

# FINANCE COMMISSION CONCLAVE – DEVOLUTION TO DEVELOPMENT

**Ministry of Panchayati Raj**

14<sup>th</sup> November 2024

# Finance Commission Conclave

## Devolution to Development

### Objective

- Facilitate dialogue on enhancing the efficiency, timeliness, and effectiveness of State Finance Commissions (SFCs) in fund devolution to local bodies.
- Integration of thought and action between the CFC & SFCs

### Focus Areas

- Addressing SFC challenges in timely constitution, reporting, and implementation.
- Enhancing resource allocation flexibility for region-specific development.
- Strengthening SFCs' structural and operational capacity for sustainable grassroots development.

### Expected Outcome

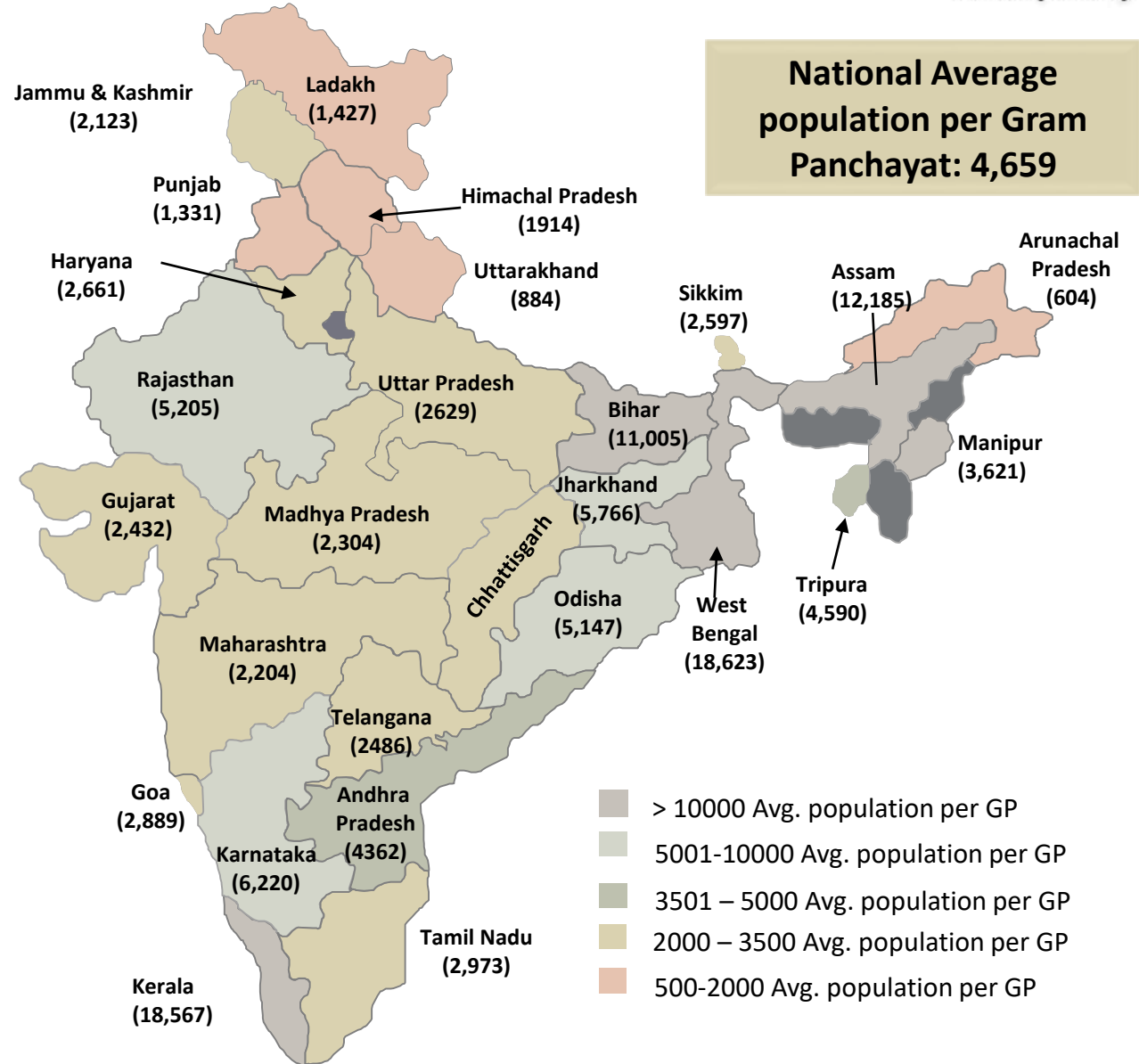
- Improved SFC framework for responsive, decentralized financial governance, supporting effective local development

# Panchayat Statistics



<b>No. of PRIs in the country</b>	:	<b>2,62,574</b>
<i>Gram Panchayats</i>	:	2,55,198
<i>Block Panchayats</i>	:	6,711
<i>District Panchayats</i>	:	665
<b>No. of Elected members of PRIs</b>	:	<b>31.88 lakh</b>
<b>No. of Elected Women Representatives</b>	:	<b>13.79 lakh</b>
<b>Areas not covered by PRIs</b>	:	<b>16,170</b>
<i>(Non-Part IX, Traditional Local Bodies)</i>		
<i>Meghalaya, Mizoram, Nagaland &amp; parts of Hill areas of Manipur, district Darjeeling, West Bengal, parts of Assam and Tripura</i>		

**National Average population per Gram Panchayat: 4,659**



Source: Local Government Directory, as on 8th November 2024

# Urban Local Body

- Decentralized Governance – Establishment of third tier Local Government (74<sup>th</sup> Amendment)
- Mandatory for States to have Urban bodies & funding mechanism in place
- Regular elections to be held every five years
- Regulatory Provisions - Article 280(3)(c): Empowered to recommend funds to support local bodies through the State's Consolidated Fund
- Current Landscape: 4,979 Urban Local Bodies (ULBs)
  - 253 Municipal Corporations,
  - 2,187 Municipalities,
  - 2,107 Nagar Panchayats and
  - 432 other bodies – Cantonment Board/Municipal Board/Notified Area Council/Town Council/Town Committee/Municipal Committees.

# Sources of Funds

## Panchayats

- Government of India Grants/Central Finance Commission Grants
- State Finance Commission grants
- Central/ State Sponsored Scheme Funds
- Development Fund (General, SCP, TSP, WB, Special Grant etc.)
- Capital Receipts (by way of sale of Assets)
- Receipts from Loan and other sources
- General Purpose Fund etc.
- Revenue generated by Panchayats itself

## Urban Local Bodies

- Own revenues of ULBs comprising own-tax and own non-tax revenues
- Transfers from Central and State governments (General & Specific purpose transfers)
- Central Government transfers (CFC transfers, CSS & other central scheme transfers, etc.)
- State Government transfers (SFC transfers, State scheme transfers, etc.)
- Borrowings/Debt financing (Municipal bonds & loans from banks - public & private, financial institutions - public & private) & PPP

# Constitutional Provisions

## Devolution of Funds to Local Bodies

### Central Finance Commission

#### Article 280 (3): Duties of CFC

- *Tax revenue distribution between Union & States*
- *Principles for Grant-in-aid of State revenues out of Consolidated fund of India*
- *Augmentation of State consolidated funds for (i) Panchayats to supplement resources & (ii) Municipalities to enhance resources based on SFC recommendations*

### State Finance Commission (Panchayats)

#### Article 243 I: Duties of SFC (Panchayats)

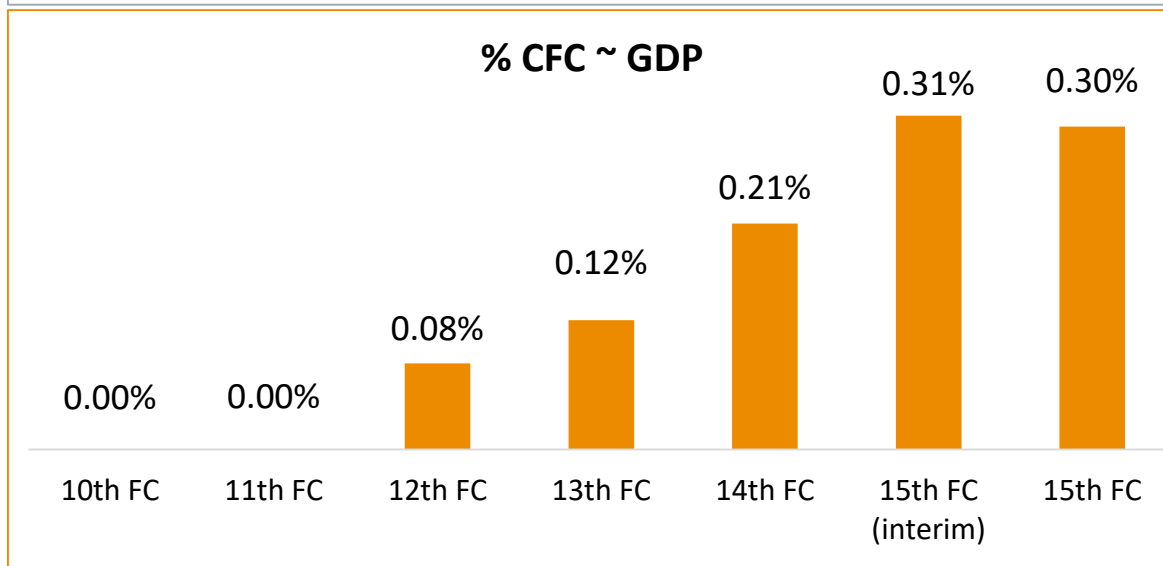
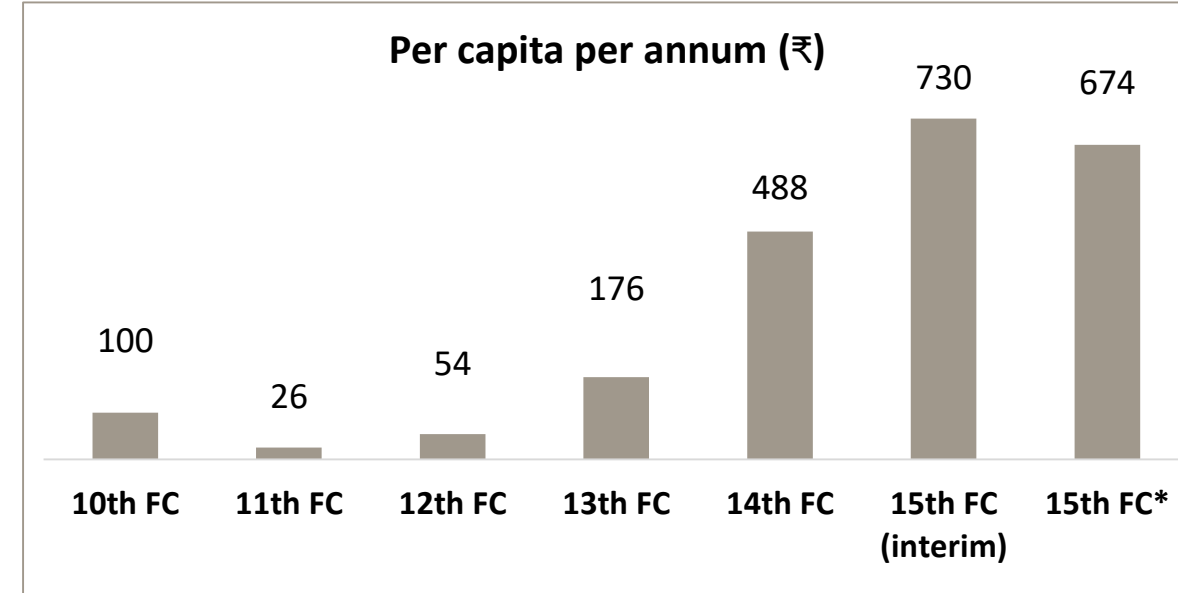
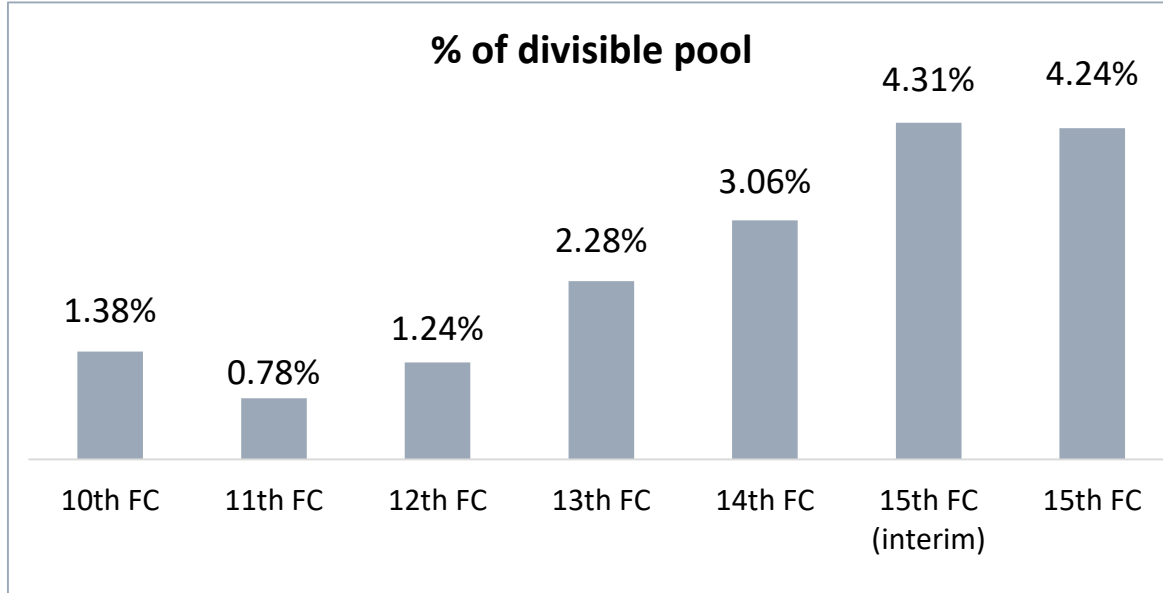
- *State Tax revenue distribution between State & Panchayats, allocation amongst Panchayats*
- *Assigning revenue sources to Panchayats - taxes, duties, tolls, and fees*
- *Recommending Grant-in-Aid to Panchayats from State Consolidated fund*
- *Propose measures to enhance Panchayats' financial position*

### State Finance Commission (Urban Local Bodies)

#### Article 243 I & 243 Y: Duties of SFC (ULBs)

- *State Tax revenue distribution between States & Municipalities, allocation amongst Municipalities*
- *Assigning revenue sources to Municipalities - taxes, duties, tolls, and fees*
- *Recommending Grant-in-Aid to Municipalities from State Consolidated fund*
- *Improving financial health of Municipalities*

# Central Finance Commission Awards (RLBs)



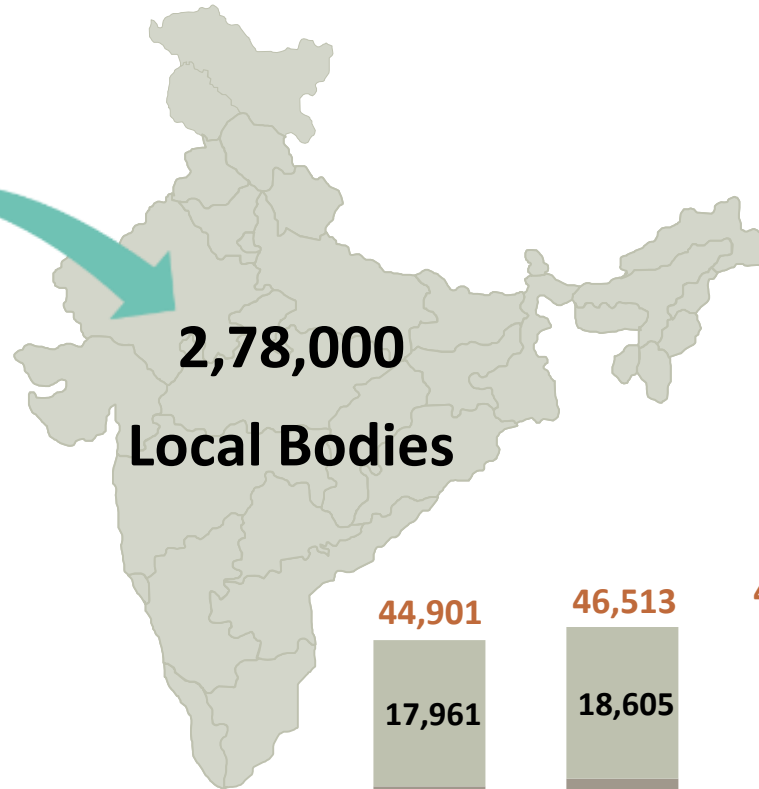
\*including Health Grants

Recommended grant has steadily risen both in total amount (at current prices) and as a percentage share of the Union government's net proceeds, climbing from 0.78% to 4.24%.

# 15<sup>th</sup> Finance Commission (RLBs)

XV FC Interim Fund Allocation: ₹ 60,750 crores (2020-21)

Total XV FC Fund Allocation: ₹ 2.36 lakh crores (2021-22 to 2025-26)



₹ 1.42 lakh crore



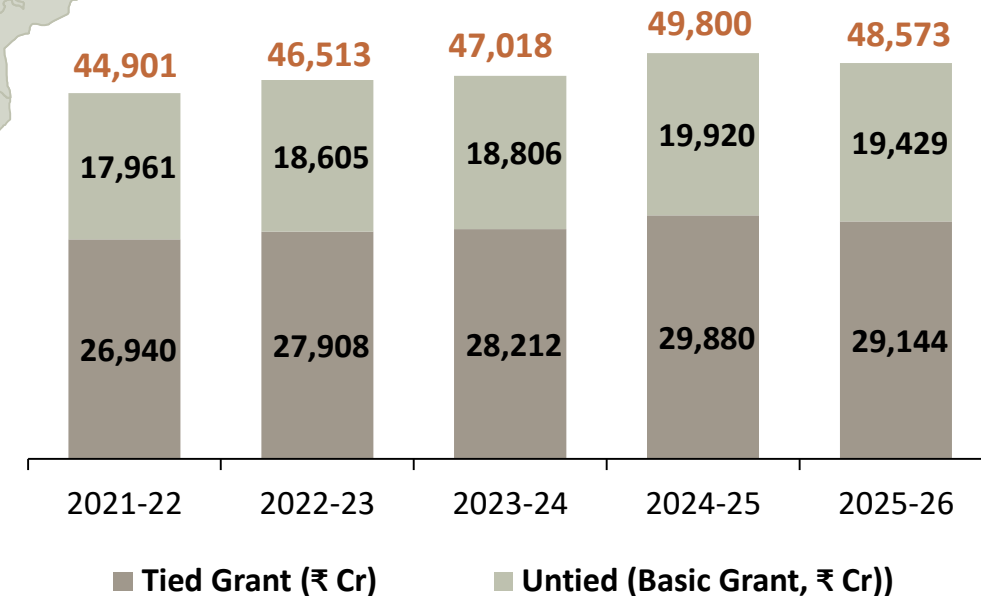
**Tied Grants (60%)**

Drinking water supply, rainwater harvesting and (ii) sanitation & maintenance services – **National Priority Areas**

₹ 0.94 lakh crore

**Untied Grants (40%)**

For improving Basic services (29 subjects)



XV FC grants are provided to all three tiers of Panchayats & Traditional bodies



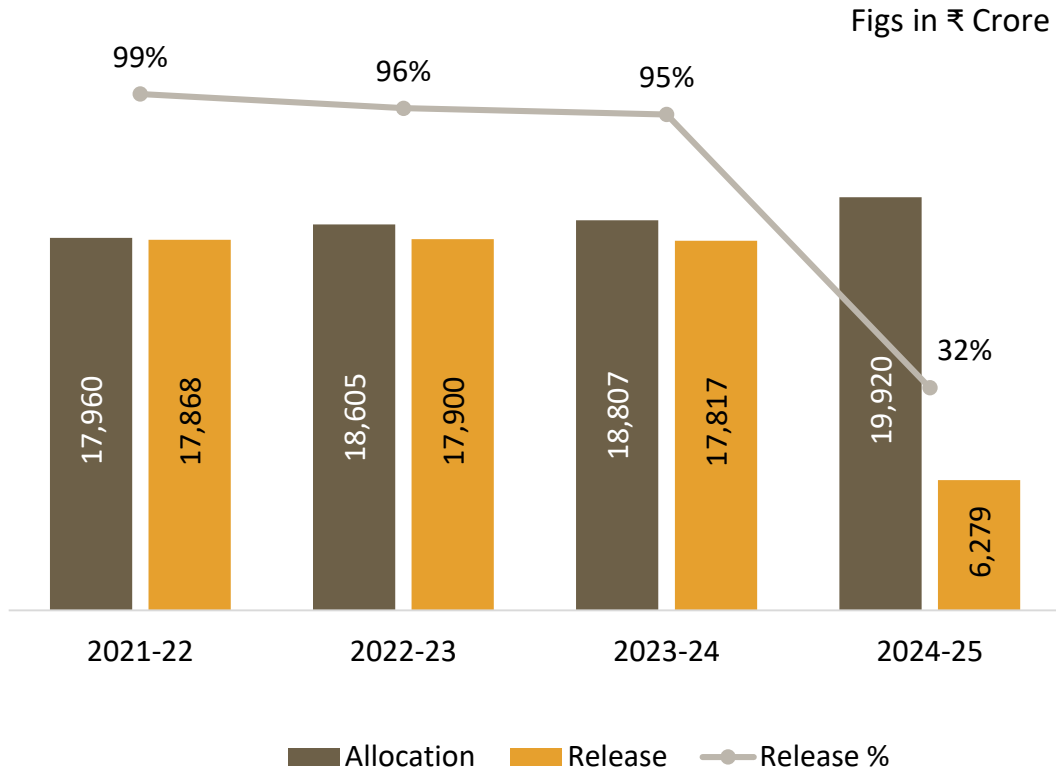
# Mandatory Conditions for grant release (RLB)

- 01 For release of grants in 2022-23, **25% provisional account of RLBs for 2021-22 and 25% audited accounts for 2020-21** should be made available online
- 02 From 2023-24 onwards, **all Rural Local Bodies** to have provisional accounts and audited accounts online
- 03 Uploading of **GPDP / BPDP / DPDP** in eGramSwaraj
- 04 Mandatory Online payments through **eGramSwaraj – PFMS Interface**
- 05 **Duly constituted Rural Local Bodies**; minimum 50% utilization of grants released in previous year
- 06 **Constitution of State Finance Commission** mandatory for release of grants from 2024-25

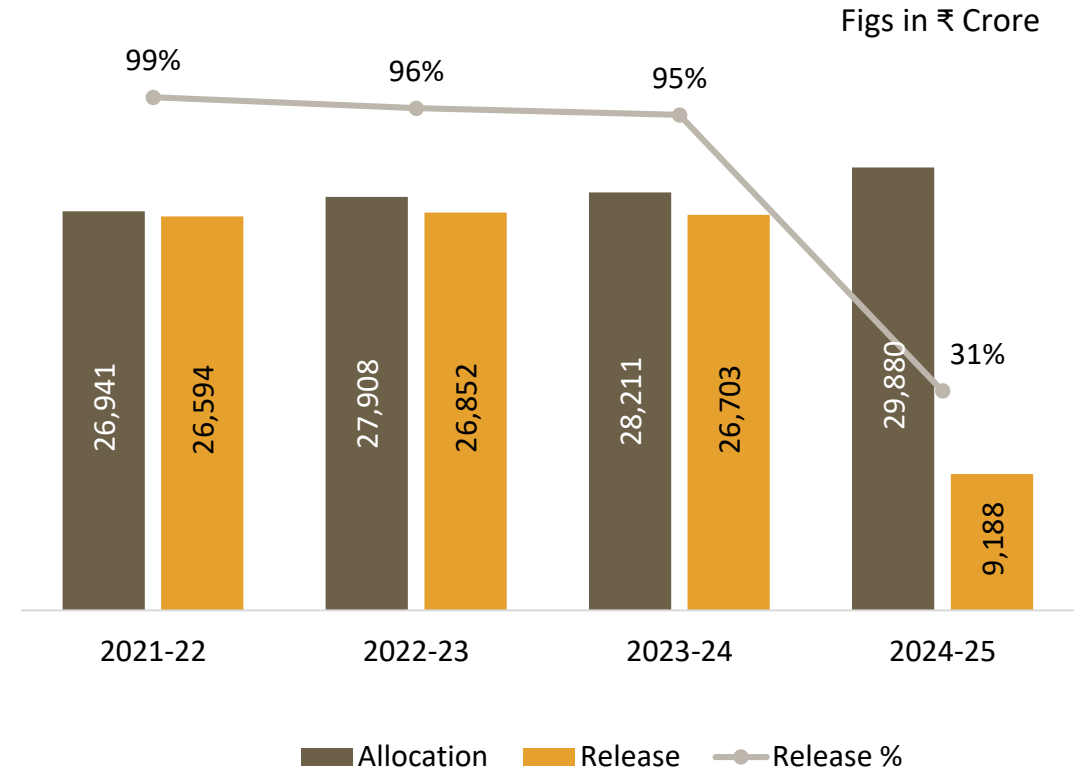
# RLB Allocation v/s Release – XV Finance Commission



XV FC (Untied) release



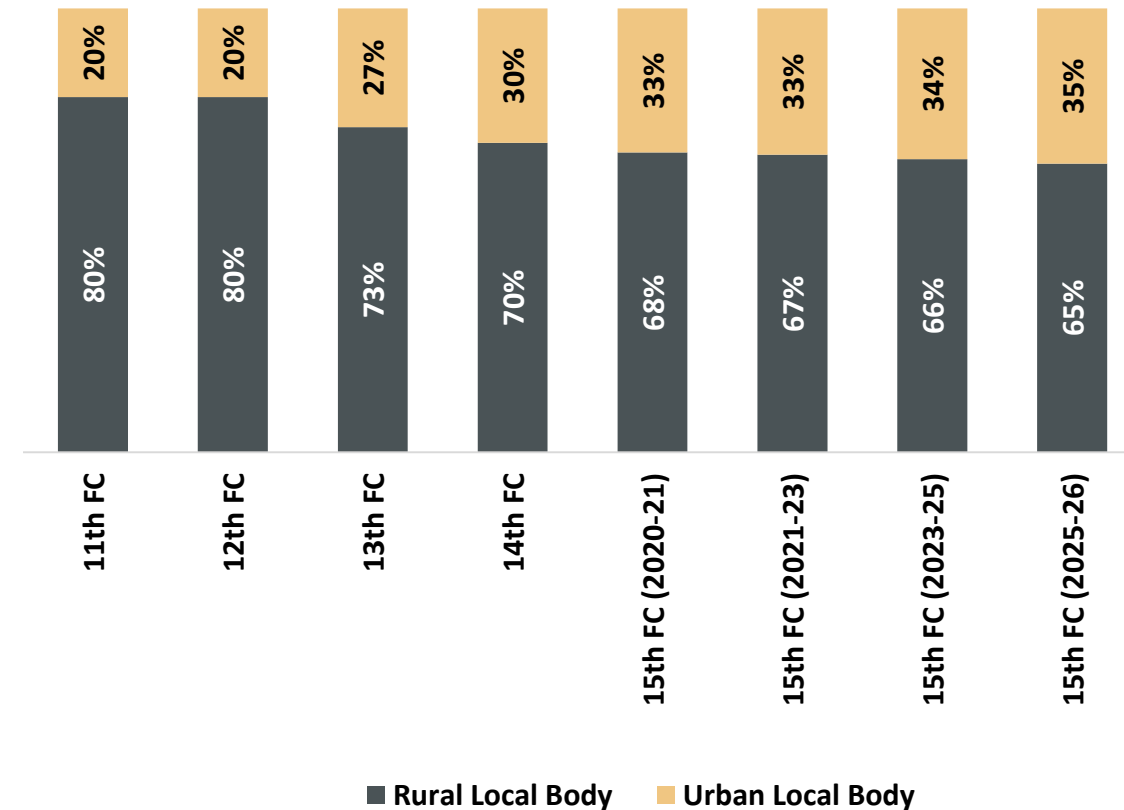
XV FC (Tied) release



# Inter-se distribution: Rural & Urban

- Distribution ratio of local body grants between rural and urban areas has shifted from 80:20 from 11<sup>th</sup> FC to 65:35 in the final year of 15<sup>th</sup> FC
- For XV FC, total allocation is ₹ 1.21 Lakh crores

Inter-se distribution of the local body grants between Urban and Rural Local Bodies



Release ~ Allocation Ratio

Finance Commission	Basic Grant	Performance Grant	Total ULB Grant
FC-X	-	-	83.40
FC-XI	-	-	87.60
FC-XII	-	-	89.40
FC-XIII	91.25	62.03	81.16
FC-XIV	97.01	33.80	84.37
FC-XV (2020-21)	100.00	100.00	100.00
FC-XV (2021-22 to 2023-24)	84.28	82.89	82.65



# Own Sources of Revenue

## Enhancing Financial Autonomy of Panchayats

Area of Focus	Details
Taxation powers (Article 243H)	<ul style="list-style-type: none"><li>• States may authorize Panchayats to levy taxes, duties, tolls, fees</li><li>• Strengthens Panchayat identity as a local government through tax-based OSR (Own Source Revenue)</li><li>• Limited OSR mobilization due to elected representatives' hesitance and administrative limitations.</li></ul>
Matching Grants for OSR	<ul style="list-style-type: none"><li>• Matching grants based on OSR</li><li>• A&amp;N Island: Up to 3x OSR as incentive</li><li>• Goa: Rs. 20,000 - Rs. 4.25 lakh based on Panchayat income.</li></ul>
Revenue sharing	<ul style="list-style-type: none"><li>• Sharing of royalties from local mining across tiers of Panchayats</li><li>• Sharing of GST and District Mineral Fund (DMF) revenues to GPs to strengthen local governance and financial autonomy</li><li>• Enhanced decentralization - Empowers Panchayats with resources for community development</li></ul>
Use of Technology in Tax collection	<ul style="list-style-type: none"><li>• Utilization of tools like SVAMITVA data for property tax assessments</li></ul>
Transfer of Duty	<ul style="list-style-type: none"><li>• Proposal to share property transfer duty revenue (stamp duty) with Panchayats, similar to ULB allocation.</li></ul>



# Own Sources of Revenue

## Enhancing Financial Autonomy of Panchayats



<b>States / UTs with OSR Rules</b>	Andhra Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Mizoram, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh, West Bengal, Puducherry
<b>States / UTs without OSR Rules</b>	Arunachal Pradesh, Bihar, Jharkhand, Manipur, Nagaland, Sikkim, Uttar Pradesh, Andaman & Nicobar Islands, Dadra And Nagar Haveli And Daman And Diu, Ladakh and Lakshadweep

# Key Challenges i.r.o State Finance Commissions

Key Area	Observations & Recommendations
<a href="#">Delay in Constitution of SFCs</a>	<ul style="list-style-type: none"><li>• <b>Constitutional Requirement:</b> The 73<sup>rd</sup> Amendment mandates SFC constitution within one year and subsequently every five years. The 6<sup>th</sup> SFC was due in 2019-20</li><li>• <b>Compliance Deadline:</b> States must constitute SFCs, act on recommendations, and submit explanatory memos to their Legislature by March 2024</li></ul>
Need for State Support	<ul style="list-style-type: none"><li>• <b>Lack of Permanent Infrastructure:</b> SFCs often face delays in securing office space and essential resources due to non-permanent status.</li></ul>
Data Deficiency	<ul style="list-style-type: none"><li>• <b>Challenges in Data Access:</b> SFCs face significant delays in obtaining data from local bodies; data is often incomplete or insufficient for accurate resource gap assessment</li><li>• <b>Recommendation by 14<sup>th</sup> CFC:</b> State Governments should support SFCs with timely constitution, administrative support, and resources for effective functioning.</li></ul>

# Key Challenges i.r.o Panchayati Raj Institutions (1/4)



Key Area	Observations & Recommendations
Augmentation of Own Source of Revenue	<ul style="list-style-type: none"><li>• <b>Article 243H</b> empowers State Legislatures to grant Panchayats tax authority (with exclusions).</li><li>• Panchayats face fiscal challenges, with revenues insufficient to cover basic operational and maintenance costs</li><li>• Property taxes, user fees, and other instruments can boost Panchayats' financial independence</li><li>• Expanding the revenue base will relieve fiscal pressure, enabling better local project planning and execution</li><li>• States like <b>Maharashtra and Odisha</b> have achieved higher revenue generation independently, demonstrating the potential for self-sufficiency.</li></ul>
Infrastructure of Panchayats (Physical & Digital)	<ul style="list-style-type: none"><li>• <b>Increased physical and digital infrastructure</b> is essential for efficient scheme execution and service delivery</li><li>• Establishing <b>Panchayat Bhawans and providing digital access</b> via BharatNet promotes efficient service delivery and enhances citizen access to government services</li><li>• Improved infrastructure aids in collecting local taxes and fees, strengthening Panchayats' financial autonomy</li><li>• Will support data-driven decision-making, transparency, and community engagement, fostering accountable governance</li></ul>

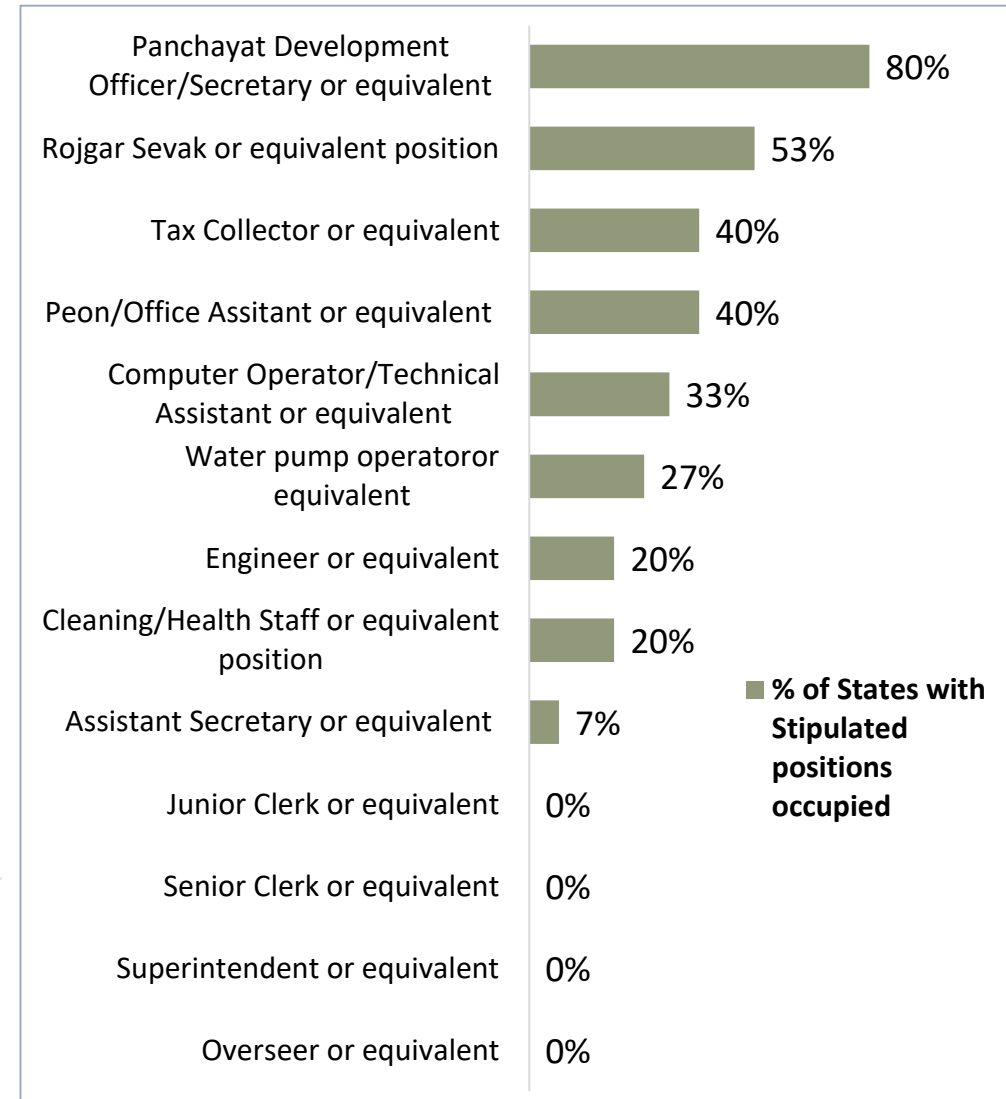
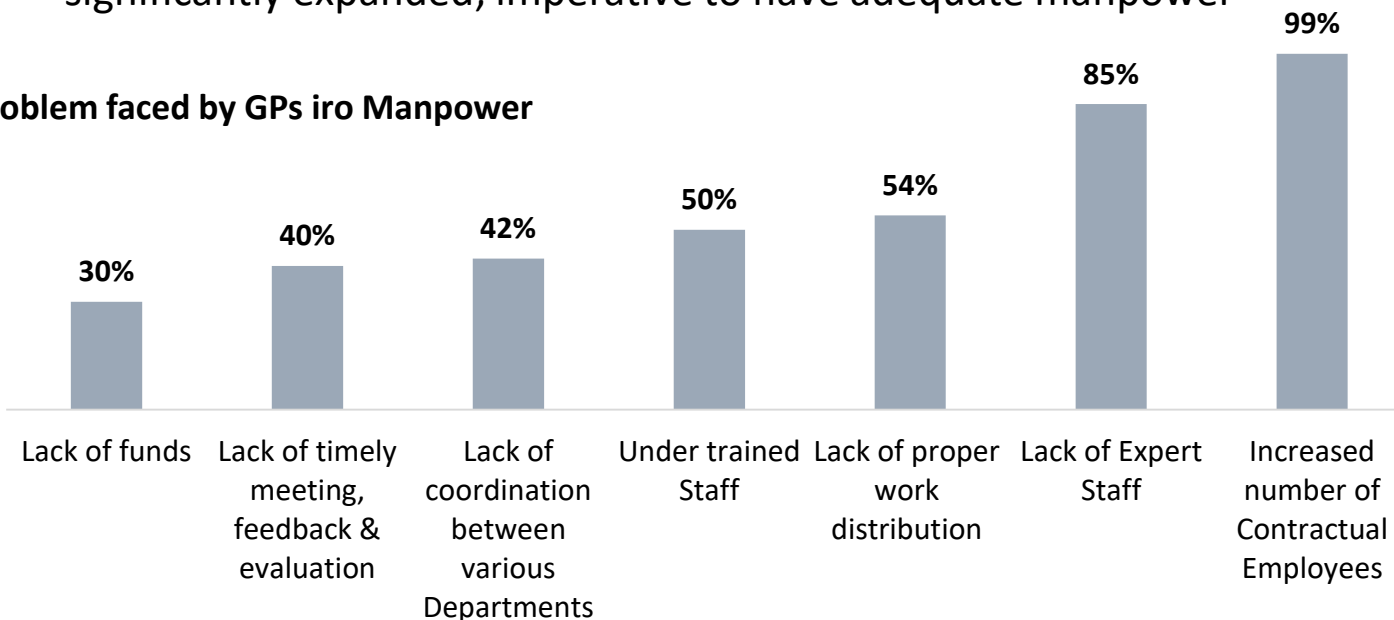
# Key Challenges i.r.o Panchayati Raj Institutions (2/4)



## Human Resources in Panchayats

- Most states lack a clear human resource policy for Panchayats, with only a few exceptions
- Staffing levels were set long ago, with only sporadic additions over the years
- Panchayat functions, responsibilities, funding, and activities have significantly expanded; imperative to have adequate manpower

## Problem faced by GPs iro Manpower



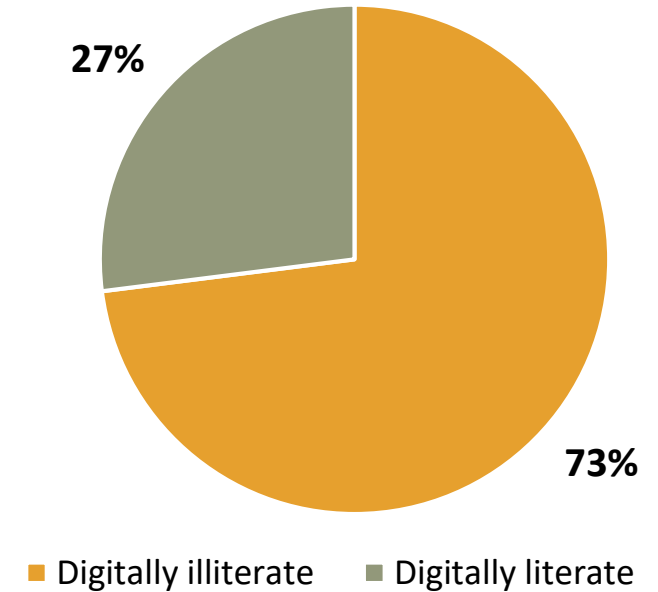


# Key Challenges i.r.o Panchayati Raj Institutions (3/4)



## Human Resources in Panchayats

- **IT Proficiency:** Employee computer proficiency remains insufficient across most States despite IT driven activities
- **Panchayat human resources aligned with departments,** agencies, or schemes rather than directly with Panchayats, impacting accountability and sustainability
- **Resource Convergence:** Effective governance requires both horizontal and vertical convergence of resources and services across Panchayats and Departments
- Coordinated planning and monitoring across flagship schemes are essential to improve service delivery and optimize resources
- **Service Delivery:** Panchayats need sufficient staffing to manage and deliver key services in health, education, and infrastructure
- **Asset Maintenance:** Trained staff are essential for the regular maintenance of public assets to ensure community development and sustainability



# Key Challenges i.r.o Panchayati Raj Institutions (4/5)



Key Area	Focus Points
Capacity Building and Training (CB&T)	<ul style="list-style-type: none"> <li>• <b>Strengthening Accounting System:</b> Training on financial management and tools (viz. eGramSwaraj, PFMS) to improve transparency</li> <li>• <b>Adoption of Technology:</b> Use of digital tools to enhance efficiency; training PRI members for effective utilization</li> <li>• <b>Sustainable Practices:</b> Capacity building on renewable energy and carbon neutrality to support environmental sustainability</li> <li>• <b>Financial Independence:</b> Building skills in revenue generation and financial management to become self-sufficient</li> </ul>
Developing Peri-Urban Gram Panchayats as Growth Centers	<ul style="list-style-type: none"> <li>• <b>Resource Management:</b> Address unplanned growth and resource overuse in peri-urban areas</li> <li>• <b>Environmental Focus:</b> Mitigate issues like air quality, groundwater depletion, and sanitation challenges</li> <li>• <b>Spatial Planning:</b> Optimize land use; encourage small industries to boost economic self-reliance</li> <li>• <b>Revenue Potential:</b> Identify and leverage untapped revenue sources in peri-urban Panchayats.</li> </ul>

# Key Challenges i.r.o Panchayati Raj Institutions (5/5)



Key Area	Focus Points
Operations and Maintenance of JJM & SBM-G Assets	<ul style="list-style-type: none"><li>• <b>Funding Gaps:</b> Lack of O&amp;M funds risks asset deterioration and service decline</li><li>• <b>User Charge Collection:</b> Improve fee collection to support operational sustainability</li><li>• <b>Water Management:</b> Address inefficiencies to reduce water wastage and maintain service quality</li></ul>

**Enhancing financial planning, revenue models, and operational frameworks key to sustainability and effectiveness of JJM and SBM-G initiatives in rural areas**

# Key Reform Agenda of XV FC (1/2)

Area of Focus	Details
<b>Availability of Audited accounts</b>	<ul style="list-style-type: none"><li>• Local governments struggle with timely audited accounts and standardized classification, limiting integration with Union and State accounts.</li><li>• XV FC mandates digital, public access to CFC grant accounts, yet audit transparency gaps remain for other funds</li><li>• Different data standards across agencies hinder seamless data integration, comparison, and analysis</li><li>• Excessive use of generic codes (e.g., "800-Other Expenditure") obscures sector-specific financial reporting (e.g., health, education).</li></ul>
<b><u>Decentralization</u></b>	<ul style="list-style-type: none"><li>• Articles 243G and 243W empower Panchayats and Municipalities with duties in economic development and social justice (e.g., education, health, sanitation)</li><li>• Many States have not fully devolved functions, functionaries, and funds to local bodies, often without adequate budget support</li><li>• Inadequate delegation and overlapping responsibilities limit Panchayat effectiveness, especially in two-tier systems</li><li>• Most States delegate functions broadly rather than defining specific activities for each tier, which limits the effectiveness of local governance</li><li>• Clear mapping of activities per subject and tier is needed for effective local governance.</li></ul>

# Key Reform Agenda of XV FC (2/2)

Area of Focus	Details
<b>Structured consultation among the 3 tiers</b>	<ul style="list-style-type: none"><li>• Structured consultation mechanism can improve local issue prioritization and resource allocation by aligning each tier's specific needs</li><li>• Direct communication across governance levels would reduce delays, enabling quicker resolutions and more effective program delivery</li><li>• States could amend the PR Act to formalize these consultations, utilizing bodies like the District Planning Committee.</li></ul>
<b>District Planning Committee</b>	<ul style="list-style-type: none"><li>• DPC established under Article 243ZD, consolidates plans from Panchayats and municipalities to create a unified district development plan</li><li>• Allocating funds for incentives, permanent manpower, and dedicated office space can enhance DPC functionality and participation</li><li>• Public presentation of draft plans, though challenging, reduces duplication and supports participatory planning</li><li>• DPC composition should include representatives from all PRI levels, especially Gram Panchayat members and Block Panchayat leaders, to improve inclusivity.</li></ul>

# Way Forward

1

## Timely Constitution and Reporting of SFC

- Enforce adherence to statutory timelines for constituting and reporting SFCs; strengthen state accountability
- Mandate submission of interim reports with fund distribution recommendations to avoid governance disruptions
- Cap SFC extension periods to ensure timely reporting aligned with award periods

2

## Permanent Infrastructure and Resources

- Setting up SFC cell within State Finance Dept for data management on local government finances
- office space and hire technical staff for SFC operations to minimize start-up delays.

3

## Prompt Legislative Action on Recommendation

- Submit ATR to the Legislature detailing acceptance, modifications, or rejections of recommendations
- Provide clear reasons for any modifications to SFC recommendations.

4

## Adherence to Constitutional Provisions

- Enforce 15<sup>th</sup> FC's recommendation to withhold grants after March 2024 for non-compliance
- Secure resources for local governments by adhering to 15<sup>th</sup> FC guidelines

## 5 Expanded Scope of SFC Terms of Reference

- Include 25-year decentralization assessment in SFC ToR
- Propose reforms to strengthen local governance.

# THANK YOU

# State wise OSR Details (1/2)

Sr. No	States	Population	No. of Gram Panchayats	Average OSR for period 2017-2022 (In ₹ Lakhs)	Per Capita OSR (₹)	Average Per Panchayat OSR (In ₹ Lakh)
1	Andaman & Nicobar (UT)	2,57,270	70	242	94	3.46
2	Andhra Pradesh	3,78,70,409	13,326	79,193	209	5.94
3	Assam	3,12,24,416	2,197	2,295	7	1.04
4	Bihar	9,93,47,675	8,054	3,789	4	0.47
5	Chhattisgarh	2,12,13,310	11,650	14,901	70	1.28
6	Goa	9,92,170	191	16,225	1,635	84.95
7	Gujarat	4,17,23,435	14,621	82,975	199	5.68
8	Haryana	1,82,81,907	6,225	7,499	41	1.20
9	Himachal Pradesh	72,65,349	3,615	57	1	0.02
10	Jammu & Kashmir (UT)	1,07,10,174	4,291	342	3	0.08
11	Jharkhand	2,98,41,263	4,345	557	2	0.13
12	Karnataka	4,24,77,078	5,953	62,756	148	10.54
13	Kerala	2,80,58,470	941	80,295	286	85.33
14	Ladakh (UT)	2,44,906	193	10	4	0.05
15	Lakshadweep (UT)	58,706	10	3	5	0.30

From Expert Committee on OSR of RLBs, 2022, MoPR



# State wise OSR Details (2/2)

Sr. No	States	Population	No. of Gram Panchayats	Average OSR for period 2017-2022 (In ₹ Lakhs)	Per Capita OSR (₹)	Average Per Panchayat OSR (In ₹ Lakh)
16	Madhya Pradesh	5,76,56,562	23,011	8,458	15	0.37
17	Manipur	24,18,717	161	49	2	0.30
18	Mizoram	6,20,495	N.A	5	1	N.A
19	Nagaland	29,26,700	N.A	-	-	N.A
20	Odisha	3,71,77,485	6,794	4,209	11	0.62
21	Puducherry (UT)	5,20,405	108	3,940	757	36.48
22	Punjab	1,81,67,287	13,241	15,836	87	1.20
23	Rajasthan	5,62,22,862	11,208	5,089	9	0.45
24	Sikkim	5,05,026	199	125	25	0.63
25	Tamil Nadu	4,72,37,378	12,525	51,630	109	4.12
26	Telangana	2,15,42,108	12,772	34,309	159	2.69
27	Tripura	37,79,734	589	359	9	0.61
28	Uttar Pradesh	16,89,74,377	57,691	21,814	13	0.38
29	Uttarakhand	72,17,368	7,795	1,469	20	0.19
30	West Bengal	7,60,25,444	3,339	43,517	57	13.03
	<b>Total</b>	<b>8,69,509,845</b>	<b>2,25,115</b>	<b>511,898</b>	<b>59</b>	<b>2.27</b>

From Expert Committee on OSR of RLBs, 2022, MoPR



# Status of State Finance Commissions (1/2)

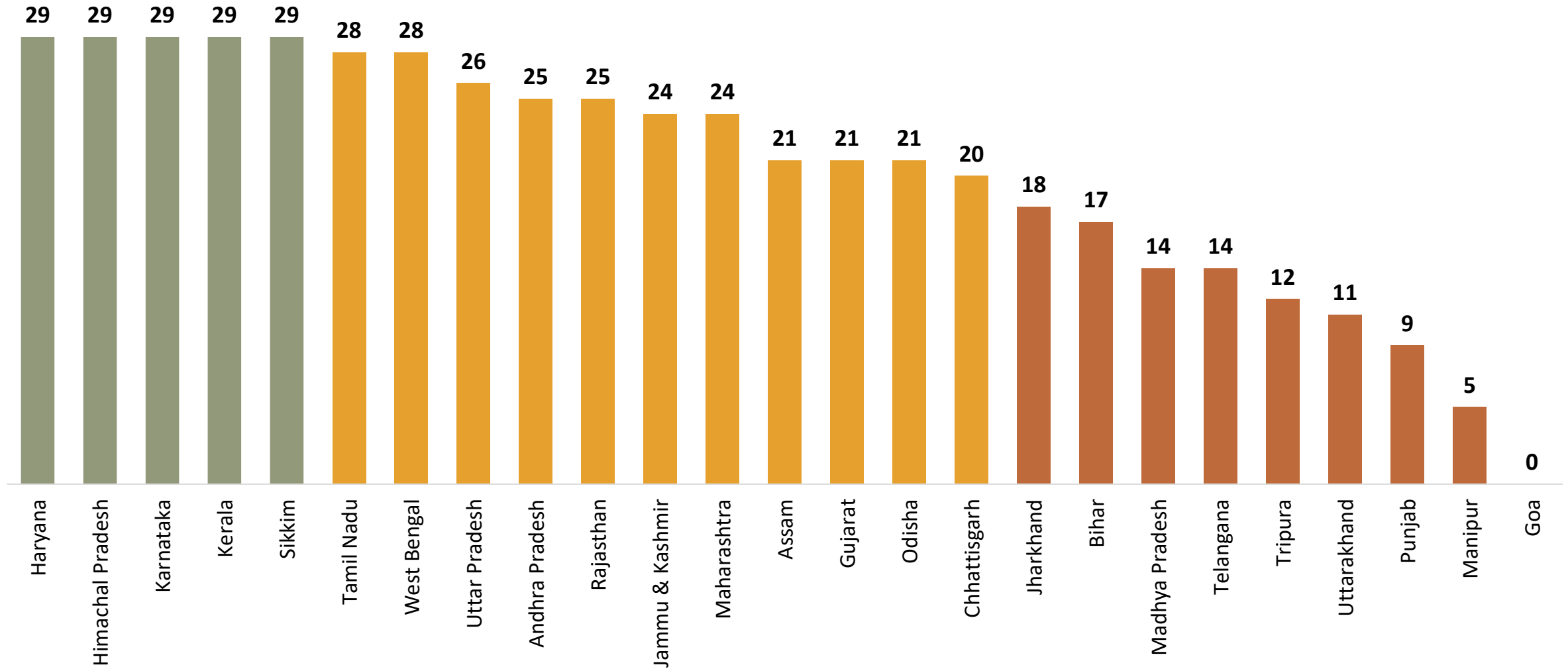
S.No	State	Number	Award period	Constituted	Report submitted on	ATR
1	Andhra Pradesh	5 <sup>th</sup>	2025-30	18th March 2023	To be submitted by 30th Sept 2024	Award period of 4th SFC is live (till 2024-25)
2	Arunachal Pradesh	2 <sup>nd</sup>			The Second SFC report was submitted during June 2014, but its ATR was not tabled in the assembly.	
3	Assam	6 <sup>th</sup>	2020-25	9th November 2018	Submitted on 29th February 2020	Implemented
4	Bihar	6 <sup>th</sup>	2021-25	20th February 2019	Submitted on 30th April 2021	Implemented
5	Chattisgarh	4 <sup>th</sup>	2025-30	29th July 2021	Not submitted	Award period of 3rd SFC is live (till 2024-25)
6	Goa	3 <sup>rd</sup>	2024-29	Reconstituted on 31st December 2021	Major recommendations submitted on 31.01.2024. Final Report to be submitted within 2 months.	ATR on interim report laid in assembly on 08.02.2024 as informed by Member Secretary, SFC.
7	Gujarat	4th	-	04.11.2024	Constituted just 4 days before.	<b>Constituted recently (4<sup>th</sup> November 2024)</b>
8	Haryana	6 <sup>th</sup>	2021-26	September 2020	Submitted in 23 <sup>rd</sup> December 2021	Implemented
9	Himachal Pradesh	6 <sup>th</sup>	2022-27	22nd August 2020	Submitted on 31st October 2022	Implemented.
10	Jharkhand	5 <sup>th</sup>	2024-2029	23.02.2024	SFC constituted recently	
11	Karnataka	5 <sup>th</sup>	2024-29	11th October 2023	Interim report for the period of 2024-25 submitted on 28.02.2024	ATR to be laid
12	Kerala	6 <sup>th</sup>	2021-26	1st November 2019	Submitted in May 2022	Implemented

# Status of State Finance Commissions (2/2)

Sl.No	State	Number	Award period	Constituted	Report submitted on	ATR
13	Madhya Pradesh	5 <sup>th</sup>	2020-25	Constituted on 20th March 2017. Extended upto 2025-26	Submitted on 30 <sup>th</sup> April 2019	Implemented
14	Maharashtra	5 <sup>th</sup>	2019-25	March 2018	Submitted its report. ATR on the same is not available	Award period of 5th SFC is live (till 2024-25). ATR laid on 15.12.2020. Implemented
15	Manipur	4 <sup>th</sup>	2021-26	October 2019	Submitted in July 2021	ATR to be laid
16	Odisha	5 <sup>th</sup>	2020-25	May 2018	Submitted in August 2019	Implemented
17	Punjab	6 <sup>th</sup>	2021-26	3 <sup>rd</sup> July 2018	Submitted on 29th March 2022	Implemented
18	Rajasthan	6 <sup>th</sup>	2020-25	12 <sup>th</sup> April 2021	Submitted on 21st September 2023	Implemented
19	Sikkim	6 <sup>th</sup>	2025-30	20 <sup>th</sup> June 2022	Submitted on 20 <sup>th</sup> February 2024	Implemented. Award period of 5th SFC is live (till 2024-25).
20	Tamil Nadu	6 <sup>th</sup>	2022-27	March 2020	8th March 2022	Implemented
21	Telangana	2 <sup>nd</sup>	2025-30		First SFC (2020–21 to 2024–25) Constituted in 2015. However, its report not submitted	Implemented. Award period of First SFC is live (2020–21 to 2024–25) Constituted in 2015. ATR on 15.02.2024.
22	Tripura	5 <sup>th</sup>	2021-26	4th June 2020	8th February 2021	Implemented
23	Uttar Pradesh	6 <sup>th</sup>	2015-21	15 <sup>th</sup> January 2024		5th SFC which was constituted in October 2015 for the period of 2015-21, has been extended
24	Uttarakhand	5 <sup>th</sup>	2021-26	4 <sup>th</sup> November 2019	Submitted in July 2021	Implemented
25	West Bengal	5 <sup>th</sup>	2020-25	23rd May 2022	Submitted on 30th Sept. 2023	Implemented



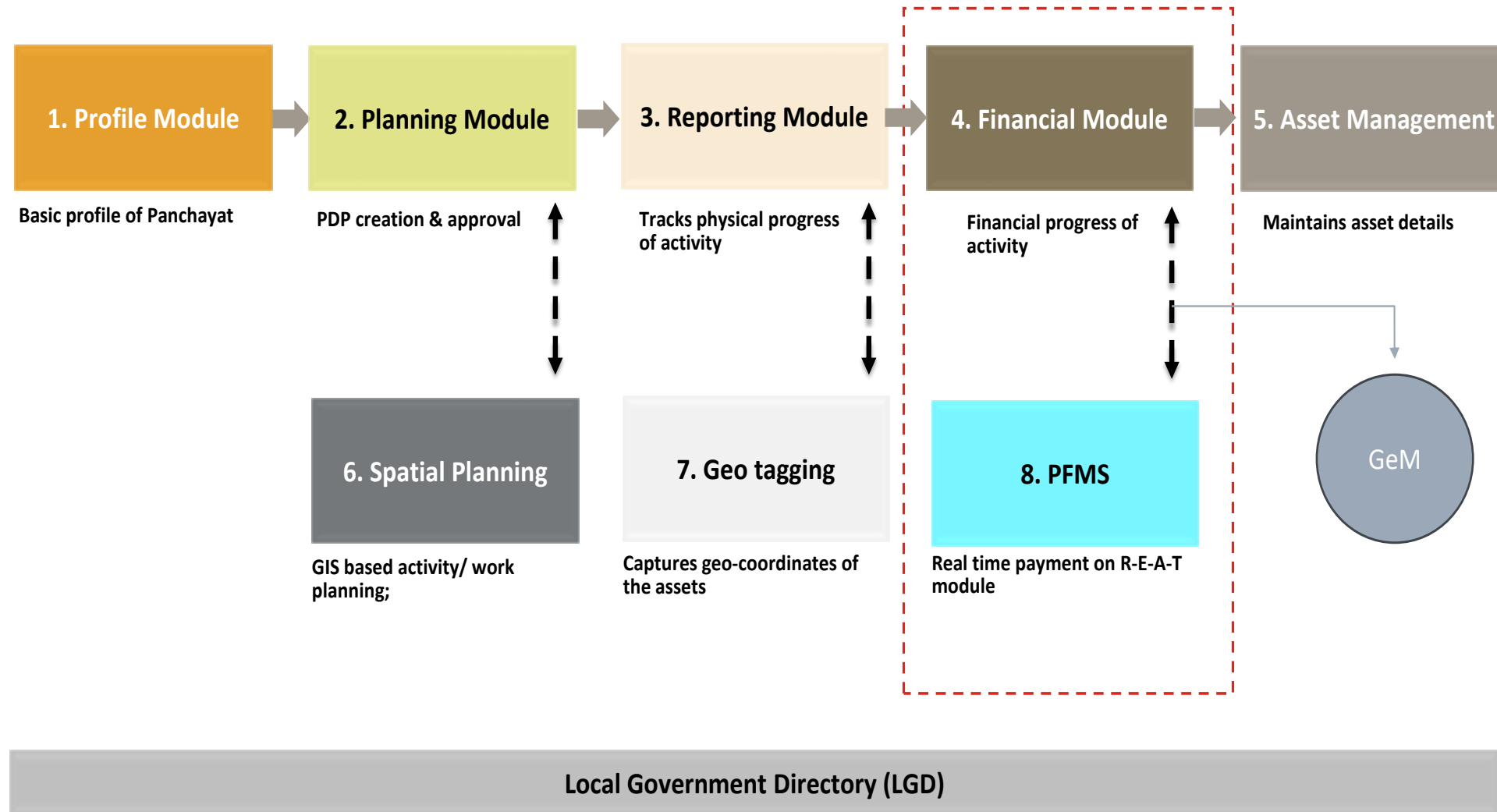
# Status of Devolution by States (TISS Study 2015-16)



# eGramSwaraj

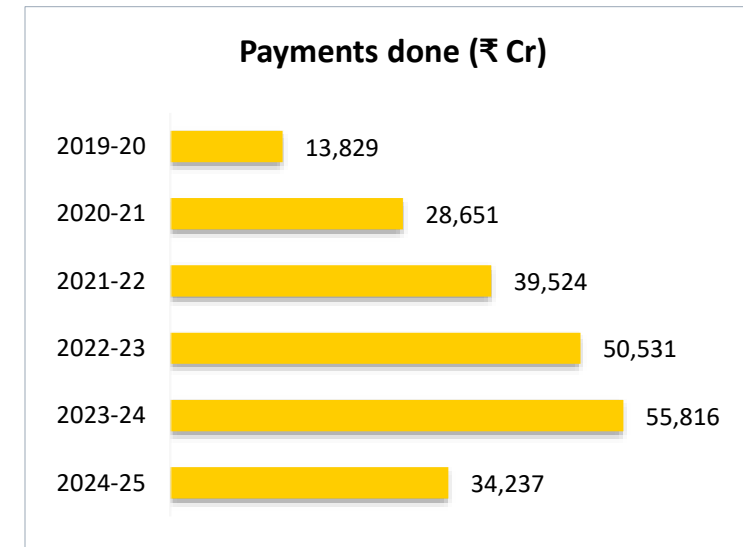
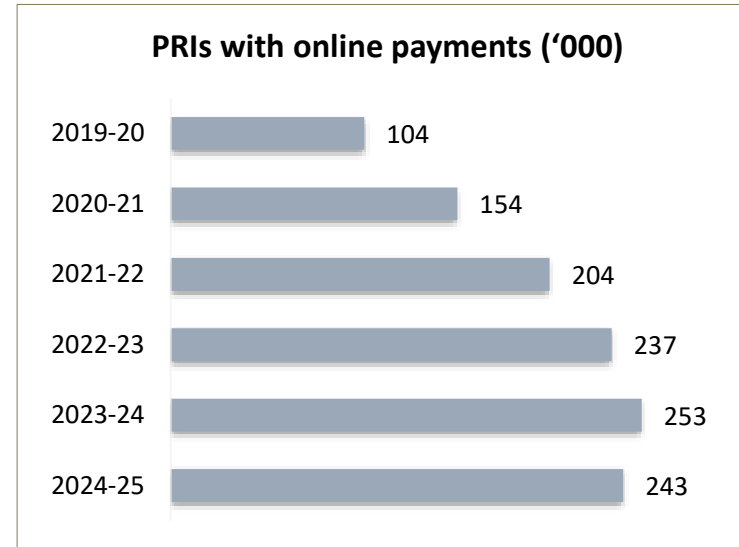
Single platform for all the planning & accounting needs of Panchayat

- Launched on April 24, 2020
- Work Based Accounting
- **Mandatory Geo-tagging**
- **Integrated with PFMS** for real-time payments
- **Integrated with GeM** portal for procuring goods & services

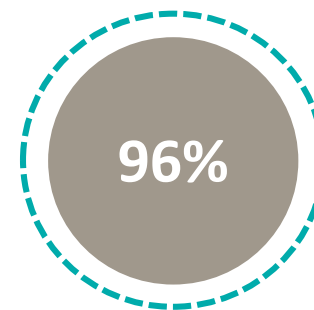


# eGramSwaraj – PFMS Interface

## Online Payment Interface



Also includes SFCs (UP, OD, UK), State schemes (UP)



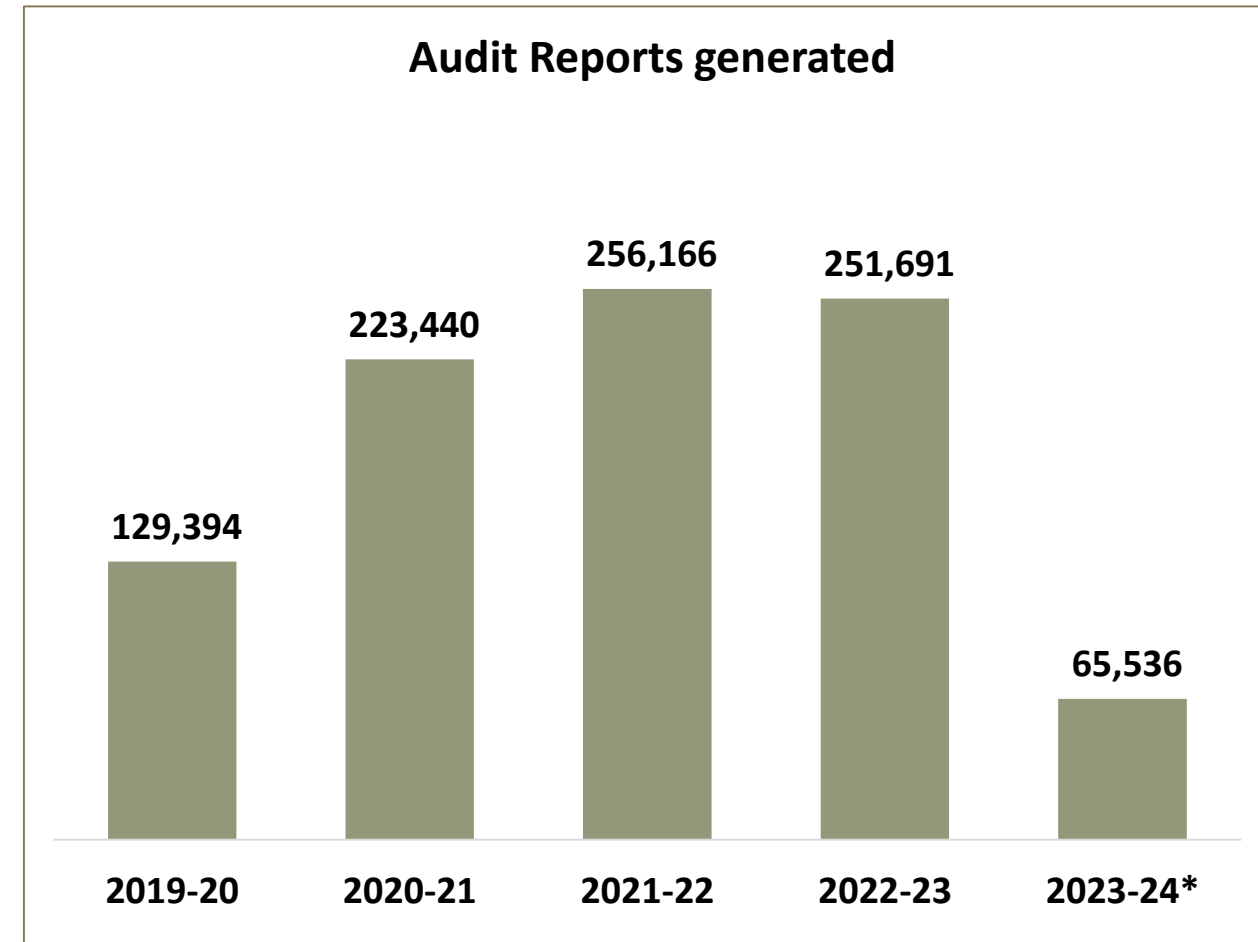
**Payment Success Rate**

**₹ 2,22,629 Crores worth payment done online**

# AuditOnline

## Online Audits of Panchayat Accounts

- Launched in April 2020
  - 94% Audit Reports for 2021-22 accounts generated
  - 70% Audit Reports for 2022-23 accounts generated
- **New initiatives:** ATR Module, Auditor Certificate
- ATR launched July 2023 for structured online audit process
- 100% audit of 2022-23 period mandatory for release of 2024-25 grants



\*work in progress

# Committee for Optimization of Panchayat Accounts (COPA)



## Harmonization of Head of Accounts

- **Committee on Optimizing Panchayat Accounts**
  - Formed by MoPR to improve financial management at Panchayat level
- **Need for Accountability:**
  - Large grants to Panchayats require strict tracking of public spending
- **Expenditure Classification Challenges**
  - Issues like misclassification and incorrect Head of Accounts impact Capital & Revenue Expenditures
- **Improving Accounting Systems**
  - Enhanced systems to reduce manual intervention and improve transparency in spending
- **Key Objectives**
  - Streamline Head of Accounts (HoA): Align HoA with thematic planning; optimize major heads (2515, 4515)
  - Advance Accounting Structures: Transition from a **four-tier to a six-tier system; roadmap for accrual accounting**
  - Leverage Technology: Use AI & RPA to modernize accounting practices



# Panchayat Development Index

Assessing overall holistic development, performance & progress of Panchayats

- **Localization of SDGs (LSDGs)**

- Ministry's initiative to track LSDGs progress via Panchayati Raj Institutions (PRIs)

- **Panchayat Development Index (PDI)**

- Measures Panchayat progress on 9 themes of LSDGs using local indicators
- Provides thematic and composite scores for assessing development status



- **Key function of PDI**

- Act as a baseline tool to evaluate Panchayat-level development at the grassroots

- **PDI Committee Report (2023)**

- Details methodology: 577 indicators, 144 targets, 688 data points across 9 themes

- **Objective Assessment for Local Governance**

- Enables evidence-based planning for SDG achievements through objective performance tracking

# Audit of ULB Accounts

- **Online account availability**
  - Both provisional accounts and audited accounts to be made available in the public domain (15<sup>th</sup> FC)
- **Audited Account Requirements for ULBs**
  - Must include (a) Balance Sheet, (b) Income & Expenditure Statement, (c) Cash Flow Statement, and (d) Supporting Schedules
- **Year-wise conditions for grant release**
  - **2021-22 & 2022-23:** At least 25% of ULBs must comply for full grants
  - **2023-24 Onwards:** Total grants dependent on full compliance for all ULBs
- **City Finance Portal**
  - ULBs are now uploading accounts to this platform per FC-XV compliance

# XV FC Grants to Rural Local Bodies (RLBs)

- Inter-se distribution for RLBs in States – 90:10 (Population:Area)
- Inter se distribution among all tiers to be done by States as per SFC recommendations in conformity with following bands:

Range	GPs	BPs	ZPs
Minimum	70%	10%	5%
Maximum	85%	25%	15%

- **Timely Constitution and implementation** of SFC recommendations linked mandatorily to release of XV FC RLB grants from 2024-25