial Devolution and 11<sup>th</sup> in terms of Functional Devolution. He indicated that the Scheme receipts for Village Panchayats (VPs) in the State range between 53.57 % to 67.38 % and Per VP total receipts ranged between Rs. 44.89 lakh and Rs. 76.47 lakh. He explained about some of the key recommendations of SFC on RLBs given below:
- ✓ Levy of service charges on Central Government properties
  - ✓ Recommendation of 14<sup>th</sup> CFC to remove the Constitutional maximum limit on Profession Tax and to allow the Parliament by law to raise the maximum limit to Rs. 12,000 reiterated
  - ✓ Local Bodies may be empowered to remove advertisements which have not received the requisite permission.
  - ✓ VPs should be encouraged to enhance water charges
  - ✓ Levy of Surcharge on Stamp Duty on Agreement, Power of Attorney etc.
  - ✓ Proportion of revenue from minor minerals to be shared with local bodies should be 60 percent
  - ✓ 60 percent of the revenue from sand quarrying should be transferred to local bodies

- ✓ Local body share of minor mineral based revenue should be distributed in following proportion: 75 percent to the local body where the quarry is located and 25 percent to be distributed by the District Collector to the neighbouring local bodies impacted by quarrying.
  - ✓ Existing overall vertical devolution proportion of 10 per cent of the net State's Own Tax Revenue (SOTR) be retained for the award period
  - ✓ Distribution percentage between different tiers of RLBs to be 8%, 37% and 55% respectively
4. Dr. Jyoti Kiran, Chairperson, 5th SFC, Rajasthan in her presentation elaborated upon the major recommendations of the 5<sup>th</sup> SFC interim reports as below:
- Global sharing of 7.18 % of net State's own tax revenue recommended.
  - Deprivation on 7 parameters of Socio Economic Castes Census adopted along with other criterion for district-wise distribution of funds to PRIs.
  - Fourteenth Finance Commission (FFC) grants also distributed to Gram Panchayats on above parameters
  - Apart from basic and development functions, funds are also provided for maintenance of data bases, e- governance & use of IT, revenue mobilization efforts – capacity building, gender sensitization, drinking water arrangements, water harvesting and tree plantation, Clean India mission, ODF, use of solar/ LED lights.
  - Share of Zila Parishads and Panchayat Samitis increased from 3 to 5 % and 12 to 20% respectively to offset the non-receipt of FFC grants.
  - Requirement of minimum 60% expenditure for Gram Panchayats to claim next instalment of SFC funds.
  - Effective use of Social Media/multimedia to encourage participation of people at large.

She highlighted some of the main issues for better functioning of PRIs, which included the need for Accountability, Transparency and strong administrative will, erecting a credible digital eco-system for generating good quality of data, a comprehensive analysis of ideal requirements and actual expenditure, innovative devolution methodology, incentivising performance and accounting for deprivation, effective utilisation of social media/multimedia, reengineering the basis for rural –

urban criteria, allocations to create a rural – urban balance, adapting Census 2011 data for financial allocation and other parameters, strengthening of local governance system, prioritizing need for accounting & audit and lack of manpower for efficient functioning.

The following suggestions have been made by Dr. Jyoti Kiran to be considered by the 15<sup>th</sup> Finance Commission

- Need for more weightage to geographical area in allocation of funds.
  - Ensuring 50% reservation for women in local bodies and need for extensive training and capacity building to perform their assigned functions which would require additional funds.
  - Need for technical and accounting support system at the Gram Panchayat level for proper utilisation of funds and its accounting
  - Promote usage of IT enabled MIS for maintaining database
  - Shortage of Gram Sevak/ Secretary Panchayat leads to operational constraint and require innovative solutions.
  - More funds needed to be given to Panchayats for utilisation towards upgradation and maintenance of social infrastructures such as health centres, anganbari centres etc.
  - With growing urbanisation due to migration of people, pressure on civic services in urban areas is increasing; therefore, there is need for increased devolution to sustain Urban Local Bodies.
  - Need for impact assessment in the perspective of improving backwardness.
  - Need for funding of a permanent cell/office of SFC in the State.
5. Shri Himmat Kothari, Chairman, 5<sup>th</sup> SFC, Madhya Pradesh informed that the 4<sup>th</sup> SFC of the State has already submitted its report which is under consideration of the Government and the 5<sup>th</sup> SFC has also been constituted. He made the following suggestions for consideration of the 15<sup>th</sup> Finance Commission:
- Share of State/Panchayats should be increased.
  - Need for imposition of tax by Panchayats and its suitable recovery monitored by an Officer designated for the purpose.
  - SC/ST population must also be taken into account while devolving funds to PRIs.



- Elected Representatives must be strengthened not only financially but in practice as well through capacity building.
  - Monitoring of misutilization/misappropriation of funds must be done.
6. Shri Jagdev Singh, Member, 5<sup>th</sup> SFC of Uttar Pradesh State informed that the Fifth SFC of the State has been constituted whose recommendations are yet to be finalized. Out of 63 recommendations of the fourth SFC, 37 have been accepted by the State Government. The factor of SC/ST population was also considered by the Fourth SFC for making recommendations for devolution. Ratio of distribution of funds recommended by Fourth SFC was 20:10:70 for DP: IP: GP; however, the State Govt. approved the ratio as 40:10:50. For the consideration of the 15<sup>th</sup> Finance Commission, he suggested the need for keeping continuity of the State Finance Commissions' requirements of data and other infrastructure. He also indicated the need to analyse the reasons for many Gram Panchayats not able to receive Performance Grants.
7. Shri B. K. Joshi, Chairman, 5<sup>th</sup> SFC of Uttarakhand State informed that the SFC submitted its report in May, 2017. He suggested the following issues as observed by the SFC to be taken into consideration by the 15<sup>th</sup> Finance Commission:
- There are large number of GPs whose population is very less than the urban plains in the Hilly States. Hence, the formula for distribution of funds needs to be devised taking into consideration of variation in population and other demographic/topographic factors as well.
  - Matter of absence of taxation in panchayats needs to be acted upon and taxes must be levied upon with appropriate measures for its collection as well.
  - Panchayats at intermediate and district level need to be strengthened financially and capacity wise.
  - An integrated approach must be followed for developmental activities in which all the concerned departments are actively involved.
  - Funds for the structures for strengthening planning as well as transparency must be devolved.
8. Smt. Rohini Aggarwal, Member, 5<sup>th</sup> SFC of Haryana State also informed that the report of the SFC submitted to the State Government is under consideration. She

made the following suggestions for the consideration of 15<sup>th</sup> Finance Commission:

- Fixed amount of funds may be devolved for establishing public planning institutions to continue the work of SFCs.
- A State level institute could be established for developing skill set of the PRIs which are entrusted with the roles of 29 subjects enlisted in the eleventh schedule of the Constitution of India.

The Technical Session II ended with vote of thanks to the Chair and the speakers.

### **1. Technical Session III-Concluding Session**

In the Concluding Technical Session III, Dr. Bala Prasad, Additional Secretary (MoPR) summarized the deliberations of the inaugural session and Technical Sessions I & II. A warm farewell and felicitation was also accorded during the session to the Secretary, MoPR, on his superannuation by the participants of the Conference led by the Hon'ble Minister for Panchayati Raj, Rural Development and Mines, Government of India. Joint Secretary Sanjeeb Patjoshi in his vote of thanks requested the participants to forward their additional suggestions to the Ministry for recommending to the 15<sup>th</sup> Finance Commission.

The summary of major issues emanating from the Conference to be further taken up for follow up are as follows:

- Separate allocation for Himalayan (hilly) states for meeting natural disasters.
- Funds for Zilla Panchayats/Block Panchayats to be restored, as in Thirteenth Finance Commission award.
- More than 10% weightage to be provided for area/topology in devolution criteria
- Need for more untied funds to State. The devolution of divisible pool to the States be minimum of 50%.
- Only broad framework should be indicated for distribution of funds and not specific criteria.
- Allow flexibility to States in determining permissible works like CC roads, side drains, etc.
- Allow States to retain some percentage (around 5%) funds at their discretion for monitoring, Management Information System (MIS) and to help for needy areas

- Provision of Funds for upgradation & maintenance of social infrastructure and undertaking Capacity Building activities.
- Technical & Accounting system to be strengthened at GPs level.
- Integrated approach to be considered for local governance.
- Provision of funds to States for planning system & structures (State to decide at which level the structure to be created).
- Need for a think-tank Unit for planning, monitoring and implementation (a public policy institute).
- Monitoring of the expenditure of funds by the GPs.

The Conference concluded with the assurance that all the above suggestions will be taken up further by the Ministry for suitable follow up and putting up to the Fifteenth Finance Commission for its consideration.

\*\*\*\*\*

## Annexure 1

**List of Participants for one-day Conference of State Panchayati Raj Ministers and Chairpersons of State Finance Commissions on Panchayat Finances held on 30.01.2018 at Vigyan Bhawan, New Delhi.**

Sl. No.	Name & Designation	Ministry/ Department/ Office
1.	Shri Narendra Singh Tomar, Hon'ble Minister of RD, PR & Mines	Govt. of India
2.	Shri Parshottam Rupala, Hon'ble Minister of State of PR & Agriculture and Farmers Welfare	Govt. of India
3.	Shri Arvind Pandey, Minister of Panchayati Raj	Govt. of Uttarakhand
4.	Shri Alo Libang, Minister of Panchayati Raj	Govt. of Arunachal Pradesh
5.	Shri Kapil Dev Kamat, Minister of Panchayati Raj	Govt. of Bihar
6.	Shri Jayadrathsinhji Parmar, Minister Panchayati Raj	Govt. of Gujarat
7.	Shri S P Velumani, Minister Panchayati Raj	Govt. of Tamil Nadu
8.	Shri Gopal Bhargava, Minister Panchayati Raj	Govt. of Madhya Pradesh
9.	Shri Bhupendra Singh, Minister Panchayati Raj	Govt. of Uttar Pradesh
10.	Shri Jupally Krishna Rao, Minister of Panchayati Raj	Govt. of Telangana
11.	Shri Om Prakash Dhankar, Minister of Panchayati Raj	Govt. of Haryana
12.	Shri Himmat Kothari, Chairman	State Finance Commission, Madhya Pradesh
13.	Dr. Jyoti Kiran, Chairperson	State Finance Commission, Rajasthan
14.	Shri C G Chinnaswamy, Chairman	State Finance Commission, Karnataka
15.	Shri B K Joshi, Chairman	State Finance Commission, Uttarakhand
16.	Shri S. Krishnan, Chairman	State Finance Commission, Tamil Nadu
17.	Shri Jagdev Singh, Member	State Finance Commission, Uttar Pradesh
18.	Smt. Rohini Aggarwal, Member	State Finance Commission, Haryana
19.	Shri Jitendra Shankar Mathur, Secretary	Ministry of Panchayati Raj, New Delhi
20.	Dr. Bala Prasad, Additional Secretary	Ministry of Panchayati Raj, New Delhi
21.	Smt. Sujata Sharma, Economic Adviser	Ministry of Panchayati Raj, New Delhi

		Delhi
22.	Shri Sanjeeb Patjoshi, Joint Secretary	Ministry of Panchayati Raj, New Delhi
23.	Shri Kamlesh Kumar Tripathi Director	Ministry of Panchayati Raj, New Delhi
24.	Shri Shiva Shankar Prasad, Director	Ministry of Panchayati Raj, New Delhi
25.	Shri Debasis Pal, Director	Ministry of Panchayati Raj, New Delhi
26.	Shri R. Shivakumar, Under Secretary	Ministry of Panchayati Raj, New Delhi
27.	Shri Sanjay Kumar Upadhyay, Under Secretary	Ministry of Panchayati Raj, New Delhi
28.	Shri Avinash Chander, Under Secretary	Ministry of Panchayati Raj, New Delhi
29.	Shri N P Toppo, Under Secretary	Ministry of Panchayati Raj, New Delhi
30.	Shri Basudeb Das, Deputy Director	Ministry of Panchayati Raj, New Delhi
31.	Shri Vaibhav Sharma	Social Media Team, Ministry of Panchayati Raj, New Delhi
32.	Shri V N Alok, Associate Professor	IIPA, New Delhi
33.	Shri K Lalhmingliana, Joint Secretary	Local Administration Department, Mizoram
34.	Shri C G Suprasanna, Additional Secretary	State Finance Commission, Karnataka
35.	Shri Raj Gopal, Principal Secretary	Panchayati Raj Department, Gujarat
36.	Shri Sibin C, Special Secretary	Panchayati Raj Department, Punjab
37.	Shri InduShekhar	State Finance Commission, Rajasthan
38.	Shri Rohit Kumar, Secretary	Panchayati Raj Department, Rajasthan
39.	Ms. Deepika LohiaAran, Director	NITI Aayog, New Delhi
40.	Dr. B. M. Panda	NITI Aayog, New Delhi
41.	Shri R J Halani, Additional Development Commissioner	Panchayati Raj Department, Gujarat
42.	Ms. Farah Zahir, Sr. Economist	World Bank, New Delhi
43.	Shri Pedro Arizti, Sr. Public Sector Specialist	World Bank, New Delhi
44.	Ms. Rinchin Tashi, Secretary	Panchayati Raj Department, Arunachal Pradesh
45.	Shri B Ashok, Secretary	Local Self Government Department, Kerala
46.	Shri Jagdeo Singh, Member	State Finance Commission, Uttar Pradesh

47.	Ms. Rohini Aggarwal, Member	State Finance Commission, Haryana
48.	Shri S. C. Derashri, Member Secretary	State Finance Commission, Rajasthan
49.	Shri R K Gupta, Joint Secretary	State Finance Commission, Rajasthan
50.	Shri V Sivasankara Prasad, Deputy Commissioner	Panchayati Raj Department, Andhra Pradesh
51.	Dr. Nagambika Devi, Principal Secretary	Panchayati Raj Department, Karnataka
52.	ShriShamimUddin, Director	Panchayati Raj Department, Madhya Pradesh
53.	Shri S Krisnamurthy, Sr. Finance Managment Specialist	World Bank, New Delhi
54.	Shri Sang Drema	Rural Development Department, Arunachal Pradesh
55.	Shri Umakant, OSD	Government of Mizoram
56.	Shri ParthThakkur	O/o Minster Panchayati Raj, Gujarat
57.	Shri M. N. Dhakal, Director	Panchayati Raj Department, Sikkim
58.	Ms. C P Ladingpa, Additional Secretary	Panchayati Raj Department, Sikkim
59.	Shri Vikas Raj, Principal Secretary	Panchayati Raj Department, Telangana
60.	Dr. J B Ekka, Commissioner-cum-Secretary	Panchayati Raj Department, Assam
61.	Shri M SudhakarRao	O/o Commissioner, Panchayati Raj, Andhra Pradesh
62.	Shri Ritesh Sharma, State Consultant	Panchayati Raj Department, Uttar Pradesh
63.	Shri Sanjay Kumar Baranwal, Deputy Director	Panchayati Raj Department, Uttar Pradesh
64.	Shri H C Semwal, Additional Secretary/Director	Panchayati Raj Department, Uttarakhand
65.	Shri D P Devrari, Joint Secretary	Panchayati Raj Department, Uttarakhand
66.	Shri Birendra Bhushan, Director	Panchayati Raj Department, Jharkhand
67.	Shri Narayan B Ringane, Deputy Secretary	Panchayati Raj Department, Maharashtra
68.	Shri Manohara Singh, Additional Director	Panchayati Raj Department, Tamil Nadu
69.	Shri Manish Pandey	O/o Minister Panchayati Raj, Uttarakhand
70.	Shri Narender Tiwari, OSD	O/o Minister Panchayati Raj, Uttarakhand
71.	Shri S Ramaswamy, Joint Director	Panchayati Raj Department, Tamil Nadu

72.	Shri M. Kathiravan, PS	O/o Minister, Panchayati Raj, Tamil Nadu
73.	Shri Samir Kumar, Economic Adviser	Ministry of Drinking Water and Sanitation, New Delhi
74.	Shri Pradip Parida, Professor	IIPA
75.	Shri Chanchal Kumar Tiwari, Additional Chief Secretary	Panchayati Raj Department Uttar Pradesh
76.	Shri Virendra Singh	Panchayati Raj Department Uttar Pradesh
77.	Shri Ramawatar Sharma, Financial Advisor	Panchayati Raj Department, Rajasthan
78.	Shri Dilip Kumar	New Delhi
79.	Shri H C Tiwari	New Delhi
80.	Shri Rajiv Goel	NIC, New Delhi
81.	Shri A M M Zakir, Director	SIPRD, Assam
82.	Shri Robindro	Panchayati Raj Department, Manipur
83.	Shri Chaman Gautam	Andhra Jyothi, New Delhi
84.	Shri Vinod Yadav	Panchayati Raj Department, Madhya Pradesh
85.	Shri Umashankar Shukla	Panchayati Raj Department Uttar Pradesh
86.	Shri Nitin Jain	Panchayati Raj Department Uttar Pradesh
87.	Shri G. S. Krishnan, Consultant	Ministry of Panchayati Raj, New Delhi
88.	Shri Amit Goyal, Consultant	Ministry of Panchayati Raj, New Delhi
89.	Shri Mayank Kharbanda, Consultant	Ministry of Panchayati Raj, New Delhi
90.	Shri Manoj Sharma, Research Associate	Ministry of Panchayati Raj, New Delhi
91.	Dr. Tauqeer Khan, Consultant	Ministry of Panchayati Raj, New Delhi
92.	Shri Girish Vashisht, Research Associate	Ministry of Panchayati Raj, New Delhi
93.	Ms. Pachi Jain, Research Associate	Ministry of Panchayati Raj, New Delhi
94.	Ms. Pragya Singh, Consultant	Ministry of Panchayati Raj, New Delhi
95.	Shri AbhisekSah, Consultant	Ministry of Panchayati Raj, New Delhi
96.	Smt.Uma Iyer Rawla, Consultant	Ministry of Panchayati Raj, New Delhi



Panchayati Raj

**Program**  
**Conference of State Panchayat Ministers & Chairpersons of State Finance Commissions**  
**on Panchayat Finances**  
**(30th January, 2018, Vigyan Bhawan, New Delhi)**

<b>Inaugural Session</b>		
<b>Time</b>	<b>Description</b>	<b>Facilitator/Speaker</b>
9.30 – 10.00 AM	<b>Registration</b>	
10.00-10.05 AM	Lighting of Lamp & and welcoming Hon'ble Minister, MoPR	
10.05-10.10 AM	Welcome address	AS
10.10-10.25 AM	MoPR Presentation on FC, RGSA, etc.	SPR
10.25-10.35 AM	Presidential Address	Hon'ble MoS(PR)
10.35-10.55 AM	Inaugural address	Hon'ble Minister, MoPR
10.55-11.00 AM	Vote of thanks	JS (SKP)
11.00-11.02 AM	<b>Observance of two minute silence on Martyrs' Day</b>	
11.02-11.15 AM	<b>Tea</b>	



**Technical Session : 1**

**Perspectives of State Governments on Panchayat Finances**

**Chaired by Hon'ble MPR**

*Session brief:*

*Session will deliberate on the functions devolved on the Panchayats and the resources (financial and non-financial) requirement and experience of implementation of Union Finance Commission recommendations in the States.*

11.15-12.30 AM	Speech	All State/UT Panchayat Ministers attending
12.30-12.45 PM	Discussion/Summarisation	Hon'ble MPR
12.45-1.30 PM	<b>Lunch Break</b>	

**Technical Session : 2**

**Perspectives of State Finance Commissions on Panchayat Finances**

**Chaired by AS**

*Session brief:*

*Session will deliberate on the methodologies followed by State Finance Commissions for devolution to Panchayats and suggestions to the Union Finance Commission.*

1.30-3.00 PM	Presentations	SFC Chairpersons / Members
3.00-3.15 PM	Open House discussion/ Summarization	
3.15-3.30 PM	<b>Tea Break</b>	

**Technical Session : 3**

*Concluding Session*

***Suggestion for Fifteenth Finance Commission on Panchayat Finances***

*The session will solicit suggestions from participants through open house discussions followed by concluding remarks*

3.40-4.00 PM	Summarization of deliberations of Technical Sessions I, II & III	AS(BP)
	Presidential Address	SPR
4.45-4.55 PM	Speech of Chief Guest	MPR
4.55-5.00 PM	Vote of thanks	JS(SKP)

