

Government of Madhya Pradesh, Finance Department
 (Recommendations of Thirteenth Finance Commission)
 Minutes of High Level Monitoring Committee
 (Date: 21-4-2010)

First meeting of High Level Monitoring Committee (HLMC) for the review of preparedness for implementation of recommendations and utilization of grants as per thirteenth finance commission (FC-XIII), presided over by Chief Secretary, was held on 21-4-2010. Members/Officials present in the meeting are listed in Annexure-1.

Principal Secretary, Finance Department informed the members about the recommendations, proposed devolutions and grants from Government of India (GOI) to the State of Madhya Pradesh in next five financial years from 2010-11 to 2014-15. Members were also briefed about the incentive based grants and the state specific grants.

Item 1. FC-XIII, in para 12.326, has recommended continuation of High Level Monitoring Committee, setup as per FC-XII, headed by Chief Secretary of the State for monitoring of utilization of grants and action taken for corrective measures.

(No action needed)

Item 2. FC-XIII has recommended total grant of Rs. 5833.50 Crores for local bodies of the State; Rs. 4113.80 Crores for Panchayats, Rs 1494.35 for Urban Local Bodies and Rs 225.35 Crores for specific agencies as special area grants. Grants to local bodies have nine conditionality as mentioned in para 10.161 of FC-XIII. These conditions are as follows:

	Conditionality	Compliance Milestone	Action
1.	a) Supplement to budget documents to show details of plan and non-plan transfers to local bodies (Para 10.110).	Include relevant supplement in the budget document.	Present state budget document already includes (volume 7) details of plan and non-plan transfers to local bodies.
	b) Specify agencies to receive special area grants (Para	Specify agencies	Panchayat & Rural Development Department (PRD) and Urban

	Conditionality	Compliance Milestone	Action
	10.162). c) Accounting framework consistent with Accounting System prescribed by C&AG and Ministry of Panchayati Raj (Para 10.111).	Certify that the accounting systems as recommended have been introduced in all rural and urban local bodies	Administration Department (UAD) to identify and specify agencies which qualify to receive the special area basic and performance grants by 30/06/2010. PRD and UAD to certify adoption of Accounting System as prescribed by C&AG for accounting from April 1, 2010 onwards. Budget document containing details of transfers should include details atleast to the level of district. These exercises have to be completed by 30-6-2010.
2.	The C&AG to be given Technical Guidance and Support (TG&S) over the audit of all local bodies and its Annual Technical Inspection Report (ATIR) along with Annual Report (AR) of Director Local Fund Audit (DLFA) must be placed before the state legislature.	Certification from the C&AG	Law Department to examine the legal issues and processes related to the tabling of the ATIR of C&AG and the AR of DLFA before the state legislature. FD has to confirm that Local Fund Audit is under TG&S of C& AG. These processes have to be completed by 30-8-2010.
3.	Independent local body ombudsman to look into complaints of corruption and maladministration against functionaries of local bodies, both elected members and officials, and recommend suitable action. In the event that all or a class of the functionaries fall under the jurisdiction of the Lokayukta, it is left to the State to decide whether to continue with these arrangements or to shift the functionaries to the jurisdiction of the ombudsman.	Passage of relevant legislation and its notification. Self certification by the State Government	PRD and UAD informed that already system of Lokayukta exists to look into complaints of corruption and maladministration against the functionaries (elected/official) of local bodies. PRD and UAD to ensure that the existing system is same as prescribed and proper notifications/enactments to that effect are in place. Self certification by PRD and UAD.
4.	Electronic transfer of grants to respective local bodies within	Self-certification by	PRD and UAD to transfer the grants received by GoMP to local bodies

	Conditionality	Compliance Milestone	Action
	five days of their receipt from the GoI.	the State Govt. with a description of arrangements in place	by ECS to insure that the transfer takes place in the prescribed time limit. Self certification by PRD and UAD.
5.	Prescribe through an Act the qualifications of persons eligible for appointment as members of the State Finance Commission consistent with Article 243I (2) of the Constitution.	Passage of relevant legislation and its notification	“Madhya Pradesh Rajya Vitta Ayog Adhinyam” fulfils the condition. So no action required and Finance Department to inform accordingly.
6.	All local bodies should be fully enabled to levy property tax (including tax for all types of residential and commercial properties) and any hindrances in this regard must be removed.	Self-certification by the State Government	PRD and UAD to make necessary amendments so as to enable all local bodies to levy property taxes. The process has to be completed by 30-8-2010
7.	Constitute a state level Property Tax Board (PTB) to assist all municipalities and municipal corporations in the state to put in place an independent and transparent procedure for assessing property tax. The board should be staffed and equipped in such a manner as to be able to make recommendations relating to at least 25% of the aggregate number of estimated properties across all municipal corporations and municipalities in the state by 31-3-2015.	Passage of the relevant legislation or issue of the necessary executive instructions by the State for creation of the PTB as well as publication of the work plan by the PTB in the State Government gazette.	Principal Secretary UAD informed that the process to constitute the State Level PTB has already been started. The Board is to be constituted by 30-8-2010.
8.	Notify by the end of each fiscal year the service standards for four service sectors; water supply, sewerage, storm water drainage, and solid waste management proposed to be achieved by all the municipal corporations and municipalities by the end of the succeeding	Notification published in the State Government gazette.	Service standards as per FC-XIII for four service sectors, in all municipal corporations and municipalities, to be notified by 30-9-2010. UAD to ensure and monitor.

	Conditionality	Compliance Milestone	Action
	fiscal year.		
9.	All municipal corporations with a population of more than 1 million (2001 census) must put in place a fire hazard response and mitigation plan for their respective jurisdictions	Publication of these plans in the State Government gazette	UAD to ensure that publication of fire hazard response and mitigation plan, for all municipal corporations with a population of more than 1 million is carried out by 30-6-2010.

(Finance Department, Urban Administration Department and Panchayat & Rural Development Department)

Item 3. FC-XIII has recommended grant of Rs. 1652.70 Crores for restructuring Calamity Relief Fund (CRF) into State Disaster Relief Fund (SDRF) for the State. Conditionality and details are as follows:

	Conditionality	Compliance Milestone	Action
1.	State should create SDRF in public accounts (under interest bearing deposits) and transfer the balances under CRF as on 31-3-2010 to SDRF.	Creation of SDRF and transfer of balances in given time-limit.	Principal Secretary, Finance Department informed that SDRF will be created immediately after receiving the detailed guidelines from GoI.
2.	Expenditure should be booked under sub-major heads 01, 02 and 80 of the major head 2245, showing transfers to the fund under 05-101 and showing a 'deduct amount met from SDRF' under 05-901. Direct expenditure from the public account should be eschewed in future. Any expenditure on relief met under major-head	The C&AG may appropriately review the adherence to these prescribed accounting practices.	Expenditures under CRF are already being booked in heads as recommended and will also be continued with formation of SDRF.

	<p>other than 2245 should be finally booked under 2245 through an inter-account transfer. State to ensure switch over to this arrangement from 1 April 2010. Release of the second installment of 2010-11 as well as subsequent installments should be linked to strict adherence to the accounting norms given above</p>		
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(Finance Department and Revenue Department)

Item 4. FC-XIII has recommend grant of Rs. 2216.00 Crores for elementary education for the State and prescribed following conditionality:

	Conditionality	Compliance Milestone	Action
1.	<p>The expenditure (plan + non-plan) under elementary education, i.e., major head 2202, sub-major head 01, exclusive of the grants recommended herein, should grow by at least 8%, annually, during 2010-15.</p> <p>Note: This grant, which is 15% of the estimated SSA expenditure of each state, is essentially to cover the difference between the targeted state share of 50% by the terminal year of the Eleventh Plan and the contribution required to be made in 2008-09, i.e., 35% of the individual states' SSA share.</p>	Expenditure to grow as recommended.	Principal Secretary, School Education assured that the department will fulfill the conditions recommended in the report for the said periods.

(School Education Department)

Item 5. FC-XIII has recommended grant of Rs. 490.32 Crores for protection of forest and prescribed the following conditions to receive grants under Forest Department:

	Conditionality	Compliance Milestone	Action
1.	Grants for the first two years are untied. For the remaining three years of the award period, the release of the grant is linked to the number of approved working plans. The entire amount should be released after approval of more than 80% of the working plans of the state. Otherwise releases shall be in the ratio of number of working plans approved to 80% of the number of working plans for the state. 25% of the grants shall be over and above the non-plan revenue expenditure (NPRE) projected in Annex 12.3 and the same shall be monitored as explained therein.	Approval of at least 80% of the working plans of the state. This condition is for releases in last 3 years of the award period. Meet projected NPRE under Forestry and Wildlife (Major Head 2406).	Additional Chief Secretary, Forest Department assured that the department will fulfill the conditions recommended in the report for each financial year.

(Forest Department)

Item 6. FC-XIII has recommend a total grant of Rs. 148.00 Cr. for water sector management and release of grants for water sector management would be subjected to following conditionality:

	Conditionality	Compliance Milestone	Action
1.	Grants, in two equal installments in a year, only for non-salary maintenance items for public Major and Medium Irrigation and Minor Irrigation Schemes. These grants should	As per Annexure 12.8	Water Resources Department (WRD) will have to ensure to keep the NPRE at the required level and setup a Water Regulatory Authority latest by 31-3-2012.

<p>be budgeted and spent only for meeting the non-plan revenue expenditure under the heads 2700, 2701 and 2702. State should also fulfill prescribed criteria in respect of recovery rate for irrigation (Annexure 12.6).</p> <p>Grants should be released to only those states in the third and subsequent years (i.e., 2012-13) which have set up statutory and independent Water Regulatory Authority (WRA) through appropriate legislation and notifying all relevant provisions by 31-3-2012.</p>	<p>To be notified latest by 31-3-2012.</p>	<p>Principal Secretary, WRD mentioned that recovery targets can be achieved if payment of dues by MPEB is made. It was decided that the issue be resolved by Principal Secretary, Finance Department in co-ordination with WRD and Energy Departments.</p> <p>PS WRD informed that creation of WRA is also desired by World Bank. Formation of a one member WRA is in process. This will take care of the prescribed conditionality.</p>
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(Water Resources Department, Energy Department and Finance Department)

Item 7. FC-XIII has prescribed following conditionality to receive incentive based grants for Grid Connected Renewable Energy:

	Conditionality	Compliance Milestone	Action
1.	<p>The incentive is based on states' achievement in renewable energy capacity addition in MW from 1-4-2010 to 31-3-2014.</p> <p>Two sub-components: Incentive for achievement in installed capacity addition (over a four year period) relative to unachieved potential. This will be accorded a weight of 25%.</p>	<p>Achieving potential in renewable energy capacity addition in MW during 1-4-2010 to 31-3-2014.</p>	<p>Energy Department should try to achieve the renewable energy capacity addition so that the state receives maximum incentive grants. Secretary, Energy Department informed that presently targets for generation from Solar, Wind and Biomass have been fixed at 200MW, 400MW, and 100MW respectively, which the department will make all efforts to achieve.</p>

Incentive for achievement in installed capacity addition (over a four year period) relative to the aggregate of installed capacity addition across all states. This will be accorded a weight of 75%, in order to ensure accelerated capacity addition.		
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(Energy Department)

Item 8. FC-XIII has provisioned for total grant of Rs 986 Crores for the State for maintenance of roads and bridges subject to following conditionality:

Conditionality	Compliance Milestone	Action
Grants-in-aid for the maintenance of roads are to the extent of 50% of the requirement assessed for non-PMGSY roads and 90% of the requirement assessed for PMGSY roads for four years starting 2011-12. The grants shall be over and above the state's budget and shall be subject to the conditionality given in Annexure 12.17.	Meet NPRE conditions	Public Works Department (PWD) and Panchayat & Rural Development Department (PRD) to meet the NPRE requirement prescribed by the commission for each financial year under MH 3054. For this purpose Finance Department shall make arrangement, so the expenditure on PMGSY Roads maintenance is also booked under MH 3054. The recommended amount, Rs. 986 Crores has to be distributed between PWD and PRD. The distribution will be decided in HLMC on the basis of proposals from PWD and PRD.

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Projected NPRE (Rs. in Crores)	429.79	451.27	473.84	497.53	522.41

Preconditions for release:

Year	Conditions
2011-12	(a) 2011-12 (BE) net of grants should not be less than the projected NPRE for 2011-12 (b) 2010-11 (RE) net of grants should not be less than the projected NPRE for 2010-11
2012-13	(a) 2012-13 (BE) net of grants should not be less than the projected NPRE for 2012-13 (b) 2011-12 (RE) net of grants should not be less than the projected NPRE for 2011-12 (c) 2010-11 (Actual) net of grants should not be less than the projected NPRE for 2010-11
2013-14	(a) 2013-14 (BE) net of grants should not be less than the projected NPRE for 2013-14 (b) 2012-13 (RE) net of grants should not be less than the projected NPRE for 2012-13

2014-15

(c) 2011-12 (Actual) net of grants should not be less than the projected NPRE for 2011-12
 (a) 2014-15 (BE) net of grants should not be less than the projected NPRE for 2014-15
 (b) 2013-14 (RE) net of grants should not be less than the projected NPRE for 2013-14
 (c) 2012-13 (Actual) net of grants should not be less than the projected NPRE for 2012-13

(Public Works Department, Finance Department and
 Panchayat & Rural Development Department)

Item 9. FC-XIII has recommended a grant of Rs.407.38 Crores for improvement of justice delivery in the state. This grant shall be subject to conditionality given below:

Conditionality	Compliance Milestone	Action
State Litigation Policy aimed at responsible litigation	Second installment only when such policy is in place.	Law department to prepare the State Litigation Policy as required by the commission by 30-6-2010.

(Law Department)

Item 10. FC-XIII has recommended a total grant of Rs.50 Crores as District Innovation Fund for all districts in the state and Rs. 50 Crores for improving statistical system at the State level. These grants shall be subject to conditionality given below:

Conditionality	Compliance Milestone	Action
1. District Innovation Fund: 90% of the cost be met from the Fund and the balance 10% from non-governmental contributions; either from the public or NGOs. This investment is to fill in vital gaps in public infrastructure already available in the district, which is not being fully utilized for want of a relatively small investment. <i>Examples include a government hospital with non-functional diagnostic equipment; a minor</i>	The first installment in 2011-12 after the State finalizes detailed guidelines for implementation of scheme and notifies project sanctioning authority at district level. Subsequent releases after submission of reports on the end	Planning, Economics and Statistics Department (PESD) to finalize detailed guidelines for implementation of the scheme and to notify the project sanctioning authority at the district level by 30-6-2010. Principal Secretary, School Education requested for using these funds for establishing computer

	<i>irrigation tank with sizeable command and leaking sluice gates; an area with poor agricultural productivity without soil testing facilities. The object will be to renew or better utilize an existing capital asset and provide immediate benefits.”</i>	use of preceding installments detailing the benefits created.	training centers in the schools at districts. State Planning Commission to prepare a proper proposal to utilize the fund and submit it before next HLMC.
2.	Statistical system at the State level: Atleast 75% of the grant will be utilized for strengthening statistical infrastructure at the district level not covered by the Indian Statistical Strengthening Project and the proposed CSS pertaining to Basic Statistics for Local Level Development. A maximum of 25% of the grant can be used for improving statistical infrastructure at state headquarters.	The grant will be drawn down in five annual installments. The first installment will be drawn down only when state submits an expenditure plan for entire grant. All subsequent installments will be drawn down after submission of UCs/SOEs for the previous installments.	PESD to submit an expenditure plan, meeting all the requirements prescribed by FC-XIII by 30-6-2010.

(Planning, Economics and Statistics Department)

Item 11. XIII th FC has recommended a grant of Rs. 249.70 Crores for issuing the UID code for families living below poverty line. This grant shall be subject to conditionality given below:

Conditionality	Compliance Milestone	Action
<p>a) States may use this grant either to directly assist the intended beneficiaries or create convenient facilities for them such that the cost of registration of beneficiaries is minimal.</p> <p>b) The assistance, if provided, will be restricted to</p>		Planning, Economics and Statistics Department (PESD) will prepare a working plan in coordination with Food and Civil Supplies Department for utilizing grants as prescribed by FC-XIII.

	<p>beneficiaries of NREGS, RSBY, PDS, old-age pensioners and other welfare schemes of the State and Central Governments targeted at persons below the poverty line.</p> <p>c) The grant will be released in five annual installments, with two trenches per year, on 1 July and 1 January of each year, subject to necessary certification from UIAD Authority.</p>		
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(Planning, Economics & Statistics Department and
Food & Civil Supplies Department)

Item 12. FC-XIII has recommended a grant of Rs. 10 Crores for setting up a database for government employees and pensioners in the state. This grant shall be subject to conditionality given below:

	Conditionality	Compliance Milestone	Action
	<p>a) States can draw down Rs. 2.50 Crores during 2010-11 without any precondition to commence work. The balance, Rs, 7.50 Crores, will be released after the state certifies creation of data base which provides at least the data mentioned in Annexure 12.15 and it is functionally integrated with the treasury on a transactional basis.</p> <p>b) States who have already taken such steps can be provided their entire allocation (Rs.10 Crores or Rs. 5 Crores, as the case</p>	<p>Certification from state government. The states should also confirm that they will be able to provide to the FC-XIV projections for salary and pension expenditure based upon such a data base.</p>	<p>Principal Secretary, Finance Department (FD) informed that database of government employees and pensioners, in format prescribed by the commission, is already in final stages of implementation. FD will claim Rs 2.5 Crores for 2010-11 and will be in position to claim remaining Rs. 7.5 Crores by financial year 2011-12.</p>

	may be) on declaring their eligibility in the manner prescribed above.		
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(Finance Department)

Item 13. FC-XIII has recommended a total grant of Rs. 5000 Crores as incentive for reducing infant mortality rate in the states of country. This grant shall be subject to conditionality given below:

Conditionality	Compliance Milestone	Action
<p>a) The Sample Registration System (SRS) conducted annually by the Registrar General of India (RGI) measuring IMR for 2009 will be the base line from which improvement of each state will be measured. The annual improvement in these indicators, as determined from the SRS bulletin/statistical report for the succeeding years will be measured from the base line.</p> <p>b) States are rewarded both for improvement in the parameter as well as the level at which the improvement is made. The Commission has accepted the formula proposed by ASCI, details of which are placed in Annexure 12.10. Each state's eligibility will be determined annually, based upon improvement in the IMR index</p>	Improvement in IMR index	<p>Public Health & Family Welfare Department (PHFW) to prepare working plan for reducing the IMR in the State.</p> <p>PHFW and Women & Child Development Department (WCD) were asked to prepare a work plan to reduce the IMR of the state such that the State may get maximum amount out of the corpus fund.</p>

(Public Health & Family Welfare Department and
Women & Child Development Department)

Item 14. FC-XIII has recommended following state specific grants for Madhya Pradesh:

	Conditionality	Compliance Milestone	Action
	a) Construction of Anganwadi Centers – Rs. 400 Crores. b) Development of Tourism – Rs 180 Crores. c) Police Training – Rs. 180 Crores. d) Conservation of Heritage – Rs. 175 Crores. e) Health Infrastructure – Rs. 250 Crores. f) Establishment of Virology Laboratory at Gandhi Medical College, Bhopal – Rs. 24 Crores. g) Upgradation of MTH Hospital, Indore – Rs 22 Crores.	State specific grants and GST incentive grant to be withheld for violation of the GST agreement <i>(Para 5.52)</i> . Fiscal deficit of 3% of GSDP be achieved by 2011-12 and maintained thereafter; amend FRBM accordingly <i>(Para 9.82)</i> . No funds from State Specific Grants to be used for Land Acquisition <i>(Para 12.324)</i> .	All concerned Departments to prepare and submit before HLMC the working plans/DPRs by 30-6-2010.

(Finance Department, Tourism Department
 Women & Child Development Department,
 Public Health & Family Welfare Department,
 Medical Education Department,
 Culture Department and Home Department)

All concerned departments should study the report submitted by FC-XIII and immediately start process for preparing working plans/DPRs/ and necessary certifications/notifications for claiming grants after satisfying pre and post conditionalities. All the activities for which no specific time limit has been mentioned in these proceedings should be completed by 30-6-2010.

Meeting concluded with vote of thanks.