

No. 15(2)FC-XV/FCD/ 2020-25
Ministry of Finance,
Department of Expenditure
Finance Commission Division

11th Block, 5th Floor,
CGO Complex, Lodi Road,
New Delhi- 110003.
Dated:- 02-06-2022

Office Memorandum

Subject:- Guidelines regarding apportionment of grant when all local bodies (both rural and urban) in a State are not duly constituted/eligible – clarification regarding.

The Fifteenth Finance Commission (FC-XV) vide para 7.62 of Chapter-7 of its final Report for the period from 2021-22 to 2025-26 has recommended grants for duly constituted Rural Local bodies (RLBs) for the period 2021-26. The Operational guidelines issued by the Department of Expenditure stipulate that RLBs shall be deemed to be eligible for the release of grants if the rural bodies are duly constituted i. e. if duly elected bodies are in place except for the States/Areas where Part IX of the Constitution does not apply. In case, all the local bodies are not duly constituted, grants shall be released to the State on pro-rata basis for duly constituted local bodies only.

2. Similarly, the Operational guidelines issued by the Department of Expenditure for Urban Local Body grants stipulate in para 7 that grants shall be released to a State on pro-rata basis for the number of bodies complying with the conditions relevant to a particular year.

3. The 15th Finance Commission has distributed local body grants within the States based on weightage of 90 per cent on population and 10 per cent on the area of the States. As the population and the area of local bodies varies and distribution within a State may also be based on the recommendations of State Finance Commission, therefore, in order to workout the actual grant due to eligible bodies when all local bodies are not eligible to receive grants, nodal Ministries should seek local body-wise distribution of the proposed installment from the concerned States and recommend grant due to a State for the eligible bodies only. This will help in distribution of actual grant due to eligible bodies.

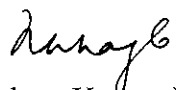
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4. However, in case the concerned State Government does not provide the required information in time in that case, grant may be worked out for the State on pro-rata basis for the number of duly constituted/eligible bodies.

5. As soon as the concerned local body becomes eligible [either by way of holding election or fulfilling the eligibility criteria stipulated], the Nodal Ministries may recommend release of withheld portion of grant due to these bodies within the award period. The Department of Expenditure will release the withheld portion subject to availability of funds.

6. However, the provision in para 5 above shall not apply to Million Plus Challenge Fund.

7. This issues with the approval of the Competent Authority.


(Abhay Kumar)
Director (FCD)

- (i) The Secretary, Ministry of Housing & Urban Affairs, Nirman Bhavan, New Delhi.
- (ii) The Secretary, Ministry of Panchayati Raj, Krishi Bhawan, New Delhi.