

N-11013/22/2015-P&J  
Government of India  
Ministry of Panchayati Raj  
(Fiscal Devolution Division)

11th Floor, Jeevan Prakash Building,  
K.G. Marg, New Delhi-110001  
Dated: 4 -8-2016

**OFFICE MEMORANDUM**

**Subject: Minutes of the Second Meeting of the Coordination Committee constituted for providing Guidance and Support to the State Governments and Local Bodies on Implementation of the Recommendations of the Fourteenth Finance Commission held on July, 21, 2016**

The undersigned is directed to enclose a copy of the minutes of the Coordination Committee meeting held on 21-7-2016 on the above mentioned subject for information and necessary action.



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

Encl:a/a

To

1. All participants in the meeting
2. Secretary/Principal Secretary, Panchayati Raj Dept, all States

Copy for information to:

1. PPS to SPR
2. PS to AS(AKG)
3. PS to AS&FA
4. PS to JS(SKP)

**Minutes of the 2<sup>nd</sup> Meeting of the Coordination Committee constituted for providing Guidance and Support to the State Governments and Local Bodies on Implementation of the Recommendations of Fourteenth Finance Commission (FFC) held on July 21, 2016 at 1000 hours, Conference Hall, MoPR**

Second meeting of the Coordination Committee constituted by the Ministry of Panchayati Raj (MoPR) in terms of the Guidelines issued by the Ministry of Finance (MoF) dated October, 08, 2015 for providing guidance and support to the State Governments and local bodies on implementation of the recommendations of Fourteenth Finance Commission (FFC) was held under the chairmanship of Secretary, Ministry of Panchayati Raj (SPR) on 21<sup>st</sup> July, 2016. *The list of participants is at Annexe.*

2. While welcoming all the participants, SPR drew the attention of the Committee to the letter of Ministry of Finance (MoF) dated 18-7-2016 addressed to MoUD and MoPR which emphasised on the need to utilise the FFC grants, strictly in accordance with the FFC/MoF guidelines and cannot be used to substitute for the share under other Central/State Govt. schemes, participation of the people in finalisation of shelf of projects to be undertaken by RLBs/ULBs, making the public aware in simple and clear terms about the nature of work to be undertaken, quantum of work, cost involved, time likely to be taken for completion, name of official in-charge of work, proper monitoring of works being undertaken by local bodies, putting in place third party audit mechanism and submission of progress reports by the States to MoUD/MoPR (*as the case may be*) at half yearly frequency.

3. A presentation was made by Mr. Sanjeeb Patjoshi, Joint Secretary (FFC). The minutes of the 1<sup>st</sup> meeting of the Coordination Committee held on 23-11-2015 were confirmed. After discussions, the following decisions were taken:

- (i) National Institute of Rural Development & Panchayati Raj (NIRD & PR) was requested to indicate their willingness to undertake a study to develop service delivery standards for the Panchayats. NIRD&PR offered to carry out the study on pilot basis covering 14 States (*covering PESA States, States that have notified Public Service Delivery Acts, and States in the zones of North East, East, North, Central and South*) that would result into development of benchmarks/ standards for various basic services offered by the GPs and also would identify resource requirements, including human resources, for meeting those standards. SPR emphasized that besides the basic services recommended by FFC, standards are also to be developed for social sector services like health, education, SHGs providing services in GPs, on-line services, etc. It was felt that as the types of services offered by GPs in the States vary significantly, the study may require covering all the States instead of a few selected representative States. It was decided that the outcome of the study for each group of States will be circulated to the remaining States in the group and based on their comments, if necessary, study in the remaining States may be carried out in the second phase.

**(Action: NIRD&PR & MoPR)**

- (ii) The scope of the study by NIRD&PR for development of standards for basic services would also include developing guidelines for compensating the local bodies for providing civic services to the Government properties.

**(Action: NIRD&PR & MoPR)**

- (iii) On the issue of raising capital for GPs on similar lines as 'Municipal Bonds', it was felt that raising funds through Municipal Bonds is a specialist job and would require expertise in the finance domain. It would be difficult to have such expertise at the Panchayati levels. Hence, an alternative would be to look at the possibility of creating a Special Purpose Vehicle (SPV) at the State level for raising funds through Bonds for the Panchayats.

**(Action: States)**

- (iv) The contents of 'FFC Dashboard' developed within the online Application 'Plan Plus' were explained to the participants. It was also informed that a Mobile App "RAGAV" for monitoring release and expenditure of FFC grants, and preparation and implementation of Gram Panchayat Development Plans has also been developed which was under testing and would be made live within a fortnight. It has been found that despite repeated reminders, the information is not being updated in the MIS. The Committee emphasized that the States must update the status every 15 days so that the progress can be monitored closely.

**(Action: States)**

- (v) The Terms of Reference (TOR) for the proposed study on 'Assessment of Own source Revenues' of panchayats in the States of Uttar Pradesh, Chattisgarh, Maharashtra and Bihar have been framed and are included in the studies to be taken by AR&RS Division, in 2016-17. The study will be awarded to a suitable agency within the current year after following the guidelines in this regard. It was decided that RAC meeting will be held under the chairmanship of AS(AKG) to consider and approve the Studies.

**(Action: MoPR)**

- (vi) Director (MoF) informed that the proposal for Constitutional Amendment for increasing the ceiling of professions tax has been forwarded to the Department of Revenue being the Nodal Department for tax related matters for examination. He also informed that the issue was discussed in the Inter-State Council to arrive at consensus by the States on the subject which could not be obtained so far. MoF was requested to provide further update on the status of the issue.

**(Action: MoF)**

- (vii) NIRD&PR will organise a training programme for Local Fund Auditors within the next two months. They would also associate expert faculty recommended by C&AG office for conduct of the programme.

**(Action: MoPR & NIRD&PR)**

- (viii) On the issue of developing third party audit mechanism, it was informed that trainings for carrying out 'social audit' are being imparted under the Rural Development and MGNREGS and the requirement of training of auditors for FFC grants can also be included in such programmes. State Governments should issue guidelines for carrying out third party/social audits which can also

include quality audit by professionals. MoPR would write to all States for issue of such guidelines.

**(Action: MoPR/States)**

- (ix) Only three States, Maharashtra, Manipur and Arunachal Pradesh have indicated their acceptance of the State specific budget accounts and audit manuals prepared by the Institute of Public Auditors of India (IPAI). It was decided to impress upon the States to complete the process of adoption of these manuals in their legal framework.

**(Action: MoPR/States)**

- (x) The second instalment of basic grants for 2015-16 is yet to be released to the States of Assam, Goa and West Bengal. Director (MoF) informed that non-payment of interest for delayed payments to GPs, release of lesser amount than receipts to GPs and non-submission of utilisation certificates are the reasons for non-release of grants. He mentioned that as soon as the requirements are satisfied by the States, the second instalments would be released.

**(Action: States concerned and MoF)**

- (xi) 18 States have finalised guidelines for eligibility of GPs for receiving Performance Grants under the FFC award and notified them. It was observed that the guidelines formulated by some of the States provide many other additional criteria other than the requirements of audited accounts for the year not earlier than two years preceding the year in which the GP seeks to claim the performance grant and increase in own source revenues (OSR) of GPs. The additional criteria mentioned by the States like insistence on conducting Gram Sabha meetings, making Panchayats open defecation free, development of citizen's charter, etc, go against the spirit of recommendations of the FFC and the guidelines issued by Ministry of Finance. In the schemes of some of the States, the quantum for increase in OSR each year has not been stated and also time schedule for completing the auditing of accounts. Additional Secretary, MoPR pointed out that as per the guidelines issued by the MoF, the States were required to frame their schemes for eligibility of GPs to get performance grants by March 31, 2016. However, it is not clear as to which would be the reference year to assess increase in OSR by the GPs as the grants are due in the month of October 2016. It was decided to point out the observations made by the Committee in the schemes to the States to revise the same in accordance with the FFC guidelines and obtain clarifications from MoF on the issue of reference year for assessing increase in OSR.

**(Action: MoF/MoPR/States)**

- (xii) SPR informed that efforts to develop 'bare-foot technicians' through skill development programmes would help in solving shortage of technical manpower requirements at the GP level. He also indicated that States should

make efforts to map all the activities/assets undertaken under FFC award and other schemes like RGSA and MGNREGS through the on-line system on Bhuvan Panchayat which is being developed so that monitoring of the outcomes are facilitated.

**(Action: States)**

- (xiii) In view of the requirements for audited statements of the GP accounts, and increase in OSR there would be large amount of data available with the State Governments on GPs' receipts and expenditure and these data would greatly help in planning and decision making processes for the future. The Ministry of Panchayati Raj has decided to assist the States in establishing fiscal data-cells to properly maintain and manage these large volume of data.

**(Action: States)**

The meeting ended with vote of thanks to the Chair and the participants.

**Second Meeting of the Coordination Committee held on 21-7-1016 at 10:00 AM at Conference Hall, MoPR, JP Building, New Delhi**

**List of participants**

<b>S.No.</b>	<b>Name &amp; Designation</b>	<b>Address</b>
1.	Sh. J. S. Mathur, Secretary,	Ministry of Panchayati Raj, New Delhi
2.	Sh. A.K.Goyal, Additional Secretary	Ministry of Panchayati Raj, New Delhi
3.	Sh. S.K.Patjoshi, Joint Secretary	Ministry of Panchayati Raj, New Delhi
4.	Sh. D.K.Sharma, Joint Secretary	Ministry of Panchayati Raj, New Delhi
5.	Sh. S.S.Prasad, Director (FD)	Ministry of Panchayati Raj, New Delhi
6.	Sh. Dilip Kumar, Director (Finance)	Ministry of Panchayati Raj, New Delhi
7.	Sh.R.Shivakumar, Under Secretary	Ministry of Panchayati Raj, New Delhi
8.	Sh. Saraswati Prasad, Additional Secretary	Ministry of Drinking Water & Sanitation, New Delhi
9.	Sh. Gopal Prasad, Director	Department of Expenditure (FCD), Ministry of Finance, New Delhi
10.	Sh. R.B.Kaul, Sr.Stats.Officer	Department of Expenditure (FCD), Ministry of Finance, New Delhi
11.	Dr. W.R.Reddy, DG	NIRD&PR, Hyderabad
12.	Dr. K.Jayalakshmi, CPR	NIRD&PR, Hyderabad
13.	Sh. Manoj Sahay, Principal Director	Office of the C&AG of India, New Delhi
14.	Sh. Achitya Sharma	Office of the C&AG of India, New Delhi
15.	Sh. Pramod Kumar, Director	Ministry of Urban Development, New Delhi
16.	Dr. Sandeep Thakur, SRO	National Institute of Urban Affairs (NIUA), New Delhi
17.	Sh. D.P.Das, Director	Department of Panchayati Raj ., Odisha
18.	Sh.J.Sampath, Additional Director	Department of Rural Development & Panchayati Raj ., Tamil Nadu
19.	Sh. Girish Chandra, Dy. Director	Department of Panchayati Raj ., Uttar Pradesh