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Backward Regions Grant Fund

Programme Guidelines

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Chapter 1

Statement of Objectives and basic features

1.1 The Backward Regions Grant Fund is designed to redress regional imbalances in development. The fund will provide financial resources for supplementing and converging existing developmental inflows into identified district, so as to:

- (a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,
- (b) Strengthen, to this end Panchayat and Municipality level governance with more appropriate capacity building, to facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs,
- (c) Provide professional support to local bodies for planning, implementation and monitoring their plans,
- (d) Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity,

1.2 The BRGF guidelines in this document are applicable to States and Districts that fall within the purview of Part IX of the Constitution. Guidelines for States and districts where Part IX of the Constitution does not apply will issue separately. List of Districts covered under BRGF are at Annexe 1.

1.3. Integrated development will commence with each district undertaking a diagnostic study of its backwardness by enlisting professional planning support. This will be followed by preparing a well-conceived participatory district development perspective plan to address this backwardness during 2006-07 and the period of the Eleventh Five-Year. The Panchayats at the village, intermediate and district level, referred to in Part IX of the Constitution, will undertake planning and implementation of the programme, in keeping with the letter and spirit of Article 243G, while the Municipalities referred to in Part IX A will similarly plan and implement the programme in urban areas in conformity with the letter and spirit of Article 243W, read with Article 243 ZD of the Constitution.

1.4. This plan will integrate multiple programmes that are in operation in the district concerned and therefore address backwardness through a combination of resources that flow to the district. Programmes identified for implementation under the Fund will be selected through peoples' participation, particularly through Gram and Ward Sabhas in the rural areas and Area Sabhas and Ward Committees in the urban areas. Participatory plans will be prepared in each Panchayat and Municipality, which would take into account all resources being spent in the area of the Panchayat, which would cover at the very least

- (a) sectoral and district segments of the State Plan,

- (b) Centrally Sponsored Schemes(particularly Flagship programmes¹),
- (c) Fund inflows on account of the National Employment Guarantee programme,
- (d) Tied and untied grants from Central and State Finance Commission, and
- (e) Fund inflows on account of the Bharat Nirman programme.

1.5. The participatory plans prepared by each Panchayat and Municipality would be consolidated into the district plan by the District Planning Committee (Article 243ZD of the Constitution). This would reflect all the financial resources available in the district, and ensure their optimal use, without delay, diversion, duplication and leakage.

1.6. BRGF consists of two funding windows, as follows:

(a) A Capability Building Fund of Rs. 250 crore per annum:

These funds will be used primarily to build capacity in planning, implementation, monitoring , accounting and improving accountability and transparency. This could include arrangements for contracting and outsourcing.

(b) A substantially untied grant of Rs. 3500 crore for 2006-07(outlay during the 11th Plan period will be intimated in due course):

The allocation of these funds by Panchayats and ULBs will be guided by transparent norms and they will use these funds to address critical gaps in integrated development, identified through the participative planning processes cited in these Guidelines.

1.7. Criteria for distribution of funds between districts:

The substantially untied grants will be distributed among the districts concerned as follows:

- (a) Every district will receive a fixed minimum amount of Rs. 10 crore per annum.
- (b) 50% of the balance allocation under the Scheme will be allocated on the basis of the share of the population of the district in the total population of all backward districts.
- (c) The remaining 50% will be distributed on the basis of the share of the area of the district in the total area of all backward districts.

¹ The CSS flagship programmes are the National Rural Employment Guarantee Programme, Sarva Shiksha Abhiyana, Midday Meals Programme, Drinking Water Mission. Total Sanitation Campaign, National Rural Health Mission, Integrated Child Development Services, National Urban Renewal Mission.

1.8 Indicating the formula for inter-se allocation of BRGF Fund to Panchayats/ULBs within the Districts.

Each State will indicate the normative formula that will be used for the allocation of BRGF funds to each Panchayat and ULB(excluding capital cities/cities with a population of 1 million). The normative formula will consider:

- (a) The share of each local self-government institution category(Panchayats or Municipalities) within the district,
- (b) Within the overall allocation made for each category, the norms governing the inter-se share of each Panchayat or Municipality concerned.

1.9. Components that go into the formula may include:

- (a) Any index that is prepared and accepted within the State which reflects backwardness or level of development,
- (b) Addressing specific district-wise priorities identified in the district envisioning exercise, as described in the guidelines of the Planning Commission on district planning, dated 25/8/06(Annexe 2)
- (c) A reasonable percentage of funds that may be separately earmarked as performance incentives, based on specified criteria.

The details of the above allocation should be widely disseminated, particularly to all Panchayats and ULBs concerned. Once the above norms are agreed upon, they will be in force for 2006-07 and the entire 11th Plan Period.

1.10. Transition from Rashtriya Sama Vikas Yojana to the BRGF:

The transition path for the smooth change over from existing RSVY to BRGF will be as follows:-

- (a) All 147 RSVY districts will be released funds when they meet the required stipulations under the scheme, such as submission of utilization certificates till the plans approved under RSVY (plus the existing monitoring fee), have been completed to the extent approved.
- (b) Non-RSVY BRGF district will immediately begin the process of district plan preparation in accordance with these guidelines. Those non-RSVY-BRGF Districts, which have consolidated their draft development plan for the district plans through DPCs will receive their entire annual allocation for 2006-07, so that they can immediately commence implementation of their plans.

- (c) During 2006-07, an initial tranche of Rs. 10 crore each will be released to each non RSVY-BRGF districts, where DPCs have been set up and a district plan has been prepared, consolidating together a few important schemes in respect of which participatory plans have been prepared,.
- (d) States that are in the process of setting up District Planning Committees will be informed that they will receive funds only when the District Planning Committees are constituted in accordance with Article 243 ZD of the Constitution of India and notified as being set up and the procedure contained in (c) above is followed.

1.11. Anticipated Outcomes:

It is anticipated that the initiative on the Backward Region Grant Fund would mitigate regional imbalances, contribute towards poverty alleviation in backward districts, and promote accountable and responsive Panchayats and Municipalities.

Chapter 2: The Planning Process for BRGF

2.1 Each Panchayat or Municipality within the backward district concerned will be the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality will be consolidated into the District plan by the District Planning Committee, constituted in accordance with Article 243 ZD of the Constitution. The planning exercise will be done in accordance with the guidelines issued by the Planning Commission from time to time. The current guidelines for the preparation of the district plans issued by the Planning Commission, in respect of annual planning and the 11th Five Year Plan are placed at Annexe.2.

2.2. Ensuring the inclusion of disadvantaged groups during the consolidation of District plans in accordance with the Vision set out in the Planning Commission's guidelines:

In keeping with the 'Vision' set out in the Planning Commission's guidelines, during consolidation of plans, particular care shall be taken to ensure that the district plan addresses issues relating to SC/ST development. In this direction, the following may be fully addressed:

- (a) A separate sub-Plan should be prepared, within the plan of each Panchayat and ULB, showing the scheme-wise allocations for SCs/STs,
- (b) Schemes benefiting SCs/STs should be allocated funds at least in proportion to the population of these communities in the jurisdiction for which the plan has been prepared.
- (c) Amenities such as schools, anganwadis, health centers etc. should be provided on priority in those villages that have a substantial SC/ST population.

Chapter 3: Building Capability of the Panchayats and ULBs for Planning and Implementation

3.1 Resources for funding the Training Programme:

Effective implementation of BRGF will require continuous and sustained building of the capability of all Stakeholders. An amount of Rs. 250 crore per annum is especially earmarked under BRGF for capability building of Panchayats. The allocation of funds for each State is calculated at the rate of Rs. 1 crore per BRGF district in that State. In addition, funds may be earmarked for certain aspects of capability building from the development grant for the district as described in this chapter.

3.2 The various components of capability building and the sources of funds for the same within the BRGF are described in the table below:

Table 1:

	Component of capability building	Description of sub-components	Source of funds
(a)	Provision of adequate functionaries for the Panchayats for planning and implementation	<p>Augmenting functionaries for Panchayats and Municipalities can be met on the following conditions:</p> <p>(a) This amount <u>should not be used</u> to pay the salaries of existing Government staff working at the Panchayats and Municipalities level.</p> <p>(b) This facility shall be used only for essential staff wherever gaps exist.</p> <p>(c) Staff shall be recruited by the Panchayats or Municipalities, in the manner prescribed by the State Government.</p> <p>(d) Panchayats may progressively take over the responsibility of paying staff salaries, utilizing financial transfers such as State and Central Finance Commission grants or own revenues to bridge the gap.</p>	Earmarking 4 percent of the development grant allocated for the district.
(b)	Provision of technical assistance, or providing scope for the outsourcing of	(a) Establishing extension or Resource Centre if required, at each Intermediate Panchayat level or below, for the use of all Panchayats and Municipalities, with	From the Rs. 250 crore capability building fund

	technical support for planning and implementation, particularly the accessing of services of resource persons to support PRIs as well as Grama Sabhas in decentralized planning process.	pooled staff from Development departments and/or experts. (b) Access the services of resource persons and professionals through outsourcing,	
(c)	Providing sufficient office infrastructure, including office buildings wherever required and connectivity to these offices through roads, telephones, power supply and e-connectivity	Physical infrastructure for the conduct of Panchayat affairs, provided 30 percent of the cost is contributed from other sources.	Using development grants,
		Acquiring computers and peripherals, including equipment to access connectivity, such as wireless loops and modems, and training for software use at each Panchayat level	Funded from the Rs. 250 crore capability building fund.
		Telephone connections to all Panchayats	
(d)	Providing adequate training	Implementation of training perspective plan as described in the National Capability Building Framework, placed at Annexe 3.	From the Rs. 250 crore capability building fund.
		Establishment and maintenance of helplines, as described in Annexe 3.	
(e)	Conduct of surveys, studies on backwardness and development of a baseline databank	Entering data onto the National Panchayat Portal in respect of each Panchayat and deployment it in each Panchayat progressively. Preparation of multi-layered GIS based database for local planning, using information put together by the Department of Space and NIC.	From the Rs. 250 crore capability building fund.
(f)	Establishment and maintenance of the accounting and auditing system,		From the Rs. 250 crore capability building fund
(g)	Securing assistance for Panchayats and the District Planning Committee for preparing and consolidating plans.		From the Rs. 250 crore capability building fund

3.2 Provision of Training :

The objectives of the training component of Capability building (Component 'd' in Table 1 above) are as follows:

- (a) Upgrading the knowledge and skills of all Panchayats and Municipalities elected representatives to better perform their responsibilities
- (b) Orient key official associated with functions devolved to Panchayats and who are working under or closely with them to effectively serve and facilitate the Panchayats in the performance of devolved functions.
- (c) Improve functioning of the Gram Sabha, particularly through building the capability of pressure groups such as SHGs and CBOs to participate more meaningfully

Within the broad parameters of the National Capability Building Framework prepared by the Union Ministry of Panchayati Raj (Annexe 3), State and District specific training strategies and plans should be prepared by respective State governments, which will be suitably supported by the Ministry of Panchayati Raj. A State Capability Building Perspective Plan for 5 years, addressing the components described above may be prepared by each State. For this purpose, States may designate a nodal agency, such as the SIRD for preparation and management of the training plan. Technical assistance may be provided by the Ministry of Panchayati Raj for the preparation of State specific prespective plan document for training.

The High-level monitoring and implementation committee at the State level may approve the plan before implementation. The costs can include both capital and revenue costs.

Funds will be released annually by the Ministry of Panchayati Raj on the following conditions:

- (a) Receipt of the plan approved by the High level committee set up at the State level,
- (b) Indication of the funds proposed to be retained at the State level for implementation purposes described in the table above and the funds that will be sent to each district,
- (c) An annual plan, drawn from the perspective plan. Indicating the programmes to be taken up in the year in question, with allocations for each component within it.

3.7. Evaluation, documentation and monitoring of outcomes of training:

Independent evaluation of training shall be undertaken by institutions designated by the Ministry of Panchayati Raj.

For the last three years of the Eleventh Plan, i.e (2009-12) while capacity building will continue to form an integral part of the programme, the emphasis will shift to monitoring and evaluation.

Chapter 4: Operationalisation of the BRGF

4.1 Implementation Mechanism at the Panchayat level:

4.11. The Panchayats, Municipalities and DPC constituted in accordance with Part IX and IX-A of the Constitution would undertake the management of the programme . No special bodies, management committees, societies etc. shall be set up for implementing the Scheme at any Panchayat level or ULB level. In order to facilitate special attention for the supervision, management and monitoring of the programme, Standing Committees constituted within such bodies under legal provisions may be strengthened for the purpose. In addition, the State Government shall take the following steps in this regard:

4.12. The implementation of the works should be by the Panchayats and Municipalities at the appropriate level, in accordance with the respective activity mapping exercise undertaken. The principle of financial subsidiarity will need to be followed, by which even if a higher level of Panchayat, such as a District or Intermediate Panchayat sanctions a work of a value less than a prescribed floor limit, it transfers the money allocated for that work to the Gram Panchayat concerned for implementation. In case the works are outside the domain of the Panchayats and Municipalities, the DPC may decide the implementing department/agency and get the works executed through them with clear powers of monitoring and supervision with the Panchayat(s) concerned.

4.2 Approval at the State level:

4.21. The State government may designate a department, preferably the department of Panchayati Raj as the nodal department at the State level, responsible for the management, monitoring and evaluation of the programme.

4.22. A High-Powered Committee headed by the State Chief Secretary and consisting of inter alia, the Development Commissioner, Planning Secretary, State Secretary of Panchayati Raj, State Urban Development Secretary, a representative of the Ministry of Panchayati Raj and the State Plan Adviser of the Planning Commission as well as other Government of India nominees deemed to be necessary, shall consider and approve the proposed District Plans to be taken up under the District Window of the BRGF as also the Training Plan. The Secretary of the nodal department shall be the Member Secretary of the HPC.

4.23. The Nodal Department will also be responsible for maintaining a computerized database of all Panchayats in BRGF districts, including a database of Panchayat Bank Account to which BRGF developmental grants will be credited. The cell will also maintain details of Utilisation Certificates from each Panchayat.

4.3. Purpose of development funds:

Development funds released under BRGF are to be used for filling critical gaps vital for development in spite of other major interventions. Panchayats and Urban Local Bodies may use these funds for any purpose coming within the items that are devolved to them respectively as listed in the Eleventh and Twelfth Schedule of the Constitution respectively. The funds may not be used for construction of religious structures, structures in the premises of religious institutions, construction of welcome arches or for the provision of individual or family subsidies. Suggested details of the components for which the funds earmarked for SC and ST development are indicated in Annexe 4.

4.4. Proposals for use of the developmental grant:

These proposals shall give details of the following:

- (a) Criteria followed within the district for allocation of funds between the district, block and gram Panchayat levels and ULBs, taking into account the visioning exercise and prioritization of development goals in the district
- (b) The detailed deployment of funds receivable in the district, from several sources, including CSSs,
- (c) Steps taken by the State to equip PRIs and ULBs with substantive financial power in order to generate adequate resources, as also the own resources expected to be raised by Panchayats for the plan
- (d) Steps taken by the State to equip Panchayats with substantive administrative and technical help or means to access these through contracts/outsourcing arrangements.

4.5. The conditions to be met for the release of funds to districts are detailed in Table 2 below :

Table 2:

Period	Conditions for release of funds
2006-07-First year of the programme	Total allocation for each District for capability building will be released subject to the groundwork detailed in the guidelines. First preference will be given to the release of developmental grants to those Districts where the Draft District Development Plan has been consolidated by the Distt. Planning Committee and approved at the State Level by the High Powered Committee.
2007-08	First installment will be released automatically to those Districts on submission of application in prescribed proforma Second installment will be released on the fulfillment of the following

	conditions:
a	Submission of physical and financial progress reports,
b	The opening balance should not exceed 40% of the funds available during the previous year. The amount in excess of this limit will be deducted at the time of the release of the second installment.
c	Audit Reports for the programme for the last year and submission of Action Taken Report should contain a Certificate from the Chartered Accountant that while auditing the district account of the programme, he has taken into account the bank Reconciliation Statement and the accounts of all Implementing Agencies and that advances have not been treated as expenditure
d	Utilisation Certificates are required to be submitted within one year of the release of funds in the prescribed Proforma as per Annex- 5;
e	Submission of non-diversion and non-embezzlement certificate;
f	All pending progress/monitoring reports should have been sent;
g	Confirmation that the district concerned (if Part IX of the Constitution is applicable to it) has established a District Planning Committee in accordance with Article 243 ZD of the constitution.
h	Any other condition imposed from time to time in the interest of smooth implementation of the programme.
2008-09 onwards first installment	Released unconditionally to those districts that were released the second installment of the immediately preceding year.
	Districts, which could not draw the second installment in the immediate preceding year for want of not having met the conditions stipulated , shall submit proposals for the first installment after fulfilling those conditions.
	Districts which received second installment in the previous year conditionally shall submit their proposal for first installment after fulfilling conditions imposed at the time of the release of second installment in previous year.

4.6 Fund flow mechanism:

All funds will be transferred to the Consolidated funds of State governments. Those funds that are to be transferred to Panchayats and Municipalities by the State Governments, will be transferred to their bank accounts, following the same stipulations as prescribed for the devolution of 12th Finance Commission Grants, namely, within 15 days of the release of funds to the Consolidated Fund. From the State level, the funds will be directly deposited into the bank accounts of the Panchayat or Municipality concerned, using the mechanism of bank transfers suggested by the Task Force of the Ministry of Panchayati Rj to study the feasibility of rapid transfer of funds through banks to Pnachayats. Bank account details of all Panchayats would be furnished by State Governments concerned as sought for already by the Ministry of Panchayati Raj

4.7. Release of funds :

Funds : will be released immediately by the Panchayats on the Sanction of the works either in full or in installments as may be decided by the Panchayat concerned, in accordance with procedures prescribed for clearance of such payments. The Implementing Agencies which fail to render the accounts and Utilization Certificate for the funds released earlier should not be considered for implementation of new works and release of further funds. Diversion of resources from one District to another is not permitted.

4.8. Opening of Bank Accounts :

BRGF funds shall be kept in a nationalized bank or a Post Office in an exclusive and separate savings bank account by the Panchayats concerned.

4.9. Utilization of Interest Earned on Deposits:

The interest amount accrued on the deposits shall be treated as additional resources under the BRGF and should be utilized as per the guidelines of the Programme.

4.10. Drawing of funds :

Drawing of funds by Panchayats and Municipalities shall be as per the existing practice detailed in the finance and accounts rules prescribed by the State Government, enacted under the relevant provision of the State Panchayati Raj Act. Withdrawal of funds for making payments towards the works undertaken by the Executing Agencies will be through cheques and as prescribed by in the rules and departmental manuals concerned. Drawal of funds for any other purpose shall not be permitted.

4.11. Maintenance of Accounts :

Each Panchayat and Municipality shall be responsible for maintenance of accounts of the funds allocated to them. These accounts can be consolidated by the District Panchayat in respect of Panchayats and presented to audit. Similarly, any executing agency entrusted with funds under the programme would also maintain separate accounts, which shall be submitted to audit. The State shall provide adequate manpower and resources to all Panchayats and Municipalities to maintain the accounts for the programme. Such support may be pooled at the Intermediate Panchayat Resource Centre. The expenditure under this programme shall find place in the annual accounts of the Panchayats and Municipalities concerned, which may be consolidated in the manner as prescribed in the relevant Panchayati Raj and Municipality Acts and Rules and placed before the State legislature.

4.12. Audit of works :

Regular physical and financial audit of the works under the scheme shall be carried out at the end of the each financial year, in each district. The audit shall be done either by

Local Fund Auditors or by Chartered Accountants listed in the panel of the State Government or AGs of the State. The audit report together with action taken on the Auditor's observations is required to be submitted along with the proposal for release of second installment of funds. Such Action Taken Note should be authenticated by Auditor.

4.13. Review Committee at District level:

Peer reviews of progress by Panchayats themselves, upto the Intermediate Panchayat level may be instituted. At the district level, a Review Committee shall be constituted by the District Planning Committee, chaired by the Chairperson of the District Panchayat and Chairpersons of the Intermediate Panchayats and ULBs in the District in rotation such that the Committee consists not more than 8-10 members. The Review Committee would examine the peer review reports prepared by Panchayats.

4.14. Schedule for Inspection of Works :

In order to maintain quality of works, a quality monitoring system shall be instituted. The working of the system shall be reviewed regularly by the High Powered Committee.

4.15. Social Audit and Vigilance at grass root level :

Clear guidelines on social audit by Gram or Ward Sabhas in rural areas and Area Sabhas and Ward Committees in urban areas may be issued by states. The Gram Sabha will authorize the issuance of utilization certificates of funds allocated for the plans, projects or programmes of the Panchayat and the process followed will be the same as prescribed in the guidelines for the National Rural Employment Guarantee Act.

4.16 Progress reports:

Progress reports will be submitted in proformae prescribed for the purpose.