



# Grant in Aid for Rural Local Bodies

## Why in News

Recently, the Ministry of Finance has released a part of grants-in-aid of **Rs. 15187.50 crore** for around **2.63 lakh Rural Local Bodies (RLBs)** of 28 States.

- This has been made on the recommendations of the [Ministry of Panchayati Raj](#) and the Department of Drinking Water and Sanitation, [Ministry of Jal Shakti](#).
- This forms part of the **Tied Grant** as recommended by the [15<sup>th</sup> Finance Commission \(FC\)](#) for the **Financial Year (FY) 2020-2021**.

## Key Points

- **Recommendation of 15<sup>th</sup> FC:** It recommended the grant in aid of **Rs. 60,750 crore** for (FY 2020-21) the RLBs which is the **highest ever allocation** made by the Finance Commission in any single year.
- **Allocation:** It will be allocated in two parts, namely **Basic Grant and Tied Grant** in **50:50%** mode.
  - **Basic Grant:** These grants are **untied** and can be used by RLBs for **location-specific needs**, except for salary or other establishment expenditure
    - Untied funds are utilised for the works of **emergent nature** which are **normally not covered under the schemes** decentralized at the district level.
  - **Tied Grants:** These are used for the **basic services** of:
    - Sanitation and maintenance of [Open-Defecation Free \(ODF\)](#) status.
    - Supply of drinking water, rain water harvesting and water recycling.
    - The RLBs shall, as far as possible, earmark one half of these grants each to these two critical services.
    - However, if any RLB has fully **saturated the needs of one category** it can utilize the **funds for the other category**.
- **Distribution:** The **State Governments** will be distributing the grants to all the tiers of of the [Panchayati Raj](#) -village, block and district including the traditional bodies of [5<sup>th</sup>](#) and [6<sup>th</sup> Schedule](#) areas based on the accepted recommendations of the latest [State Finance Commission \(SFC\)](#) and in conformity with the recommendations of the **15<sup>th</sup> FC**.
- **Assistance:** The **Ministry of Panchayati Raj** would support the states in effective utilization of the grants by providing **Web/IT enabled platforms for planning, monitoring, accounting / auditing** of the works and funds flow at the level of each of the RLBs.
- **Significance:**
  - **Fighting Covid 19:** It would help RLBs in **providing employment**. E.g. migrant laborers who have returned to their native places owing to [Covid-19 pandemic](#) situation.
  - **Delivery of Basic Services:** Availability of this fund will **boost RLBs effectiveness** in delivery of basic services to the rural citizens.
  - **Rural Infrastructure:** It will augment the **rural infrastructure in a constructive way** e.g construction of roads, supply of water etc.

## Finance Commission

- It is a **constitutional body**, that determines the **method and formula for distributing the tax proceeds** between the **Centre and states** and among the states as per the constitutional arrangement and present requirements.
- Under **Article 280** of the Constitution, the President of India is required to constitute a **Finance Commission** at an interval of five years or earlier.
- The **1<sup>st</sup> FC** was set up in 1951 and there have been fifteen so far.
- The **15<sup>th</sup> FC headed by N.K. Singh** was constituted by the President of India on **27<sup>th</sup> November 2017**, against the backdrop of the abolition of the **Planning Commission** and the introduction of the **Goods and Services Tax (GST)**.
- In November 2019, the Union Cabinet approved the **15<sup>th</sup> FC** to submit its first report for the first **fiscal year 2020-21** and to extend its tenure to provide for the presentation of the final report covering Financial Years 2021-22 to 2025-26 by 30th October, 2020.

**Source: PIB**

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