

Finance Commissions' Conclave – Devolution to Development – Proceedings

14th November 2024, Hall 2 & 3 Vigyan Bhawan



Proceedings of Finance Commissions' Conclave – Devolution to Development - 14th November 2024, Hall 2 & 3 Vigyan Bhawan

Welcome of Dignitaries & Inauguration of the Conclave

The conclave commenced with a warm welcome to the esteemed dignitaries, including Dr. Arvind Panagariya, Chairperson of the XVI Finance Commission, and the distinguished members of the Sixteenth Finance Commission—ShriAjay Narayan Jha, Ms. Annie George Mathew, and Dr. Manoj Panda. Dr. Soumyakanti Ghosh, Member of the Sixteenth Finance Commission joined the conclave virtually. The program was formally inaugurated with the ceremonial lighting of the lamp, followed by the presenting of *Angvastra* to the members of the XVI Finance Commission

The Conclave hosted over 150 participants from 22 States, including current and former Chairpersons of State Finance Commissions (SFCs), SFC Members and Member Secretaries, Principal Secretaries and Secretaries from State Finance Departments, as well as experts from academic and research institutions. A detailed list of participants is attached as **Annexure I**



The Conclave featured four key sessions focused on strengthening financial governance in local bodies, with a particular emphasis on the effectiveness of SFCs:

1. **Inaugural Session** – This session included opening addresses by the Secretary of the Ministry of Panchayati Raj, along with a keynote address by Dr. Arvind Panagariya, Chairperson of the 16th Finance Commission. JS, MoPR made a presentation on the functioning of SFCs and key issues.
2. **Session I: Local Body Grants** – This session focused on the challenges and opportunities associated with Tied versus Untied Grants, the online availability and audit of local body accounts, and issues related to grant utilization.
3. **Session II: Panchayat Finances** – This session focused on the devolution of funds and functions, along with strategies for increasing revenue sources for Panchayats.
4. **Closing Session** – The session included address by the Secretary, Department of Economic Affairs and address by Chairperson of the 16th Finance Commission. The conclave ended with a Vote of Thanks by Joint Secretary, MoPR.

The detailed minute-to-minute programme of the Conclave is attached as **Annexure II**

Session	Inaugural session
Speakers	Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj Shri A P Nagar, Joint Secretary, MoPR Dr. Arvind Panagariya, Chairman, 16 th Finance Commission
Scheduled Time	10:00 AM – 10:45AM

<p>Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj (MoPR)</p>	<p>i. Secretary, Ministry of Panchayati Raj (MoPR), in his inaugural address, welcomed the Chairperson and members of the Sixteenth (XVI) Finance Commission, along with senior officials and chairpersons; Members of State Finance Commission from the States. Secretary, MoPR stated that the Prime Minister's vision of a "Viksit Bharat" by 2047 hinges on empowering "Viksit Panchayats" as engines of growth and development.</p> <p>ii. Secretary, MoPR further highlighted the saturation approach made by the Ministry to address challenges in Panchayats, including the provision of 37,000 computers systems for Gram Panchayats and allocation of funds for construction of Panchayat Bhawans for habitations with population above 3,000. Secretary, MoPR, emphasized the need for Panchayats to focus on generating their own-source revenue (OSR) to reduce dependency on allocated funds.</p> <p>iii.</p> <div data-bbox="560 1161 1341 1675" data-label="Image"> </div> <p>iv. Secretary, MoPR lauded the recommendations made by XV Finance Commission for enhancing financial transparency, citing measures like financial audits and highlighted the initiatives of the Ministry including Audit Onilne, Meri Panchayat application etc. Additionally, State Finance Commissions were also suggested to prioritize creating and updating OSR</p>
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	<p>rules to match present-day needs.</p> <p>v. Secretary, MoPR also highlighted the efforts of the Ministry towards capacity building and apprised about the collaboration with IIM Ahmedabad to develop training modules for OSR enhancement and the launch of the Samarth portal to facilitate resource generation.</p>
<p>Shri A. P. Nagar, Joint Secretary, Ministry of Panchayati Raj (MoPR)</p>	<p>i. Shri A. P. Nagar, Joint Secretary, Ministry of Panchayati Raj (MoPR), made a brief presentation, emphasizing the theme of "Devolution to Development" and the partnership between State Finance Commissions (SFCs) and the Central Finance Commission (CFC) to strengthen grassroots governance.</p> <div data-bbox="609 621 1349 1079" data-label="Image"> </div> <p>ii. Key highlights of the Presentation:</p> <ol style="list-style-type: none"> a. Demographics and Devolution: Significant disparities in Gram Panchayat (GP) populations (1,000–18,000) and fund allocations were noted, underlining the need for fresh delimitation of GPs along with incentivized and equitable resource distribution. b. Rural vs. Urban Local Bodies: Rural Local Bodies (RLBs) far outnumber Urban Local Bodies (ULBs). While RLBs depend heavily on CFC grants, ULBs increasingly leverage Own Source Revenue (OSR). c. Governance Challenges: Delays in SFC constitution, insufficient infrastructure (~40,000 GPs lack offices; ~55,000 lack computers), and human resource shortages were highlighted. d. Achievements and Gaps: The XV Finance Commission improved financial flows, tying grants to essential services like water and sanitation. Yet, outdated OSR rules, weak institutional mechanisms, and sustainability gaps remain critical issues. e. Reform Agenda: Proposed reforms included timely SFC constitution, infrastructure and capacity-building support, revitalization of District Planning Committees, peri-urban planning, and fostering inter-tier

	<p>collaboration.</p> <p>iii. The presentation concluded with a call for robust capacity-building, enhanced resource mobilization, and structured consultations to ensure sustainable grassroots development.</p>
<p>Dr. Arvind Panagariya, Chairperson of the 16th Finance Commission</p>	<p>i. Dr. Arvind Panagariya, Chairperson of the 16th Finance Commission, delivered the keynote address, appreciating the event as a pioneering initiative with potential to shape the future Finance Commission discussions.</p> <p>ii. Drawing on experience from consultation visits to 11 States, Dr Panagariya highlighted the growing convergence between Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs) in addressing governance challenges, such as waste management and environmental concerns. This alignment reflects the evolving demands and shared priorities of these entities.</p> <div data-bbox="630 793 1382 1297" data-label="Image"> </div> <p>iii. Dr. Panagariya emphasized the critical role of Own Source Revenue (OSR) in strengthening local governance. It was noted that mobilizing local resources through taxes and contributions not only enhances financial autonomy but also fosters citizen participation. When citizens contribute financially, they become more aware of and invested in the services they expect, creating a virtuous cycle of accountability and service delivery.</p> <p>iv. While acknowledging income disparities in rural areas, he stressed the importance of targeting those who can contribute, encouraging Panchayats and Municipal Bodies to explore revenue-generation opportunities within their jurisdictions. Dr. Panagariya concluded with optimism, expressing hope for meaningful discussions to drive innovative solutions for strengthening local governance and resource mobilization.</p>

Session-I

Local Body Grants

Topics

Tied vs Untied grants

Condition of online availability and audit of accounts

Issues pertaining to Local body Grants and utilization

Moderator

Shri Ashok K. K. Meena,

Secretary, Department of Drinking Water and Sanitation (DDWS)

Scheduled Time

11:00 AM – 1:30 PM

**Shri Ashok K. K. Meena,
Secretary, Department of
Drinking water and Sanitation
(DDWS)**

While making his opening remarks, Shri Ashok K K Meena, Secretary, DDWS emphasized the following:

- i. **Capital Asset Management in Rural Areas:** The Central Government has been promoting the creation of capital assets in rural areas through programs like Swachh Bharat Mission (SBM) and Jal Jeevan Mission (JJM). Operation and Maintenance (O&M) of these assets is critical to maintaining service quality which has been devolved to Rural Local Bodies (RLBs).
- ii. Recognizing the importance of water and sanitation issues, the 15th Finance Commission allocated 60% of its grants for water and sanitation. These funds are released to local bodies after due verification, with overall utilization deemed satisfactory. However, some northeastern States face delays in providing Grant Transfer Certificates, an issue being addressed.
- iii. **Challenges in O&M for Rural Local Bodies:** RLBs face significant challenges in maintaining assets due to limited revenue-earning capacity and low willingness among rural populations to bear O&M costs.
- iv. Compared to Urban Local Bodies (ULBs), RLBs have weaker capacity to sustain these essential services. This necessitates additional support from both the Central Government and State Finance Commissions (SFCs).
- v. **Recommendations:** O&M, particularly for water and sanitation services, requires critical attention from CFCs and

	SFCs. Continued financial support for O&M of assets, is essential to ensure the sustainability and effectiveness of rural infrastructure.
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Observations by State Finance Commissions	
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<p>1. Andhra Pradesh</p>	<p>Prof. Ratna Kumari, Chairperson, 5th SFC, AP:</p> <ul style="list-style-type: none"> i. Key Issues and Observations in the Functioning of PRIs: In her opening remarks, Prof. Ratna Kumari provided an overview of Panchayati Raj Institutions (PRIs) in the State, comprising of 13,326 Gram Panchayats (GPs), 66 Mandals, and 13 Districts. She emphasized that while devolution of funds is critical, their effective utilization is equally important. ii. In case of AP, the Finance Commission (FC) grants constitute around 61% of GP resources, reflecting their significant impact. Approximately 23% of resources are generated by GPs through tax and non-tax revenues, with an observed 14% annual growth in Own Source Revenue (OSR) mobilization over the last five years across rural and urban local bodies. Finance Commission grants form only 17% of urban local body resources, with a significant gap in property tax collection. iii. Challenges in Fund Convergence and Accounting Practices: Funds from the 15th FC are routed through the Public Financial Management System (PFMS) which is integrated with the eGramswaraj platform. However, State grants are routed via the Comprehensive Financial Management System (CFMS), which is not linked to eGramswaraj. OSR is neither routed nor captured through PFMS or CFMS, with local bodies often issuing cheques manually. This lack of integration compromises transparency and accountability. Moreover, discrepancies exist between accounts prepared on eGramswaraj and those maintained manually. iv. PRIs are not consistently initiating payments through eGramswaraj, with voucher creation limited to 15th FC funds. Audits by the State Audit Department are inadequate, as auditors do not verify accounts prepared by PRIs under the Model Accounting System (MAS). Instead, they prepare simplified receipts and payment statements, which are attached to audit reports uploaded online. v. Digital Literacy and Capacity Building: A significant barrier
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	<p>to effective governance is the widespread digital illiteracy among Elected Representatives and Secretaries of Gram Panchayats. Many GPs lack dedicated Secretaries, with one Secretary often managing multiple GPs. Thus, comprehensive capacity-building initiatives are required, focusing on long-term training in digital literacy, financial management, accounting, online transactions, and auditing. These efforts could be funded through the 16th FC or with matching grants from state governments.</p> <p>vi. Way Forward: To enhance accountability and governance, it is crucial to integrate state and OSR funds with the eGramswaraj system. Strengthening accounting practices, ensuring proper audits, and improving digital tools are essential steps. Comprehensive training programs should be prioritized to build the financial and digital capacity of PRI personnel.</p>
<p>2. Himachal Pradesh</p>	<p>Shri Sourabh Jassal, Special Secretary for Finance and Urban Development:</p> <p>i. Shri Sourabh Jassal, Special Secretary for Finance and Urban Development, highlighted the State’s focus on rural governance and informed that Himachal Pradesh has 3,615 Gram Panchayats (GPs) and 68 Urban Local Bodies (ULBs).</p> <p>ii. With most of the population residing in rural areas, timely constitution of State Finance Commissions (SFCs) has been a priority. The 7th SFC was constituted in March 2024, and recommendations from earlier SFCs are being adopted progressively. The state has released funds exceeding the amounts recommended by the SFC to PRIs, showcasing its commitment to decentralized development.</p> <p>iii. Key Observations and Good Practices: While gaps remain in local tax collection, the utilization of funds is commendable and undergoes regular reviews. Public representatives show a strong preference for untied funds due to the greater flexibility they provide, and most GPs are effectively utilizing these funds. This practice should be continued to ensure local needs are met efficiently.</p> <p>iv. A notable initiative in Himachal Pradesh is the devolution of additional funds through the Planning Department, where Collectors at the district level have discretion to converge these funds with SFC grants for more impactful use. Additionally, the State has also constituted a Vidhan Sabha</p>

	<p>Committee on Local Funds and Audit, significantly strengthening the audit framework and enhancing accountability and governance.</p>
<p>3. Maharashtra</p>	<p>Ms. Vanmathi, Joint Commissioner of State Tax, Maharashtra</p> <ul style="list-style-type: none"> i. Ms. Vanmathi, Joint Commissioner of State Tax, highlighted Maharashtra's robust Panchayati Raj system, which includes 34 Zilla Parishads (ZPs), 351 Development Blocks, and approximately 27,886 Gram Panchayats (GPs). The State has excelled in preparing and systematically following Gram Panchayat Development Plans (GPDPs), ensuring their timely preparation, uploading, and the prompt transfer of grants. ii. Key Initiatives and Challenges:Over the last 4–5 years, Maharashtra has implemented the 'Aaple Seva Kendra' initiative, establishing Common Service Centers (CSCs) in 80–90% of GPs. These centers, staffed by literate operators with adequate digital infrastructure, have improved service delivery at the GP level, reducing dependency on the Rural Development Department's manpower. iii. While approximately 50% of GPs are collecting Own Source Revenue (OSR), property tax and water charge collections face political sensitivities. Additionally, the state has witnessed the creation of a significant number of assets in GPs over the last decade. However, maintenance and operations of these assets remain a challenge, leading to their gradual deterioration. iv. Convergence and Monitoring of Funds:Maharashtra has prioritized the convergence of various grants, including State Finance Commission (SFC) and Central Finance Commission funds, for effective utilization. However, the state faces difficulties in monitoring the utilization of funds and tracking expenditure on local necessities, highlighting the need for a more robust monitoring system.
<p>4. Odisha</p>	<p>Shri Taraknath Bhakta, Joint Secretary Finance Department, Odisha</p> <ul style="list-style-type: none"> i. Shri Taraknath Bhakta, Joint Secretary, Finance Department, Odisha presented an overview of local governance structures, highlighting that 83% of the population resides in rural areas and 17% in urban areas. Odisha has 6,698 Gram Panchayats (GPs) and 115 Urban Local Bodies (ULBs). Five State Finance Commissions (SFCs) have been constituted,

with the fifth SFC's period aligned with the Central Finance Commission (CFC), ending on March 31, 2026. Steps are underway to constitute the 6th SFC.

- ii. **Key Financial Frameworks and Allocation:** The total fund transfer to Rural Local Bodies (RLBs) is categorized as 30% devolution (untied), 40% assignment of taxes (tied), and 30% grants-in-aid (tied). Net transfers by SFC recommendations exclude CFC allocations. For PRIs, the devolution ratio among GPs, Panchayat Samitis (PSs), and Zilla Parishads (ZPs) is approximately 60:30:10. Additional allocations favor GPs in scheduled areas, and funds for PSs and ZPs are based on the number of subordinate GPs and PSs, respectively. ULB allocations are determined by population size.
- iii. To compensate for the subsumption of Entry Tax, Advertisement Tax, and Entertainment Tax under GST, 7.46% of State GST revenue has been recommended for local bodies. Road maintenance and infrastructure improvements are supported by 8.03% of Motor Vehicle Tax proceeds assigned to PRIs and ULBs.
- iv. **Capacity Building and Accountability:** Capacity building is being prioritized to address the low utilization rate of funds by local bodies. Accountant-cum-DEOs are posted at the GP level for financial management, and Gram Panchayat Technical Assistants (GPTAs) oversee developmental works. Annual audits are conducted by the Directorate of Local Fund Audit, and local bodies utilize the Audit Online platform for CFC grant audits.
- v. **Monitoring and Oversight Mechanisms**
 - a. **Dedicated Cells:** Full-fledged cells in the PR&DW, H&UD, and Finance Departments monitor grant implementation and utilization certificate (UC) submission.
 - b. **High-Level Monitoring Committee:** Headed by the Chief Secretary, with key Secretaries as members, this committee reviews fund utilization progress.
 - c. **District-Level Monitoring Committees:** Chaired by Collectors, these committees oversee revenue collection, expenditure, and UC submission on a quarterly basis.
 - d. **Legislative Reporting:** A supplementary budget

	<p>document detailing fund transfers to local bodies is presented annually in the Legislative Assembly by March 31.</p> <p>vi. Challenges and Way Forward: Despite the systematic frameworks, fund utilization rates by local bodies remain a concern. Strengthening monitoring mechanisms, enhancing digital tools, and continuous capacity building are essential to ensure the effective use of resources and sustainable development at the local level.</p>
<p>5. Tamil Nadu</p>	<p>i. The Sixth State Finance Commission (SFC) was constituted in 2020, with its final report submitted in March 2022, covering the operational period from April 2022 to March 2027. The SFC's work was supported by premier academic institutions to ensure a comprehensive and well-informed approach.</p> <p>ii. Local bodies, both rural and urban, exhibit significant diversity in terms of area, population, resources, and challenges. Urban areas are rapidly urbanizing with expanding boundaries and new ULBs, while rural areas face stagnant populations, migration, and a shift toward urbanization. Financially, most local bodies rely heavily on Central and State Finance Commissions due to weak own-source revenue, compounded by inadequate infrastructure and service delivery capacities.</p> <p>iii. The SFC introduced key changes to the devolution framework. The share of the state's own tax revenue allocated to local bodies remains at 10%, with a revised distribution ratio of 49:51 between RLBs and ULBs. Devolution now includes fixed and variable components, with special grants assigned to both RLBs and Non-Metro ULBs. Allocation is based on criteria such as population, area, and SC/ST or slum populations, with distinct weightages applied for horizontal distribution among subcategories.</p> <p>iv. Specific sharing ratios were set to address diverse needs: 7:37:56 for District, Block, and Village Panchayats; 16:84 between Greater Chennai Corporation and other ULBs; and 31:36:33 among Municipal Corporations, Municipalities, and Town Panchayats for Non-Metro ULBs. Cantonment Boards are provided fixed devolution amounts similar to Municipalities. These measures reflect a nuanced and balanced approach to addressing the financial and</p>

6. Jharkhand	<p style="text-align: center;">infrastructural needs of local bodies across the state.</p> <p>Shri Amarendra Pratap Singh, Chairperson, State Finance Commission (SFC) Jharkhand:</p> <ol style="list-style-type: none"> i. Shri Amarendra Pratap Singh, Chairperson of the State Finance Commission (SFC) in Jharkhand, highlighted the State's demographic composition, with approximately 75% of the population residing in rural areas and 25% in urban areas. Urbanization is growing rapidly, presenting significant challenges, including an increasing number of Urban Local Bodies (ULBs) due to regular notifications of new areas requiring focused attention. ii. The current SFC, the 5th in the State, was constituted in February 2024 and is working to address long-standing issues outlined in the Ministry's concept note. Previous SFCs have faced numerous challenges, including limited government support, political instability, and frequent elections, which hindered their functionality. Notably, only the first SFC in 2002 submitted a report, and even that focused solely on urban areas, leaving Panchayat devolution largely unaddressed. The current SFC is actively engaging stakeholders and collecting reports to move forward. iii. There have been positive developments in urban areas. The State has sanctioned and filled key administrative posts such as Executive Officers and Assistant Municipal Commissioners, reducing reliance on deputations. Some older ULBs, like Ranchi Municipal Corporation, are performing well, meeting 75% of their administrative expenses through Own Source Revenue (OSR). Property tax rules are well-defined and notified, with cities like Ranchi and Dhanbad showing promising revenue generation. iv. In contrast, rural areas face severe challenges in OSR mobilization. No notifications exist for OSR collection, and revenue from minor minerals, previously a significant source for rural local bodies, has diminished due to irregularities in sand mining auctions. Although Zila Parishads collect revenue from sources like bus stands, but the lack of formalized rules limits their capacity. v. Financing Operation and Maintenance (O&M) of assets in PRIs remain a critical challenge. Support from the 16th Finance Commission is essential, with a need to continue both tied and untied funds. Untied funds often support infrastructure, like road construction, while focused efforts are required for water conservation, a key priority for
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	<p>Jharkhand.</p> <p>vi. The state has made progress in providing basic infrastructure at the Panchayat level, with 90% of Panchayat Bhawans completed and equipped with Common Service Centers (CSCs). However, there are shortages of Panchayat Secretaries, and their educational qualifications remain a concern. Skilling officers, representatives, and strengthening training institutions are critical to addressing this gap.</p> <p>vii. Additionally, the state government provides ₹15,000 annually to each Panchayat as an establishment cost, offering some relief amidst the broader financial challenges.</p>
<p>7. Manipur</p>	<p>Dr. T H Munindro Singh, Secretary, 4th State Finance Commission, Manipur:</p> <p>i. In Manipur, there are 161 Gram Panchayats (GPs) across six Zila Parishads (ZPs), six Autonomous District Councils (ADCs), four Nagar Panchayats, 23 municipalities, and one municipal corporation. The total number of households in the state is approximately 55,785, with a significant majority located in rural areas, particularly within the Panchayat and district council regions. Urban areas account for only 0.63% of the total area, underscoring the predominance of rural living conditions.</p> <p>ii. The devolution of powers to rural local bodies is determined by population size, which has not posed any issues thus far. However, a major challenge remains in the availability of reliable data. While there is a wealth of data available, concerns about its reliability persist. The 16th Finance Commission may allocate special funds to address infrastructure and manpower needs for collecting and maintaining reliable data related to State Finance Commission (SFC) and Central Finance Commission (CFC) grants in the State.</p> <p>iii. For instance, in the absence of trustworthy data, indicators such as infant mortality rates are often used as proxies for life expectancy at birth. Unfortunately, this data is not available at either the district or Gram Panchayat levels. Additionally, there is a pressing need for training programs for officials managing grants from both the Central and State Finance Commissions at the Gram Panchayat level.</p> <p>iv. Transparency in audit and accounting processes also hinges on having adequate manpower and infrastructure at the Panchayat level. Ensuring these resources are in place is crucial for effective governance and accountability within</p>

	<p>local bodies.</p> <p>v. It is essential to maintain the tied and untied grants categorisation as it is; without this classification, individual interests may influence fund utilization.</p>
<p>8. Rajasthan</p>	<p>Shri Debasish Prusty, Finance Secretary (Budget):</p> <p>i. Rajasthan is a pioneer in implementing constitutional provisions for the establishment of State Finance Commissions. Currently, the 6th State Finance Commission is in its award period. The Rajasthan Municipality Act was amended in 2009 to facilitate the constitution of these Commissions. The establishment of the State Finance Commission in Rajasthan has been consistent and aligns with the periods set by the Central Finance Commission.</p> <p>ii. The final action taken report by the government was presented in the State Assembly in 2024. For the grant period from 2020 to 2024, the Rajasthan Government devolved 6.75% of its own net tax proceeds to Panchayati Raj Institutions (PRIs) and municipalities, increasing this devolution percentage to 7% for the year 2024-25.</p>
<p>9. Uttarakhand</p>	<p>Shri Ajay Mishra, Resident Commissioner, Uttarakhand:</p> <p>i. Uttarakhand, has been consistently constituting the State Finance Commissions. Currently, the 5th State Finance Commission is operational, covering the award period from 2021 to 2026. The recommendations from this commission have been duly presented to the Assembly after thorough examination by the Government.</p> <p>ii. Uttarakhand is predominantly hilly, with over 70% of its population residing in rural areas. The devolution of funds between urban and rural local bodies stands at a ratio of 60:40. The State has made significant progress in auditing and implementing eGramswaraj. Notably, the floating population is estimated to be four to five times that of the total resident population. This aspect raises concerns regarding fund allocation, as the current devolution is based on fixed population numbers, excluding transient tourists.</p> <p>iii. The Finance Commission may consider introducing a compensatory bonus for Uttarakhand to support ecological preservation and wildlife conservation, which could serve as renewable and non-renewable assets for other States. Furthermore, enhancing the capacity of functionaries in rural local bodies (RLBs) is crucial for effective governance.</p> <p>iv. Uttarakhand was among the first states to adopt a Uniform</p>

	<p>Civil Code, actively involving Panchayati Raj Institutions in its implementation. However, many Panchayats lack sufficient manpower to address local community needs effectively. The operations and maintenance of drinking water and sanitation assets are vital for continuous service delivery in these Institutions. Therefore, it is recommended that the Central Finance Commission allocate additional funds to tackle these operational challenges.</p> <p>v. Lastly, user charges collected from the floating population are minimal and insufficient for maintaining Panchayat assets.</p>
<p>10. Arunachal Pradesh</p>	<p>Shri Nabam Rajesh, Deputy Director, Panchayati Raj</p> <p>i. Arunachal Pradesh operates a two-tier system of local governance, consisting of Gram Panchayats and Zilla Parishads. The state has over 8,500 elected representatives (ERs), achieving 99% completion in Gross Panchayat Development Plan (GDPD) and approximately 89% completion in the audit of Panchayats.</p> <p>ii. The state allocates 10% of its own revenue to Panchayati Raj Institutions (PRIs) in addition to the grants from the Finance Commission. However, there is a pressing need to strengthen manpower within the Panchayats, as many functionaries are employed on a contractual basis.</p> <p>iii. In the 14th Finance Commission, Arunachal Pradesh received ₹736 crores, while the 15th Finance Commission has allocated ₹946 crores for PRIs, of which ₹350 crores have already been disbursed. The first State Finance Commission (SFC) was established in 2005, followed by the second in 2012, with the third SFC still awaiting Government approval. Given the state's population, some Gram Panchayats receive as little as ₹20,000 to ₹30,000, which is insufficient for asset creation.</p> <p>iv. There is also a requirement for support in using the online audit portal.</p>
<p>Open Discussion</p>	
<p>Shri Vivek Bharadwaj, Secretary, MoPR</p>	<p>i. The Ministry is working to promote the Panchayat Advancement Index, which has about 577 indicators. This will help improve data availability.</p> <p>ii. The Chairpersons and Members of State Finance Commissions have repeatedly highlighted the lack of reliable data which hampers their functioning. MoPR would be happy to identify the relevant data sets, as a first step.</p>

	<p>iii. As there are issues of common interest between the SFCs which require regular consultation and coordination, MoPR would be happy to facilitate an annual Conference of SFCs. The first one could be held in Gandhinagar, hosted by Chairperson, Gujarat SFC.</p>
<p>Shri Rana Pratap Kalita, Chairperson, 7th SFC, Assam</p>	<p>i. Given the depletion of water sources, it's essential to allocate some tied funds for the rejuvenation of water bodies in Panchayati Raj Institutions (PRIs).</p> <p>ii. In disaster-prone areas of Assam, local bodies often serve as the first responders during emergencies and are accountable to the community. Therefore, it's crucial to enhance their role in disaster management by providing additional funds and building their capacity.</p>
<p>Prof. Ratna Kumari Chairperson, 5th SFC, Andhra Pradesh</p>	<p>i. Discussions with several Zilla Parishads in the state reveal that funds from the Central Finance Commission (CFC) only cover 30-40% of the required budget for the operations and maintenance (O&M) of assets, leading to significant challenges for the ZPs.</p> <p>ii. A critical issue is the growing electricity dues in Panchayati Raj Institutions (PRIs), where the government has been deducting amounts from CFC allocations to recover these dues. It may be beneficial to consider providing one-time additional funds to clear these electricity debts.</p> <p>iii. There has been notable progress in collecting and imposing property taxes in the state over recent years. However, it has been observed that responsibilities for certain tasks often fall on the State Government, yet PRIs are held accountable when issues arise.</p> <p>iv. The 16th Finance Commission may explore the possibility of allocating funds for installing solar systems in suitable PRIs</p>
<p>Shri Rajaiah Siricilla, Chairperson, 2nd SFC, Telangana</p>	<p>i. The Ministry's initiative to organize the Finance Commissions conclave is commendable. While Panchayati Raj Institutions (PRIs) were established for active participation in decision-making, there is a need for greater devolution of powers to them.</p> <p>ii. Exploring the possibility of a nodal operational functionary could enhance integration across the three tiers of PRIs. The State Finance Commission has been engaged in stakeholder consultations, which is a positive step.</p> <p>iii. Self-sustainability of PRIs is crucial, and promoting solar systems could help address the challenges of electricity dues faced by these Institutions.</p>

<p>Prof. K N Harilal, Chairperson, 7th SFC, Kerala</p>	<ul style="list-style-type: none"> i. The 2nd State Finance Commission recommended establishing a maintenance fund for the operations and maintenance (O&M) of assets. As the number of assets transferred to Panchayati Raj Institutions (PRIs) increases, successive State Finance Commissions have raised the maintenance fund accordingly. ii. Currently, many assets are being created in the Panchayats by the Central Government, placing the burden of O&M on the PRIs. This situation has led to increased pressure on Kerala to enhance its maintenance fund, resulting in a shrinking fiscal space for both Local and State Governments. iii. While tied grants are necessary for certain key areas, providing untied grants allows PRIs to address their specific local needs effectively.
<p>Ms. Srujana Yadav, (Representative, Telangana SFC)</p>	<ul style="list-style-type: none"> i. Promoting the extensive use of SCADA systems can enhance efficiency, as demonstrated in Telangana, particularly in areas like drinking water management. Establishing monitoring units and dashboards will facilitate effective oversight of operations and maintenance. ii. Regarding health grants, it's important to note that health infrastructure is more specialized than water and sanitation systems. The devolution of functions and personnel can significantly impact the utilization of health grants in states. Therefore, localized capacity-building workshops or responsibility mapping exercises are necessary to improve effectiveness
<p>Member Secretary, AP</p>	<p>Urban local bodies are facing significant challenges in treating wastewater and managing waste due to the high volume of waste generated.</p>
<p>Ms. Mini Rani Sharma, Consultant, NITI Aayog</p>	<ul style="list-style-type: none"> i. Tied funds could be expanded to support areas like renewable energy, enabling Gram Panchayats (GPs) to undertake innovative initiatives such as carbon credits. ii. Additionally, the issue of urban waste dumping in rural areas needs to be addressed effectively.
<p>Shri S N Tripathi, Director General Indian Institute of Public Administration</p>	<ul style="list-style-type: none"> i. With the advent of large-scale water supply schemes, conducting an energy audit of drinking water sources is crucial for achieving savings. An energy audit helps identify inefficiencies and optimize energy use in the water supply system
<p>Shri Ajay Narayan Jha, Member, Sixteenth Finance</p>	<p>The issue of limited utilization of health grants, as recommended by the Fifteenth Finance Commission (XV FC), requires attention.</p>

Commission	
Dr. Sharmila Mary Joseph, Principal Secretary, Kerala	The Health Grants recommended by the Fifteenth Finance Commission (XV FC) were allocated under 5-6 specific heads, limiting PRIs' ability to utilize them effectively. Greater flexibility is needed for better utilization.
Ms. Indrani Kaushal, Senior Economic Advisor, Ministry of Health & Family Welfare	<ul style="list-style-type: none"> i. The utilization of health grants stands at 39%. The Ministry has promoted effective healthcare through flagship schemes like Ayushman Bharat. The health grants provided under the 15th Finance Commission were allocated for the first time across specific categories, such as building sub-health centers and diagnostic infrastructure. ii. However, issues with the executing nodal agency and a lack of capacity in local agencies have hindered effective usage. Additionally, the Department of Expenditure's directive for a 10-day grant transfer period has contributed to non-utilization, affecting states like Mizoram, Nagaland, Sikkim, Uttar Pradesh, and Maharashtra. iii. The Ministry has approved over ₹61,000 crore, with a utilization rate of around 61%, but there remains a need for quality health infrastructure at the ground level.
Shri Manoj Panda, Member, Sixteenth Finance Commission	<ul style="list-style-type: none"> i. Basic health infrastructure is lacking in several districts. Therefore, the possibility of providing funds on a district-wise basis should be explored, allowing the State Government to monitor implementation effectively.
Dr. C Narayanaswamy, Chairperson, 5th SFC Karnataka	<ul style="list-style-type: none"> i. The health grants recommended by the Fifteenth Finance Commission (XV FC) are a welcome step and essential at the ground level. However, the guidelines issued by the Central Government outline the role of Panchayati Raj Institutions (PRIs) in utilizing these grants, yet State Health Departments have not involved PRIs in the process, causing delays in utilization. This lack of engagement has led to non-compliance with the guidelines.
Shri Mohammad Sanulla, Member, 5th Finance Commission, Karnataka	<ul style="list-style-type: none"> i. The guidelines for utilizing tied grants detail the specific roles of Panchayati Raj Institutions (PRIs) in the process. However, it is crucial to ensure the autonomy of PRIs in decision-making without any encroachment on their powers.
Shri. Hemanta Kumar Dewri, Member Secretary, 7th State Finance Commission (Sp. Secretary to Govt. of Assam, Finance Department)	<ul style="list-style-type: none"> i. Instead of the Health Department, it would be more effective to designate the State Finance Department or the State Panchayati Raj Department as the nodal agency for monitoring the utilization of health grants. This change could enhance accountability and streamline the process.

<p>Shri Sourabh Jassal, Special Secretary, Finance, Himachal Pradesh</p>	<ul style="list-style-type: none"> i. The cost of asset creation is higher in hilly areas, necessitating the indexing of grants for these regions. Additionally, there is a need to strengthen the role of Panchayati Raj Institutions (PRIs) in disaster-prone areas. Waste disposal in rural areas also requires increased focus due to rapid urbanization and the growing amount of non-biodegradable waste. ii. To address these challenges effectively, greater devolution through untied funds is essential.
<p>Prof. V N Alok, Professor, Indian Institute of Public Administration</p>	<ul style="list-style-type: none"> i. The efforts of the Ministry in organizing the event are appreciated; however, the recommendations from the State Finance Commissions will not be available to the Sixteenth Finance Commission as planned. Data availability remains a challenge, although the Ministry has made significant efforts in data collection. ii. A collaborative, whole-of-government approach to data collection is necessary, and the Office of the Comptroller and Auditor General (C&AG) has taken steps in this direction.
<p>Summation by Moderator: Shri Ashok K. K. Meena, Secretary, DDWS</p>	
<ul style="list-style-type: none"> i. When discussing the operations and maintenance (O&M) of assets, it's essential to consider the type and utility of these assets. Conducting energy and water audits of drinking water sources is critical for efficiency. ii. For tied grants, promoting a service delivery approach to healthcare, similar to that in water and sanitation, is important. iii. The use of eGramSwaraj and the preparation of development plans have facilitated effective utilization of Fifteenth Finance Commission (XV FC) grants in Panchayati Raj Institutions (PRIs), suggesting that similar IT interventions should be explored for health infrastructure planning. iv. Additionally, village-wise data is available on the dashboards of the Jal Jeevan Mission and Swachh Bharat Grameen Mission. v. Careful consideration must be given to capital asset creation and the utilization of assets in Gram Panchayats (GPs), while realizing user charges and other sources of revenue is crucial for sustainability. vi. Strengthening capacity building is necessary for PRIs to enhance their effectiveness 	

<i>Topics</i>	Status and issues relating to devolution of Funds, Functions and Functionaries Augmentation of Own Source of Revenue
<i>Moderator</i>	Shri S N Tripathi, Director General, IIPA
<i>Scheduled Time</i>	11:00 AM – 1:30 PM

Shri S N Tripathi, Director General, IIPA	At the outset, the Moderator, Shri S N Tripathi, Director General, IIPA welcomed all the participants, emphasizing the unique opportunity for open discussions without external oversight from central or state authorities.
Observations by State Finance Commissions	
1. Uttar Pradesh (UP)	<p>Shri. Alok Dixit, Member, State Finance Commission.</p> <ul style="list-style-type: none"> i. Uttar Pradesh is big State area wise as well as population wise, with around 60% of population of the State living in rural areas. Currently, more than 56,000 GPs have Panchayat Bhavans. The recommendations of 5th Finance Commission are being adopted. ii. Uttar Pradesh has seen a 48-fold increase in fund allocations to Panchayati Raj Institutions (PRIs) from the 1st (Rs. 219 Crore) to the 5th Finance Commission (Rs. 9600 Crore). The 5th SFC has recommended 12.5% of Net Own Tax Revenue (OTR) to be devolved to Urban Local Bodies (ULBs) and PRIs. As per recommendations of 5th SFC, 5% of the 12.5 % of Net Own Tax Revenue (OTR) is devolved to rural local bodies, further distributed as 15% to ZP, 15% to Kshetra Panchayat and 70% to Gram Panchayat iii. Currently, only Zilla Panchayats are entitled for collection of circumstances and Property Tax. iv. However, challenges in Own Source Revenue (OSR) persist, primarily limited to circumstances and property taxes. There is a need for clearer rules and better data collection on OSR to address these issues. v. The SFC would emphasize the formulation of OSR rules for PRIs and take into consideration the issue of climate change in PRIs. vi. The Funds being provided are utilized for maintenance of government buildings, streetlights and assets, ODF, Solid and liquid waste management, construction and roads in Panchayats etc.
2. Gujarat	<p>Shri Yamal Vyas, Chairperson, State Finance Commission , Gujarat</p> <ul style="list-style-type: none"> i. The Gujarat SFC has been recently constituted and terms of reference are yet to be finalized.

	<ul style="list-style-type: none"> ii. Gujarat has encouraged local governments to adopt innovative models for revenue generation, such as charging nominal fees for public services. iii. In Ahmedabad, a notable initiative by the local body includes the redevelopment of a 400-year-old lake as a tourist spot, generating revenue through minimal entry fees. iv. Small Gram Panchayats (GPs) in Gujarat have achieved self-sufficiency through sustainable practices such as gobar gas plant etc., showcasing the potential for local resource mobilization.
<p>3. Tripura</p>	<p>Shri. Akinchan Sarkar, Additional Secretary (Finance Dept.); Member Secretary, SFC</p> <ul style="list-style-type: none"> i. 60% of the total area comes under reserve forests, hence no economic activity can take place in the same. ii. Tripura receives devolution of funds through taxes and grants, with grants used for the development of Gram Panchayat (GP) buildings, all-weather roads, school maintenance, and training of GP officials. iii. Although, OSR rules exist in the State, there is need to review and modify those rules. iv. There is a need for greater discretion to the rural local bodies for utilizing the tied grants as per their locally felt need. v. The State has requested provisions for using untied grants for the construction of Panchayat Bhawans in convergence mode and earmarking of funds for service delivery. Challenges include the need to amend existing rules for improved functionality. vi. O&M costs could also be included in the allocations made in Service delivery.
<p>4. Goa</p>	<p>Shri D. A. Hawaldar, Hon'ble Ex. Chairperson, State Finance Commission:</p> <ul style="list-style-type: none"> i. Goa has reported sufficient fund devolution, with 10% of State tax allocated to local bodies. However, the legacy of Portuguese governance limits the functions assigned to local bodies. Health, education, and water supply are handled by the State. ii. Despite increased disbursements from State and Central Finance Commissions, OSR generation remains stagnant. Goa has suggested reassessing house taxes and introducing user fees for services like parking. iii. Periodic orientation/training of officials as well as Elected representatives is critical for augmentation of OSR. Budget allocation of State Government to State Training Institutes need to be increased. Thus, CFC may also take note of this while making its recommendations.

	<ul style="list-style-type: none"> iv. The SFC has recommended the State to adequately compensate the local bodies for the loss in revenue incurred after the start of GST. v. Additionally, the State has proposed a climate management plan and called for support from the Central Finance Commission for local climate initiatives.
5. Kerala	<p>Professor K N Harilal, Chairperson, 7th SFC</p> <ul style="list-style-type: none"> i. Kerala is known for its robust decentralization, with 30-40% of state revenues allocated to local governments. The State has digitized many local offices, providing online services such as certificates and payments. ii. Kerala proposed the Finance Commission grant as a proportion of the divisible pool and recommended devolving funds based on population, particularly the aged population. iii. Challenges include administrative reforms and OSR data collection, with a focus on incentivized grants linked to Sustainable Development Goals (SDGs). iv. A devolution index may be considered as a criteria for devolution of grants. v. A detailed submission will also be made to the CFC during the State Consultative visit.
6. Punjab	<p>Shri. K. R. Lakhanpal, Former Chief Secretary, Punjab, Chairperson, 6th Punjab SFC</p> <ul style="list-style-type: none"> i. Punjab highlighted the limited implementation of past Finance Commission recommendations, with many functions and funds assigned to local bodies under the 11th and 12th Schedules still unimplemented. ii. Thus, Local bodies are expected to either do everything or nothing. Thus, States need to have an activity mapping exercise, based on the capabilities of the local bodies. iii. The Constitutional provisions have given absolute powers to the State in terms of local bodies, where devolution of functions has not been done in letter and spirit. iv. The State suggested introducing a local GST to empower local governments financially. Punjab faces significant revenue loss, as key local taxes such as purchase tax on food grains and infrastructure development cess have been subsumed by GST. v. The State Finance Commission recommendations need to be adequately adopted by the State and called for better alignment between State and Central Finance Commission recommendations.
7. Sikkim	<p>Ms. Tashi Cho Cho, Ex. Chairperson 6th SFC</p> <ul style="list-style-type: none"> i. State Finance Commission has recommended 6% of Net Own Tax revenue

	<p>of the State to local bodies.</p> <ul style="list-style-type: none"> ii. Sikkim introduced a "Minimum Assured Grant" to ensure equitable funding for smaller and remote Panchayats. Funds are allocated based on population, area, and performance, with 20% earmarked as performance grants. The performance grants were based on achievement of SDGs by local bodies. iii. SFC also recommended earmarking of funds for capacity building, Digital & physical infrastructure etc. iv. The OSR rules may be revised to augment the generation of OSR in PRIs. SFC has also recommended formulation of a committee to assess the tax rates. v. The State also recommended involving Self-Help Groups (SHGs) in tax collection and suggested allocating 15% of professional tax collections to local governments as a capital investment fund. vi. Often serving Government officers, are appointed to the State Finance Commission as members/Chairperson of the Commission which may lead to a conflict of interest. vii. Voluntary Social Audit by GPs were also recommended by the SFC. viii. Additionally, Sikkim advocated for tapping Corporate Social Responsibility (CSR) funds to enhance local revenue.
<p>8. Telangana</p>	<p>Shri Rajaiah Siricilla, Chairperson, 2nd SFC</p> <ul style="list-style-type: none"> i. Telangana has adopted a three-pronged strategy for resource mobilization, including academic research, field visits, and public engagement. The state emphasized strengthening smaller Panchayats with limited revenue generation capacity and suggested innovative revenue streams such as solar power generation, enumeration of local jattras, taxing local markets, CSR funding, and waste management. ii. Telangana also proposed using SCADA systems for continuous monitoring of expenditures and stressed the importance of training and upgrading local body functionaries' skills. iii. Rationalization of property taxes for local bodies is critical. iv. Enhancing of SIRDs capacity is critical for development of local bodies.
<p>9. Assam</p>	<p>Shri Rana Pratap Kalita, Chairperson, 7th SFC</p> <ul style="list-style-type: none"> i. Assam faces challenges in local governance due to manpower shortages in Gram Panchayats, where one Secretary often manages multiple Panchayats. Issues in devolution, particularly the three "Fs" (Funds, Functions, and Functionaries), stem from insufficient capacity and overburdened responsibilities at the Gram Panchayats.

	<ul style="list-style-type: none"> ii. Thus, there is a need for additional support to GPs for fulfilling their manpower requirement. iii. OSR is weak due to political resistance to Taxation and reliance on non-tax revenues, while smaller ULBs struggle with revenue generation. Assam has recommended enforcing service charges on Union Government properties and proposed the creation of a centralized data repository for effective fund devolution and resource gap assessments. iv. It is also important to revisit the value of assets that has been created. Training of ERs on income generation from assets and creation of new assets would be required. v. Specific grants for strengthening of eGovernance measures at the GP level. vi. Setting up of hybrid solar systems, Solar charging Stations, Solar powered cold storages etc could be promoted in local bodies. vii. There is a need for creation of permanent State Finance Commission Cells at the State and Central level. viii. Adequate support for O&M of assets in PRIs is important.
<p>10. Karnataka</p>	<p>Dr. C Narayanaswamy, Chairperson, 5th SFC</p> <ul style="list-style-type: none"> i. Karnataka, the first state to implement Panchayati Raj legislation post the 73rd and 74th Constitutional Amendments, has devolved all 29 functions for Panchayati Raj Institutions (PRIs) and 18 functions for Urban Local Bodies (ULBs). ii. The proposed criteria may allocate 50% to population, 10% to SC/ST population, 20% to area, and 20% to the Index of Decentralization, while also considering the growing urbanization trend and the increasing needs of ULBs, with a proposed devolution of 40% to ULBs. iii. The State Finance Commission has recommended a 49:51 fund split between local bodies and the state, with 35% for PRIs and 13% for ULBs. Special provisions are made for marginalized communities, with funds allocated in proportion to their population share. iv. Karnataka also proposed increasing the local bodies' share in the divisible pool from 4.23% to 8% and suggested improvements in property tax collection and the introduction of a dedicated share of State GST for local bodies. v. Activity mapping of all 29 functions of PRIs and 18 functions of ULBs to be mandated. vi. SFC also recommended to establish a Federation of State Finance Commissions for experience sharing

11. Madhya Pradesh	<p>Shri Lokesh Kumar Jatav, Secretary, State Finance Department, MP</p> <ul style="list-style-type: none"> i. Madhya Pradesh has 23,000 Gram Panchayats across 313 blocks, with 70% of the population residing in rural areas. The 5th Finance Commission recommended increasing devolution from 6.25% to 10%. ii. Despite challenges, such as poor local resource collection, the State continues to focus on service delivery, especially in tribal areas. The rise in living standards and expectations for improved services has created further pressures on local governance. iii. Madhya Pradesh has faced difficulties in asset management and meeting Operation & Maintenance costs, often relying on state support.
Open Discussion	
Dr. Arvind Panagariya, Chairperson, XVI FC	<p>The State of Kerala may provide 1-2 pages note laying the basis for incentives for local bodies, which may be generally acceptable and transparent.</p>
Dr. Manoj Panda (Member, 16th Central Finance Commission)	<p>Dr. Manoj Panda (Member, 16th Central Finance Commission) addressed the challenges faced by small Panchayats, particularly those with populations around 500, in managing development activities and devolution responsibilities. He questioned the effectiveness of Panchayats that receive significant Own Tax Revenue allocations, such as Karnataka's 49%, in utilizing funds independently, and raised concerns about their reliance on the Line Departments for execution.</p>
Prof. Ratna Kumari (Chairperson, 5th SFC, Andhra Pradesh)	<p>Prof. Ratna Kumari (Chairperson, 5th SFC, Andhra Pradesh) highlighted revenue losses caused by the subsumption of local taxes by GST, such as entertainment and advertisement taxes, and proposed a separate tax code for direct transfers to local bodies. She pointed out inefficiencies in property tax collection, where local bodies opt for lower slab rates due to political pressure and noted a lack of transparency in professional tax collections. Local bodies are not able to collect taxes from State & Central Government buildings. She also recommended using historical revenue data (2010-2015) to assess the impact of GST-related revenue deficits.</p>
Ms. Srujana Yadav (Representative, Telangana SFC)	<p>Ms. Srujana Yadav (Member, Telangana SFC) proposed linking grants to a Devolution Index to incentivize States to devolve more functions. She also suggested including disaster preparedness as a criterion in resource allocation, to address both large-scale events and localized incidents like floods and epidemics. Additionally, she recommended formalizing Self-Help Groups (SHGs) into industry-specific clusters to enhance economic growth and tax revenue.</p>
Shri Tarakanta Bhakta (Jt. Secretary, Finance, Govt of	<p>Shri Tarakanta Bhakta (Jt. Secretary, Finance, Govt of Odisha) raised concerns about the unsustainable increase in Gram Panchayat numbers without corresponding improvements in administrative capacity. He recommended capping the creation of new Panchayats to maintain functional and efficient</p>

Odisha)	resource allocation.
Dr. T.H. Munindro Singh (Secretary, 4th SFC, Manipur)	Dr. T.H. Munindro Singh (Secretary, 4th SFC, Manipur) warned against double counting effects in devolution metrics, particularly overlapping population indicators. He also raised concerns about discrepancies in fund flows for revenue-deficit States like Manipur and called for tailoring devolution formulas to accommodate the diversity of India and its varying levels of development across States.
Shri Amarendra Pratap Singh (Chairperson, Jharkhand SFC)	Shri Amarendra Pratap Singh (Chairperson, Jharkhand SFC) emphasized the importance of tribal Gram Sabhas in planning and decision-making under the PESA Act. He advocated for their inclusion in implementation and called for standardized templates to ensure uniform devolution of the 29 functions mandated under the 73rd Amendment.
Shri Debasish Prusty (Finance Secretary, Budget, Rajasthan)	Shri Debasish Prusty (Finance Secretary, Budget, Rajasthan) stressed the importance of training Gram Panchayat staff, including ITI graduates, to manage and maintain assets like LED streetlights. He called for additional grants to cover the long-term costs of employing trained staff for asset management.
Shri Mohammed Sanualla (Member, 5th SFC, Karnataka)	Shri Mohammed Sanualla (Member, 5th SFC, Karnataka) suggested the de-linking of property tax growth to Gross State Domestic Product for urban local bodies, where there have been major industries (like IT) which do not contribute directly to the State's revenue. He recommended establishing uniform guidelines for State Finance Commissions to ensure consistency in their constitution, tenure, and action on recommendations.
Shri Rana Pratap Kalita (Chairperson, 7th SFC, Assam)	Shri Rana Pratap Kalita (Chairperson, 7th SFC, Assam) expressed concerns that a Devolution Index might be a disadvantage for less prosperous States and proposed incorporating a Development Index for more equitable resource allocation. He also highlighted a decline in Assam's share of Central Finance Commission grants over successive Commissions and requested measures to address this imbalance.
Dr. R. Chinndurai Associate Professor NIRDPR	Dr. R. Chinndurai Associate Professor NIRDPR shared plans to organize a national workshop in December to bring together experts and chairpersons of SFCs from all States. He highlighted the success story of Odanthurai Gram Panchayat in Coimbatore, which generated ₹19-20 lakhs annually from surplus electricity sales after installing a windmill. He advocated for a national study on renewable energy opportunities for Gram Panchayats to enhance self-sufficiency and recommended documenting best practices, such as Tamil Nadu's renewable energy model, to inspire replication across States. He also emphasized the need for centralized data systems to improve fund tracking and utilization.
Summation by Moderator: Shri S N Tripathi, Director General, IIPA	

- i. The session emphasized the significance of Own Source Revenue (OSR) as a priority for local governance, highlighting challenges in revenue generation and declining trends. Strategies for sustainable resource mobilization were discussed, recognizing OSR as essential for effective local governance.
- ii. Devolution and good governance were identified as fundamental to democratic accountability, with the notion that devolution should not depend solely on financial incentives. Instead, genuine commitment to public service and citizen satisfaction should be the primary goals of public institutions.
- iii. The need for financial and digital literacy was also underscored, advocating for comprehensive capacity-building programs to enhance governance skills. The adoption of digital tools like e-office and e-Panchayat was recognized as vital for improving local operational and financial management.
- iv. Strong institutions and effective policies were deemed crucial for sustainable governance. The session proposed revisiting the 73rd and 74th Constitutional Amendments to address contemporary governance challenges and strengthen local bodies.
- v. A shift towards solutions-oriented discussions was encouraged, focusing on actionable outcomes rather than merely identifying problems. The successful implementation of Direct Benefit Transfers (DBT) was highlighted as a model for effective solutions, with a call to leverage India's 4.2 million elected representatives to realize the vision of Viksit Bharat.
- vi. Looking forward, the session outlined a holistic vision for progress, asserting that GDP growth alone is insufficient. Equity, access to resources, and institutional strength were emphasized as critical components. A collaborative approach among all stakeholders was urged to ensure inclusive and sustainable development aligned with the aspirations of a Viksit Bharat.

Session

Closing Session

Speakers

Shri Ajay Seth, Secretary of the Department of Economic Affairs
 Dr. Arvind Panagariya, Chairperson, 16th Finance Commission

Scheduled Time

5:00 PM – 5:25 PM

**i. Shri Ajay Seth,
 Secretary,
 Department of
 Economic
 Affairs**


i. Shri Ajay Seth, Secretary of the Department of Economic Affairs, in his valedictory address , highlighted the profound significance of the conclave's theme, "Devolution to Development." He emphasized the critical need to strike a balance among the contributors to our nation's progress — taxpayers, ratepayers, and future generations. As India aspires to become a developed nation by 2047, under the visionary guidance of the Honorable Prime Minister, the principle of Sabka Saath, Sabka Vikas, Sabka Prayas remains indispensable.



	<ul style="list-style-type: none"> ii. He illustrated this point with examples, stating that the quality of education in village schools can and should be assessed and monitored by Gram Panchayats or local committees, rather than relying solely on officials stationed at block or district levels. This decentralized approach, he noted, is essential for achieving inclusive and sustainable development. iii. The Secretary also addressed the existing disparities between funds, functions, and functionaries, underscoring the need for alignment. He emphasized the importance of maintaining high-quality accounts to measure physical and financial growth accurately. Referring to a recent RBI study on a Compendium of Urban Local Bodies, he pointed out significant gaps in the quality of accounts. Even prominent cities like Bengaluru had not finalized their accounts. He stressed that robust financial management depends on improving the quality of accounting practices. iv. Furthermore, he acknowledged the remarkable contribution of successive Finance Commissions over the last three decades. He particularly highlighted the XIII Finance Commission's role in introducing IT platforms to streamline financial flows. Concluding his remarks, the Secretary reiterated that achieving the vision of a developed India requires collective effort — Sabka Prayas.
<p>Dr. Arvind Panagariya, Chairperson of the 16th Finance Commission</p>	<ul style="list-style-type: none"> i. The Chairperson of the 16th Finance Commission expressed gratitude to the Secretary of the Department of Economic Affairs for addressing key concerns during the conclave. He acknowledged the significant challenge of ensuring accountability across India's diverse rural landscape but emphasized that these challenges can be met through self-realization and collective effort. Reflecting on the Commission's field visits, he highlighted the commendable grassroots initiatives in urban and rural local bodies, such as housing construction, road maintenance, and waste management.

	 <p>ii. He pointed out a critical developmental challenge revealed by the 2011 census, which shows that a substantial portion of India's population resides in small villages with limited industrial activity, complicating sustainable development efforts. Despite these challenges, he expressed optimism about India's economic growth trajectory, projecting that the country could achieve a \$20 trillion economy by 2047. However, he stressed the need for focused efforts to improve living standards in smaller rural areas.</p> <p>iii. In conclusion, he thanked the Secretary of the Ministry of Panchayati Raj for organizing an informative conclave and praised the participants for their valuable contributions and impactful presentations. He remarked that the discussions exceeded his expectations and commended the collective effort that made the event a resounding success, reinforcing the importance of collaboration in addressing India's developmental challenges.</p>
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Shri Vivek Bharadwaj, Secretary, MoPR, presented mementos to the esteemed dignitaries including Dr. Arvind Panagariya, Chairperson of the Sixteenth Finance Commission and the Member of the Sixteenth Finance Commission.

<p>Shri A P Nagar, Joint Secretary, MoPR</p>	<p>i. While proposing the Vote of Thanks, Shri A P Nagar, Joint Secretary, MoPR, expressed gratitude to all the esteemed dignitaries for their participation in the conclave. Shri Nagar, also informed the participants about the Ministry's thrust on Service Delivery, wherein the Ministry is conducting four regional conferences for deepening and widening Citizen Services. Shri Nagar also shared the eGovernance initiatives of the Ministry towards planning, accounting, utilization and audit of XV FC grants to RLBs.</p> 
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List of Participants**Participants from Sixteenth Finance Commission**

S. No.	Name	Designation
1	Dr. Arvind Panagariya - Chair	Chairperson, Sixteenth Finance Commission
2	Shri. Ajay Narayan Jha	Member, Sixteenth Finance Commission
3	Smt. Annie George Mathew	Member, Sixteenth Finance Commission
4	Dr. Manoj Panda	Member, Sixteenth Finance Commission
5	Shri. Soumyakanti Ghosh	Member, Sixteenth Finance Commission
6	Shri. Ritvik Pandey	Secretary, Sixteenth Finance Commission
7	Shri. Rahul Jain	Joint Secretary, Sixteenth Finance Commission
8	Shri. K K Mishra	Joint Secretary, Sixteenth Finance Commission
Other participants including, Director, Deputy Secretary, PS to Chairperson, Joint Directors, Deputy Directors, Officers on Special Duty, Assistant Directors, Consultants and Young Professionals, participated in the conclave.		

Senior Officers from Government of India

S. No.	Name	Designation
1	Shri Ajay Seth	Secretary, Department of Economic Affairs, Ministry of Finance
2	Shri Vivek Bharadwaj	Secretary, Ministry of Panchayati Raj
3	Shri. Ashok K. K. Meena	Secretary, Department of Drinking Water & Sanitation
4	Shri. A. P. Nagar	Joint Secretary, Ministry of Panchayati Raj
5	Shri. Vikas Anand	Joint Secretary, Ministry of Panchayati Raj
6	Shri. Rajesh K Singh	Joint Secretary, Ministry of Panchayati Raj
7	Ms. Indrani Kaushal	Senior Economic Advisor, Ministry of Health & Family Welfare
8	Shri. B. K. Behra	Economic Advisor, Ministry of Panchayati Raj
9	Ms. Tanuja Thakur Khalkho	Joint Secretary & Financial Advisor
10	Shri. Akhilesh Jha	CCA
Other participants including, Director, Deputy Secretary, Under Secretary, Section Officers, and Consultants participated in the conclave.		

Participants from States

#	State	Details of Participant	Designation
1	Andhra Pradesh	Prof. Ratna Kumari	Chairperson, 5 th SFC <i>(Former vice-chancellor of Sri Padmavathi Mahila Viswavidhyalayam)</i>
2	Assam	Shri Rana Pratap Kalita	Chairperson, 7 th SFC
		Shri. Hemanta Kumar Dewri	Member Secretary, <i>(Sp. Secretary to Govt. of Assam, Finance Department)</i>
		Shri. Mati Lal Sarkar	Joint Director, Finance (Economic Affairs) Department
3	Gujarat	Shri. Yamal Vyas	Chairperson, 4 th SFC
4	Himachal Pradesh	Shri. Saurabh Jassal	Special Secretary, Finance
5	Jharkhand	Shri. Amarendra Pratap Singh	Chairperson, 5 th SFC
		Dr. Harishwar Dayal	Member
6	Karnataka	Dr. C Narayanaswamy	Chairperson, 5 th SFC
		Shri. Mohammed Sanualla	Member
		Shri. R. S. Phonde	Member
		Shri. Ujjwal Kumar Ghosh	Secretary
7	Kerala	Professor K N Harilal	Chairperson 7 th SFC
		Shri. P Anil Prasad	Secretary 7 th SFC
8	Telangana	Shri Rajaiah Siricilla,	Chairperson, 2 nd SFC (Ex-MP)
		Shr. D.S.V Sarma	Joint Secretary
9	Uttar Pradesh (3)	Shri. Neel Ratan Kumar	Member
		Shri. Alok Dixit	Member
		Shri. Sidharth Srivastava	Secretary
10	Goa (2)	Shri D. A. Hawaldar	Hon'ble Ex. Chairperson
11		Dr. Y. Durga Prasad	Ex. Member Secretary 3 rd SFC
12	Manipur	Dr Th. Munindro Singh	Secretary, 4 th SFC
13		Shri. Vivek Singh Elangbam	Director (Finance Commission), GoM
14	Punjab	Shri. K. R. Lakhnpal	Former Chief Secretary, Punjab, Chairperson, 6 th Punjab SFC
15		Dr. G. Vajralingam, (Retd)	Member Secretary, 6 th Punjab SFC
16	Rajasthan	Shri. Debasish Prusty	Finance Secretary (Budget), GoR

17		Shri. Harydesh Kumar Juneja	Nodal officer, 16 th FC Cell, Govt. of Rajasthan
18	Sikkim	Ms. Tashi Cho Cho	Hon'ble Ex. Chairperson 6 th SFC
19			Ex. Member
20	Arunachal Pradesh	Shri. Nabam Rajesh	Dy. Director (PRD)
21		Shri. Sangey Dakpa	Under Secretary (FC)
22		Shri. Takhe Kani	Consultant Finance
23	Chhattisgarh	Shri. Chandan Kumar	Special Secretary, Finance
24	Maharashtra	Ms. Ms. Vanmathi,	Joint Commissioner of State Tax, Maharashtra
25	Odisha	Shri. Tarakanta Bhakta	Joint Secretary (Finance Department)
26	Tamil Nadu	Shri. S. Nagarajan	Secretary, Finance Dept., GoTN
27	Tripura	Shri. Akinchan Sarkar	Additional Secretary (Finance Dept. Member Secretary, SFC)
28	Madhya Pradesh	Shri Lokesh Jatav	Secretary, Finance Department, Madhya Pradesh
29	Uttarakhand	Shri Ajay Mishra,	Resident Commissioner, Uttarakhand

**Government of India,
Ministry of Panchayati Raj
Finance Commissions Conclave – Devolution to Development
Vigyan Bhawan Hall – 2 & 3, 14th November 2024**

Time	Duration	Details
09:30 AM – 10:00 AM	30 mins	Registration of Participants and Tea
10:00 AM – 10:40 AM	50 mins	Inaugural Session
10:00 AM – 10:05 AM	5 mins	Welcome of Dignitaries & Inauguration of the Conference by Lamp Lighting
10:05 AM – 10:15 AM	10 mins	Address by Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj
10:15 AM – 10:25 AM	10 mins	Address by Shri Katikithala Srinivas, Secretary, Ministry of Urban & Housing Affairs
10:25 AM – 10:40 AM	15 mins	Presentation by Shri A P Nagar, Joint Secretary, Ministry of Panchayati Raj
10:40 AM – 10:45 AM	5 mins	Keynote address by Dr. Arvind Panagariya, Chairman of the 16th Finance Commission of India
10:45 AM – 11:00 AM	15 mins	Session Break: High Tea
11:00 AM – 1:30 PM	2 hr 30 mins	Session-I: Local Body Grants <i>[Topics: Tied vs Untied grants; Condition of online availability and audit of accounts; issues pertaining to Local body Grants and utilization]</i>
		Moderator: Shri Ashok K. K. Meena, Secretary, DDWS
11:00 AM – 11:05 AM	5 mins	Context setting by Moderator
11:05 AM – 12:45 PM	1 hr 40 min	Point of view by State Finance Commissions. (10 States) <i>(Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Maharashtra, Odisha, Tamil Nadu, Jharkhand, Manipur, Rajasthan, and Arunachal Pradesh)</i>
		(Each State will have approx. 8 minutes)
12:45 PM – 1:15 PM	30 mins	Open discussion
1:15 PM – 1:20 PM	5 mins	Summation by the Moderator
1:20 PM – 2:20 PM	1 hr	Lunch Break
2:20 PM – 4:50 PM	2 hr 30 mins	Session-II: Panchayat Finances <i>[Topics: Status and issues relating to devolution of Funds, Functions and Functionaries; Augmentation of Own Sources of Revenue]</i>
		Moderator: Shri S N Tripathi, Director General IIPA

Time	Duration	Details
2:20 PM – 2:25 PM	5 mins	Context setting by Moderator
2:25 PM – 4:05 PM	1 hr 40 min	Point of view by State Finance Commissions. (13 States) (Gujarat, Tripura, Goa, Kerala, Punjab, Sikkim, Telangana, Assam, Uttar Pradesh, Karnataka, <i>West Bengal, Uttarakhand, Madhya Pradesh</i>) (Each State will have approx. 8 minutes)
4:05 PM – 4:35 PM	30 mins	Open Discussion
4:35 PM – 4:40 PM	5 mins	Summation by the Moderator
4:40 PM – 5:00 PM	20 mins	Session Break: Tea
5:00 PM – 5:25 PM	25 mins	Closing Session
5:05 PM – 5:15 PM	15 mins	Address by Shri Ajay Seth, Secretary, Department of Economic Affairs.
5:15 PM – 5:20 PM	5 mins	Valedictory Address by Dr. Arvind Panagariya, Chairman of the 16 th Finance Commission of India
5:20 PM – 5:25 PM	5 mins	Vote of Thanks by Shri A P Nagar, Joint Secretary, MoPR
05:25 PM Onwards		High Tea
