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PRIA

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Finance Commissions and Panchayati Raj Institutions (PRIs)

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The chart explains the Central Finance Commissions (10th -14th) allocation of Grants to the Panchayati Raj Institutions (PRIs), special requirements and action taken report over the years.

Sl. No.	Commission	Grants to Local Bodies (PRIs ¹ +ULBs ²) (In crore and Percentage)	Amount Transferred to Panchayat (In crore)	Performance Requirements Associated with Grants			Specific Requirements	Action Taken Report (ATR)
				Basic Grant ³	Performance Grant ⁴	Special Area Grant ⁵ (PESA)		
1.	10 th CFC ⁶ (1995-2000)	5380.93	4380.93 (81.4%)	-	-	-	<ul style="list-style-type: none"> State Governments to prepare schemes and issue detailed guidelines; Local Governments to raise matching grants; Expenditure on salary and wages cannot be met 	<ul style="list-style-type: none"> The Government has accepted the recommendations of the Commission for making grants to the States for local bodies (PRIs& ULBs). These grants will be treated as part of the Plan of the State Governments, earmarked to be transferred to local bodies.
2.	11 th CFC (2000-2005)	10000	8000** (80%)	-	-	-	<ul style="list-style-type: none"> No specific indication of basic and performance grants. Grants should be for 	<ul style="list-style-type: none"> The government accepted the recommendation by the commission. The local bodies should

							<p>maintenance of accounts and audit.</p> <ul style="list-style-type: none"> • Development of a financial database. • The remaining amounts to be used for maintenance core services such as, Primary education, Primary health care, Safe drinking water, Street lighting, Sanitation including drainage and scavenging services. • Grants were made untied and the prohibition on payment of salaries and wages removed. 	<p>be required to raise suitable matching resources.</p> <ul style="list-style-type: none"> • In cases where elected local bodies are not in place, the Central Government shall hold the share of such bodies in trust on a non-lapsable basis during 2000-05. Central Government may also similarly hold back a part of the recommended share in case of such bodies to whom functions and responsibilities have not been devolved. • Earmarking of funds for maintenance of accounts, within the overall recommended level of grants, may be increased to the extent necessary in consultation with the C&AG. • Measures to strengthen accounts and audit of local bodies have been accepted in principle.
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								Details will be worked out in consultation with the C&AG.
3.	12 th CFC (2005-2010)	25000	20000 (80%)	-	-	-	<ul style="list-style-type: none"> No specific indication of basic and performance grants. Grants should be used to improve service delivery related to Drinking water and sanitation. 	<ul style="list-style-type: none"> The government has accepted the recommendations made by the commission.
4.	13 th CFC (2010-15)	2.28% (87519)	63051 (72%)	56335 <i>(In crore)</i>	29826 <i>(In crore)</i>	1357 <i>(In crore)</i>	<ul style="list-style-type: none"> No conditions for basic grant; The following six conditions shall apply for performance grants in panchayats; <ol style="list-style-type: none"> State governments should place a supplement to the budget documents for local bodies; State governments should put in place an audit system for all local bodies; State governments should put in place a local body 	<ul style="list-style-type: none"> Both basic and performance grants in any year have been quantified based on a percentage of the divisible pool of the preceding year. Recommended a special area performance grant of Rs. 10 per capita for 2011-12 and Rs. 20 per capita for subsequent years of the award period The performance grants are to be released if the States meet conditions specified by the Commission As per the revenue

							<p>ombudsman who will look into complaints of corruption and maladministration against the functionaries of the local body, both elected members and officials and recommend suitable action;</p> <p>4. State governments should put in place a system to electronically transfer local body grants provided by the commission to the respective local bodies within 5 days of receipt from the Central govt.</p> <p>5. State governments must prescribe through an Act the qualification of persons eligible as members of the State</p>	<p>projections of the Commission, total grant recommended for the local bodies aggregates to Rs. 87519 crore over the award period.</p> <ul style="list-style-type: none"> • The Commission has also recommended distribution of the grants between urban and rural areas and the inter-se distribution between States.
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							<p>Finance Commission, consistent with the Article 243 I (2) of the Constitution.</p> <p>6. All local bodies should be fully empowered to levy property tax for all types of residential and commercial properties and all hindrances in this regard must be removed.</p>	
5.	14 th CFC (2015-20)	287436	200292 (69.6%)	90%	10%	-	<ul style="list-style-type: none"> • preparation of GDP is mandatory for availing the grant of Finance Commission • Basic grant shall be used for improving status of basic civic services- water supply, sanitation including sewerage and solid waste management, storm water drainage maintenance of community assets, maintenance of roads, foot paths, street lighting, 	<ul style="list-style-type: none"> • The government accepted the recommendations by the commission.

							and burial and cremation grounds.	
							<ul style="list-style-type: none"> • Performance grant shall be addressing the following issues- <ol style="list-style-type: none"> 1. Making available reliable data on local body receipt and expenditure through audited accounts. • Improvement of own revenue. 	
	Total	415335.93	295723 (71.2%)					

¹ Panchayati Raj Institutions ² Urban Local Bodies

³ Basic Grant: Grant providing to the local bodies with the purpose of providing a measure of unconditional support to the gram panchayats and municipalities for delivering basic services

⁴ Performance Grant: Grants are designed to serve the purpose of ensuring reliable audited accounts and data of receipts and expenditure and improve in own revenue. The grants are to be disbursed from the second year of the award period.

⁵ Special Area Grants: Grants provided for the schedule 5 and 6 areas (PESA Areas)

⁶CFC: Central Finance Commission

Source:

*10th, 11th, 12th, 13th and 14th Finance Commission reports; <https://fincomindia.nic.in/ShowContent.aspx?uid1=3&uid2=0&uid3=0&uid4=0>

*Devolution Report 2015-16; <https://www.panchayat.gov.in/documents/10198/378720/devolution.pdf>

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