



F. No. 13(34)/FFC/FCD/2017-18
Ministry of Finance
Department of Expenditure
Finance Commission Division



Block No. 11, 5th Floor,
CGO Complex, New Delhi-03
Dated 20.10.2017


OFFICE MEMORANDUM

Subject: Guidelines for release of Grants to 'Excluded Areas' i.e. areas not covered under Part IX & IXA of the Constitution.

The undersigned is directed to enclose a copy of the Guidelines for release of Grants to 'Excluded Areas' i.e. areas not covered under Part IX & IXA of the Constitution. These guidelines would be applicable for utilization of grants provided to the Excluded Areas in the Financial Year 2017-18.

2. These guidelines would be applicable in the Areas under Schedule VI of the Constitution in the State of Meghalaya, Mizoram, Tripura and Assam, and in the Non-VI Schedule areas in the hill district of Manipur, rural areas of Nagaland and Rural areas in Mizoram state which are not covered under Part IX and Part IXA of the Constitution of India.
3. This issues with the approval of the Competent Authority.

Encl :As above.


(Gopal Prasad)
Director (FCD)
Ph: 24360647

To,

1. The Chief Secretary, Government of Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura.
2. The Finance Secretary, Government of Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura. ✓
3. The Secretary (Rural Development), Government of Mizoram and Nagaland
4. The Secretary, Ministry of Panchayati Raj, Government of India.
5. The Secretary, Ministry of Housing and Urban Affairs, Government of India.
6. The CEO, NITI Aayog, Sansad Marg.

As per us
Abhijit
F.C. Cell

Guidelines for release of Grants to 'Excluded Areas' i.e. areas not covered under Part IX & IXA of the Constitution

Introduction:- Fourteenth Finance Commission (FFC) did not recommend grants to areas where Part IX and Part IXA of Constitution of India do not apply and also where the States have not enacted laws for establishing duly-elected panchayats and municipalities. FFC vide para 9.110 recommended that, *"We urge the Union Government to consider a larger, sustained and more effective direct intervention for the up-gradation of administration as well as development of the areas covered under the proviso to Article 275 (1) and excluded from the consideration of Finance Commissions in the ToR, in order to bring such areas on par with other area"*.

In the backdrop of above referred recommendation of FFC, the Govt. of India had decided during 2015-16 to provide One Time Special Assistance of Rs. 1000/- crore sanctioned to Areas covered under Sixth Schedule of the Constitution. Accordingly, Ministry of Finance had released Rs.1000 crore as one time special assistance on 18th February, 2016 to Autonomous Councils constituted under the Sixth Schedule of the Constitution in the four States namely; Assam, Meghalaya, Mizoram and Tripura. NITI Aayog had subsequently issued guidelines vide its letter No. M-13022/5/2016-SC, dated 11-07-2016 for utilization of the one time special assistance of Rs.1000 crore during 2015-16. The said guidelines would remain applicable till such time the State Government would furnish utilization certificate (financial & physical) of the fund released during 2015-16 to the NITI Aayog in the prescribed format as per GFR.

Now, the Govt. of India has decided to provide budgetary support for the development of all the areas not covered under the ambit of Fourteenth Finance Commission and are hereafter referred to as 'Excluded Areas. These guidelines are applicable for release of grants to the Excluded Areas in the FY 2017-18. The details of the jurisdiction of the 'Excluded Areas' are as follows:

Jurisdiction:- Areas under Schedule VI in Meghalaya, Mizoram, Tripura and Assam, the areas in the hill districts of Manipur, rural areas of Nagaland and Mizoram which are not covered under Part IX and Part IXA of the Constitution of India. State-wise details of such areas coming under purview of excluded areas are as follows:-

- a) Sixth Schedule Areas in Assam-(i) Karbi Anglong Autonomous District Council;
(ii) North Cachar Hills/Dima Hasao Autonomous District Council; and
(iii) Bodoland Territorial Areas District/Bodoland Territorial Council.
- b) Sixth Schedule Areas in Mizoram -(i) Chakma Autonomous District Council;
(ii) Mara Autonomous District Council; and
(iii) Lai Autonomous District Council.


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- c) Sixth Schedule Areas in Meghalaya -(i) Khasi Autonomous District Council;
(ii) Garo Hills Autonomous District Council; and
(iii) Jaintia Hills Autonomous District Council.
- d) Sixth Schedule Areas in Tripura – (i) Tripura Tribal Areas Autonomous District Council.
- e) Areas in Hill District of Manipur-(i) Chandel Autonomous District Council;
(ii) Churachandpur Autonomous District Council;
(iii) Sadar Hills Autonomous District Council;
(iv) Manipur North Autonomous District Council;
(v) Tamenglong Autonomous District Council; and
(vi) Ukhrul Autonomous District Council.
- f) Rural Areas of Nagaland
- g) Rural Areas of Mizoram

Budgetary Allocation of Grant-in-aid/special financial assistance :- Ministry of Finance, Department of Expenditure(DoE) has been provided with a budget provision for the current year 2017-18 for the excluded areas not covered under Part IX and IXA of the Constitution of India. State-wise allocation of funds will be broadly similar to the per capita grant annually worked out by the FFC adjusted to availability of budgetary provision and fund released to these areas by DoE during the FFC award period so far.

Structure:

At State level, there shall be a Nodal Department for overall coordination and monitoring of the works/projects. Further, there shall be a High Level Committee (HLC) headed by Chief Secretary/senior official of State Government for overall monitoring of the developmental activities being carried out in Excluded Areas.

At district level, Autonomous District Councils (ADC) shall constitute a committee which will be responsible for identification, planning and implementation of projects/works in Schedule VI Areas. However, in Non-Schedule VI Areas, designated agency i.e. ADCs/Councils or any other administrative structure available in the excluded areas shall perform the same functions as mentioned for Schedule VI Areas.

Modalities for Planning and Execution:-

- (i) **Schedule VI Areas:-** A Committee shall be constituted by the Autonomous District Council (ADC) which will be responsible for identification, planning and implementation of projects/works. The Chief Executive Officer of ADC will be responsible for preparation of shelf of projects / works and getting timely approvals from the ADC.

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- (ii) **Non-Schedule VI Areas:-** The designated agency i.e. ADCs / Councils or any other administrative structure available in the excluded areas which will perform the same functions as mentioned for Schedule VI Areas.
- (iii) The above mentioned Committee/designated agency will have the flexibility to spend the amount for development activities according to need as assessed by it and to provide basic services in these Excluded Areas.

Objective of Grant-in-aid/special financial assistance:- The Grant for excluded areas is intended to be used to support and strengthen the delivery of basic civic services including water supply, sanitation including septic management, sewage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street-lighting, burial and cremation grounds and any other basic service within the functions assigned to Autonomous District Councils/ designated agency under relevant legislations.

Monitoring:-

At State level, there shall be a Nodal Department for overall coordination and monitoring of the works/projects. State Government shall constitute a High Level Committee (HLC) headed by Chief Secretary/senior official of State Government with members from Finance Department and the Nodal Department for overall monitoring of the developmental activities being carried out in these Excluded Areas and also to scrutinise the expenditure details /project details provided by the ADCs/ designated agency. The Committee may take all necessary steps as it may deem fit for proper monitoring and proper utilisation of funds. It may also suggest convergence with other Central Sector Schemes/ Centrally Sponsored Schemes/ State Plan Schemes. The State Level Committee will ensure for seeking Utilisation Certificates from the Councils as per the extant Rules and to forward the consolidated UC to MOPR/MHUA (as the case may be) with a copy to the Department of Expenditure, Ministry of Finance.

Identification and Prioritization of works/Projects :-

The works/projects should cover subjects which have been transferred to the Autonomous District Councils/ designated agency and should mainly focus on delivery of the basic civic services to the people. The works/projects should show measurable outcomes. It may be noted that any cost escalation and / or committed liability beyond the funds allocated for the projects shall not be provided by the Central Government.

The ADC/designated agency shall ensure that there is no duplication of expenditure on the same project. The expenditure should be incurred as per the prescribed Finance Manual/Guidelines/Rules of the respective State Government applicable for the excluded areas.

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Fund flow mechanism and release of Grants

Grant-in-aid will be released by the Ministry of Finance, Department of Expenditure to State Governments for the Excluded Areas. The State Govts. are required to transfer the Grants received from Central Government to such areas (ADCs/designated agency as per established procedure) within 15 days of it being credited to their account. It is to be ensured that in no case should funds be credited in the personal account of any functionary of these Councils. There should not be any deductions from the grants due to the Excluded areas. In case of delay, the State Government shall release the grant along with interest at the Bank rate of Reserve Bank of India for the period of delay from the date of grant received in the State's Treasury Account and shall be paid from its own funds. A certification to this effect from the State Government Finance Department duly signed by Secretary, Finance reflected in the Grant Transfer Certificate shall be furnished by the State Government. Penal interest amount transferred by the concerned State Govt. will also be utilized for the same purpose as mentioned under 'Objective of Grant-in-aid/special financial assistance.

The concerned ADCs/ designated agency may decide to channelize the funds to local village councils for ensuring the proper, efficient and effective implementation of the projects/works and maintain full accountability and transparency.

Maintenances of Accounts

The Autonomous District Council/ designated agency shall be responsible for maintenance of the books of accounts for the funds allocated and disbursed to Village Council as per the norms and procedure as prescribed under the relevant Rules and guidelines of CAG/AG of the State concerned.

Inspection of Works

In order to ensure expected level of quality, works undertaken should be regularly inspected by a team of officers as decided by the Autonomous District Council / designated agency as per the norms and procedure as laid down by the Central/State Government.

Submission of Utilization Certificates and Grant transfer certificate

The State Government shall allocate the funds to Excluded Areas and shall also furnish Grant Transfer Certificate in the format as prescribed at Annexure-I to the Department of Expenditure, Ministry of Finance. The State Government is required to submit the Utilization certificates (Financial & Physical) to Ministry of Panchayati Raj/Ministry of Housing & Urban Affairs (as the case may be) with a copy to the Department of Expenditure, Ministry of Finance in the prescribed format (as required under latest GFR-2017). The utilization certificate shall clearly state that ADCs/Councils/designated agencies in the excluded areas have utilized the grant for the intended purpose as specified in the guidelines within twelve months from the date of release of funds as per GFR 2017.

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Audit by the Comptroller and Auditor General

The Accountant General of the concerned State may audit the Accounts and Expenditure in excluded areas as per their rules and standard procedures.

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GRANT TRANSFER CERTIFICATE

Name of State:-

1.	Details of Grant received:	Year	Amount (Rs. in lakh)	Date of Release by the Govt. of India (dd/mm/yyyy)		
		Year	Amount (Rs. in lakh)	Date of Receipt by the State Govt. (dd/mm/yyyy)		
2.	Details of Grant transferred to ADCs/ other Councils: (In case grant has been transferred on different dates to different ADCs/Councils then ADCs/Council wise information on different dates be provided).	Year	Amount (Rs. in lakh)	Date of Transfer	No. of days of delay	If delayed, amount of interest transferred (with rate of interest)

3. Certified that the funds have been transferred to the accounts of the ADCs/ Other Councils on the date(s) as mentioned above. It is further certified that Utilisation Certificates will be submitted within the period as prescribed in the GFR-2017.

Countersigned:

Name & Signature (with seal)
of the Secretary of the Nodal
Department of the concerned
State Govt.

Name & Signature (with seal)
of the Finance Secretary/Principal
Finance Secretary of the concerned
State Govt.

[Signature]
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