

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2097

ANSWERED ON:12.08.2011

FUNDS TO LOCAL SELF-GOVERNMENT INSTITUTIONS

Swamygowda Shri N Cheluvaraya Swamy

Will the Minister of FINANCE be pleased to state:

(a) whether the Thirteenth Finance Commission has earmarked a certain share of Central Government revenues for untied Non-Plan financial expenditure by institutions of local self-Government;

(b) if so, the details thereof; and

(c) the mechanisms, which Government proposes to put in place, to ensure that these funds reach the local self-Government institutions without diversion or delay?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The Thirteenth Finance Commission (FC-XIII) has recommended that during its award period (2010-15), a percentage of the net proceeds of Union taxes and duties of the previous year (over and above the share of the States), be transferred to local bodies as grant-in-aid. This grant has been recommended for local bodies in the States as well as in areas covered by the V and VI Schedules of the Constitution and the areas exempted from the purview of Parts IX and IXA of the Constitution (termed special areas). The grant to General Areas and Special Areas has two components - a basic grant component and a performance based component.

The General Basic Grant, equivalent to 1.5 per cent of the previous year's net proceeds of Union taxes and duties is available to all States during FC-XIII's award period. The Special Area Basic Grant, amounts to Rs.798 crore, for the duration of FC-XIII's award period.

The General Performance Grant, beginning from 2011-12, is available for a period of four years to States that meet certain performance conditions. It is computed at 0.50 per cent for 2011-12, and 1 per cent thereafter up to 2014-15, of the corresponding previous year's net proceeds of Union taxes and duties. The Special Area Performance Grant, amounting to Rs. 559 crore, is available from 2011-12, to States that meet the prescribed performance conditions. The Special Area Basic and Performance Grants have been carved out of the General Basic Grant.

The performance conditions relate to financial and accounting disclosure; audit; the system of independent Ombudsman; timely transfer of funds, prescription of qualifications of persons eligible for appointment as Members of State Finance Commissions; enabling for levy of property tax; setting up of a Property Tax Board; standards for service delivery; fire hazard response and mitigation plans. The guidelines issued in this regard are available on the website of Ministry of Finance: <http://www.finmin.nic.in/TFC/guidelines.asp>

c) Under the guidelines issued by Ministry of Finance, State Governments must transfer funds to local bodies within the stipulated number of days (five days of receipt from the Central Government in case of States with easily accessible banking infrastructure, otherwise ten days). Any delay requires the State Governments to release the instalment with interest, at the Bank rate of RBI, for the number of days of delay. State Governments need to provide a certificate regarding compliance with the above requirement, in respect of the previous instalment released, to be eligible for the next instalment.