

11.13 Sharing of funds between the Village Panchayats and Panchayat Unions from the Reserve, Equalisation and Incentive funds - Guidelines to be followed

Rural Development (C2) Department

G.O. (Ms). No. 5

Dated : 9.1.2004
Read:

1. G.O. (Ms) No. 284, Finance (FCIV) Department, dated 12.8.2002.
2. Director of Rural Development letter No.29856/2003/PCA.5, dated 1.9.2003.
3. Director of Rural Development letter No.75191/2003/PCA.1, dated 14.11.2003 and 7.1.2004.

ORDER

In the G.O. first read above it has been ordered that 8% of the total tax revenue (except Entertainment Tax) of the State Government will be devolved to Rural and Urban local bodies with effect from 2002-2003 to 2006-2007. Out of this 8% devolution, 87% is earmarked as devolution grant and the balance 13% towards Reserve, Equalisation and Incentive Funds, Besides, it has also been ordered among others that guidelines to be followed for utilizing the Reserve, Equalisation and Incentive Funds will be issued separately.

2. The Director of Rural Development has sent proposal for sanction of Reserve, Equalization and Incentive Fund for the year 2003-2004 and the guidelines to be followed for utilizing the same.

3. The Government after careful examination prescribe the guidelines to be followed to utilize the Reserve, Equalization and Incentive Fund from 2003-2004 as detailed below:

Reserve Fund:

1. The Reserve fund will consist of two components:
 - (i) District Collector's Development Fund
 - (ii) Rain Water Harvesting

(i) District Collector's Development Fund

1. 50% of the Reserve Funds shall be earmarked and placed at the disposal of the District Collectors except Chennai to redress the grievances of the public.
2. These funds shall be utilized by the Collector to take up community infrastructure development works based on the priority needs.
3. Only capital works that result in new asset creation and is useful for the community at large shall be taken up.
4. Maintenance works shall be accorded least priority and can be taken up by the Collector depending only on emergent needs.
5. The share of the districts may be decided based on the number of Village Panchayats in each district. Inter- se distribution between Village Panchayats will be on the discretion of the Collector based on needs of Village Panchayat and the priority of works to be taken up. The Director of Rural Development will distribute the funds based on the above norms. The fund may be operated by the District Collector by opening separate Personal Deposit Account.

Rain Water Harvesting

- (1) The balance 50% of Reserve Fund shall be earmarked for Rain Water Harvesting.

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- (2) The apportioning of the Rain Water Harvesting fund shall be based on the number of Village Panchayats and Director of Rural Development will distribute the funds to all districts except Chennai.
- (3) The fund shall be utilized for desilting Tanks, Ponds, Ooranies and Kuttais and deepening of existing wells belonging to both Village Panchayats and Panchayat Unions.
- (4) The Collector will identify the nature of rain water harvesting work to be taken up in the district and accord sanction for the same.

Equalisation Fund

- (1) The Equalisation funds shall be apportioned by the Director of Rural Development to needy Village Panchayats and Panchayat Unions in the ratio 55:45.
- (2) The identification of the needy Village Panchayats shall be decided by Director of Rural Development based on the annual per capita own tax revenue (excluding assigned revenue) of the previous year. The per capita limit may be fixed annually by the State Government based on the Director of Rural Development's analysis. Equalisation Fund allotted to Village Panchayat should be utilized by the concerned Village Panchayats to meet the debt and non-debt dues including electricity consumption charges and water supply maintenance charges.

Panchayat Unions:

The identification of the needy Panchayat Union shall be decided by the Director of Rural Development based on the annual receipt and expenditure for the previous years actuals showing deficit. The fund may be released to the Panchayat Union which are fully dependent on the State Finance Commission devolution for the establishment and maintenance charges.

This fund may be released to needy Panchayat Unions to meet out general administration and cost of maintenance of Union assets such as roads, school buildings etc., of the Panchayat Union.

Incentive Fund

1. The Director of Rural Development shall apportion the funds to all the Village Panchayats based on the collection of house tax for the previous year after getting the report from the Collectors. These funds shall augment the resources of the Panchayats to take up both capital and maintenance works.
2. The following shall be the criteria for the release of matching grant to Village Panchayats as Incentive Fund -

Collection 49% and below	:	50% Matching Grant
Collection 50% to 74%	:	75% Matching Grant
Collection 75% to 90%	:	100% Matching Grant
Collection 91% and above	:	125% Matching Grant

The slabs recommended by Second State Finance Commission and proposed by Rural Development Department shall be adopted for giving House Tax matching grant to Village Panchayats which have effected House Tax revision during 1998-2001. For those which have not revised yet, the matching grant shall be 50% irrespective of collection level as recommended by Second State Finance Commission.

GENERAL

- a) Unspent amount, if any in any of the funds as on the last day of February of each year should be pooled in the last month of the financial year and taken to general devolution and distributed based on the formula.
- b) The funds should be utilised for the purpose for which it is sanctioned.

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4. Net State's Own Tax Revenue for 2003-2004 constitutes Rs.125522.82 lakhs. 13% of this amount works out to Rs.16317.9666 lakhs has to be given to Rural and Urban Local Bodies through Reserve, Equalisation and Incentive Funds 66% of this component (Rural share) works out to Rs.9464.4206 lakhs (Rupees Ninety four crores, sixty four lakhs, four thousand two hundred and six only) earmarked for Rural Local bodies (Village Panchayats and Panchayat Unions).

5. The Government after careful examination accord sanction for a sum of Rs.9464.4206 lakhs (Rupees Ninety four crores, sixty four lakhs, four thousand two hundred and six only) toWards the Reserve, Equalisaiton and Incentive Funds as detailed below:

RESERVE FUND (2%)

(i) Collectors Development Fund (50%)	Rs.728.0324 lakhs
(ii) Rainwater Harvesting (50%)	Rs.728.0323 lakhs

EQUALISATON FUND (6%)

(i) Village Panchayats (55%)	Rs.2402.5068 lakhs
(ii) Panchayat Unions (45%)	Rs.1965.6873 lakhs

INCENTIVE FUND (6%)

6. The Director of Rural Development is authorised to draw and apportion Reserve, Equalisation and Incentive Funds to the District Collectors except Chennai sanctioned above. The Collectors are requested to keep the same in the Personal Deposit Account and incur expenditure therefrom.

7. The Reserve, Equalisation and Incentive Funds sanctioned above shall be debited to the following heads of account.

"3604 00 Compensation and assignments of Local bodies and Panchayat Raj Institutions - 197. Assistance to Block Panchayats/Intermediate Panchayats - I. Non-Plan - AA. Grants to Panchayat Union as per the recommendations of State Finance Commission - Controlled by Director of Rural Development - 09. Grants - in - aid - 03. Grants for specific scheme" (DPC 3604 00 197 AA 0908). and

"3604 00 Compensation and assignments of Local bodies and Panchayat Raj Institutions - 198. Assistance to Gram Panchayats - I. Non-Plan - AA. Grants to Village Panchayats as per the recommendations of State Finance Commission - Controlled by Director of Rural Development - 09. Grants - in - aid - 03. Grants for specific schemes" (DPC 3604 00 198 AA 0936).

8. This order issues in the concurrence of Finance Department vide its U.O.No.1524/TC.4/2004-2, Dated 9.1.2004.

(By order of the Governor)

SANTHA SHEELA NAIR
SECRETARY TO GOVERNMENT