

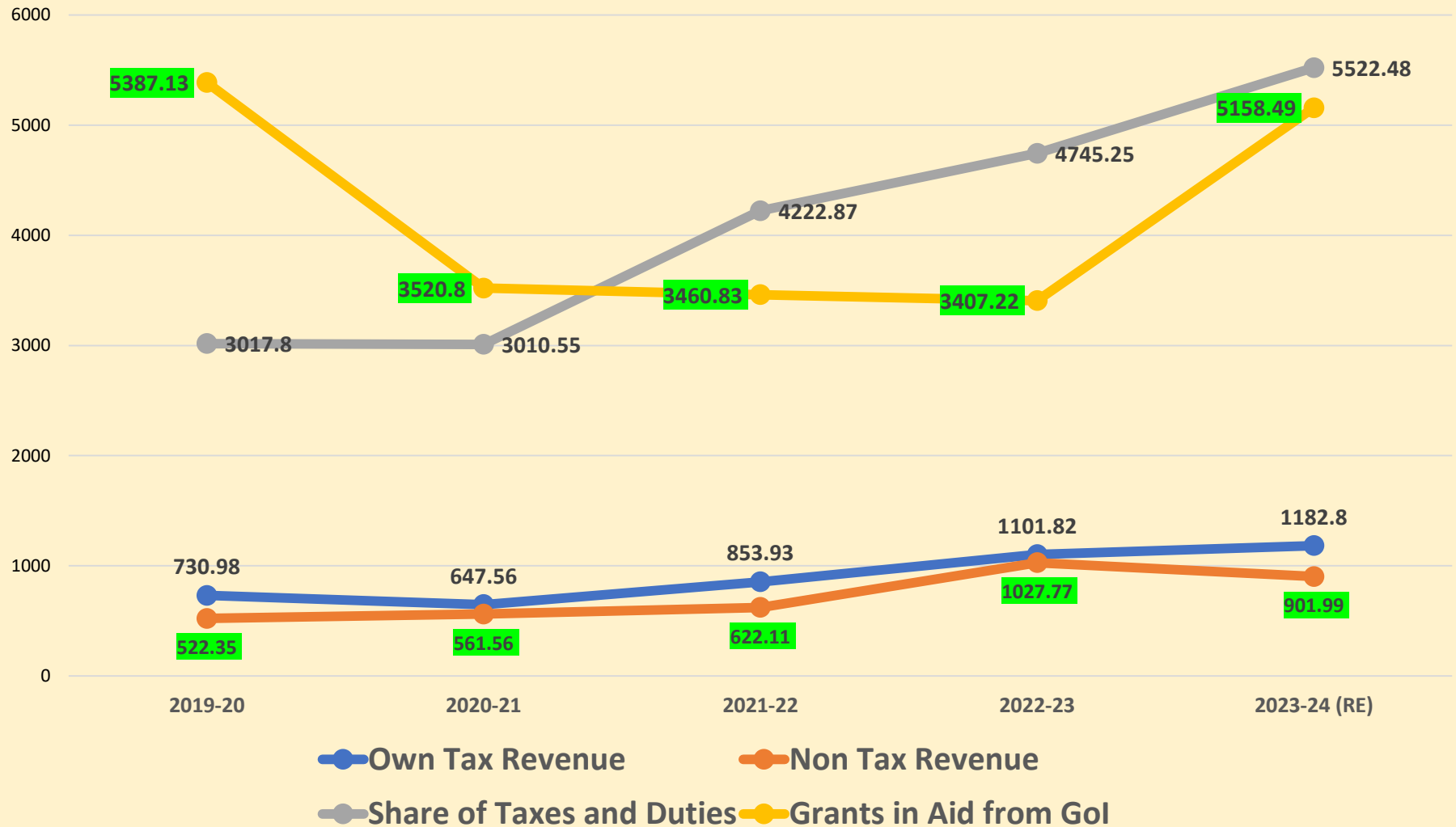
CHALLENGES IN UTILIZATION OF CENTRAL GRANTS IN MIZORAM

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Revenue Receipts of Mizoram (Rs. crore)

COMPONENTS	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	TOTAL	Percentage share
Own Tax Revenue	730.98	647.56	853.93	1101.82	1182.80	4517.09	9.11
Own Non-Tax Revenue	522.35	561.56	622.11	1027.77	901.99	3635.78	7.33
Share of Union Taxes and Duties	3017.80	3010.55	4222.87	4745.25	5522.48	20518.95	41.36
Grants in Aid from GoI	5387.13	3520.80	3460.83	3407.22	5158.49	20934.47	42.20
Total	9658.26	7740.47	9159.74	10282.06	12765.76	49606.29	100.00

Trends of Revenue Receipts



Grants in aid

- **Grants-in-Aid is the largest component of revenue receipts of Mizoram.**
- **It constitutes 42.20% of total revenue receipts. This highlights heavy reliance on central assistance.**
- **These grants are transferred mainly under Centrally Sponsored Schemes (CSS) and Finance Commission grants**
- **In states like Mizoram, where own-tax revenues and own non-tax revenues are minimal, grants from the central government provide a lifeline, allowing the state to meet its expenditure commitments.**

Grants received from Central Government

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24 (RE)	TOTAL	% share
FC Grant	2778.72	1725.48	1910.29	1722.10	1635.00	9771.59	46.68
CSS	2103.97	1329.93	1334.93	1599.97	3423.55	9792.35	46.77
Others	504.43	465.38	215.60	85.14	99.93	1370.48	6.55
Total	5387.12	3520.79	3460.82	3407.21	5158.48	20934.42	100.00

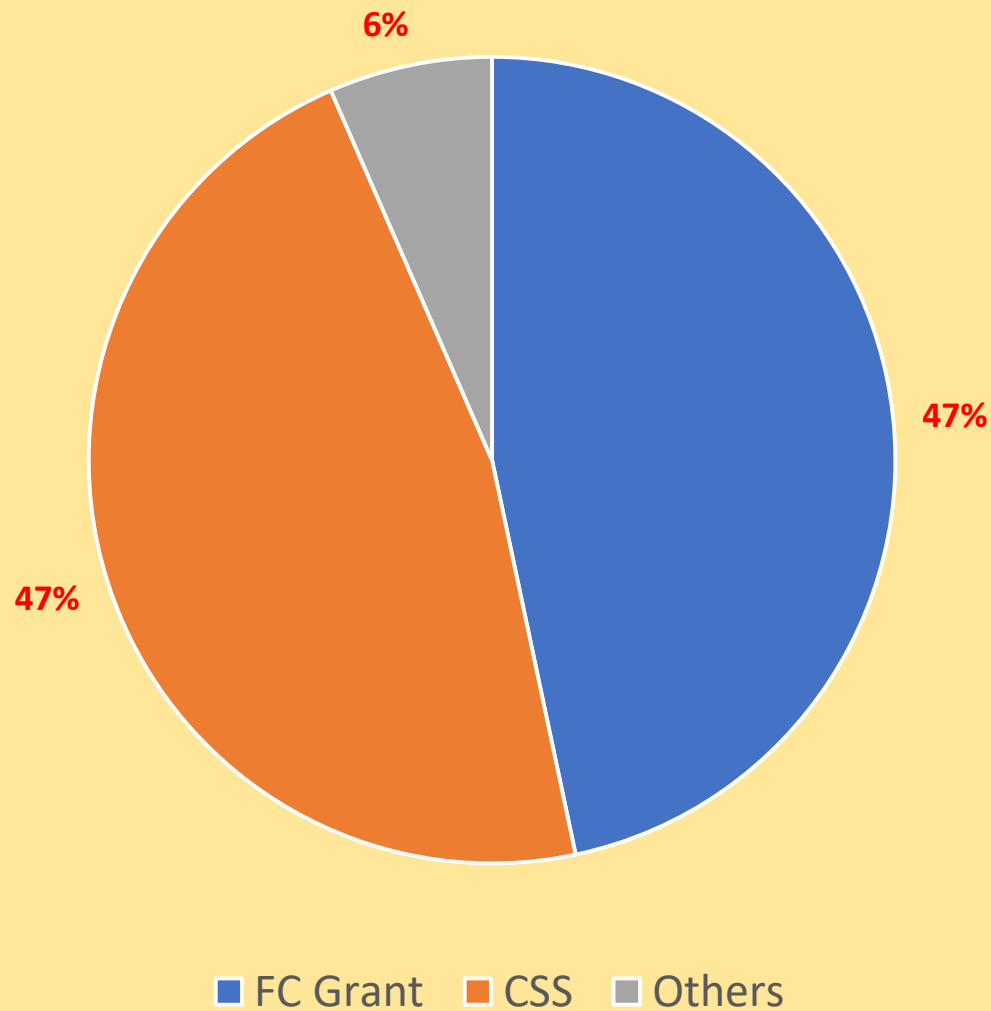
Finance Commission Grants

- The total grants received during this period amounted to Rs.20,934.42 crore, underscoring the importance of central assistance in the state's fiscal framework.
- Finance Commission grants, which are designed to balance fiscal inequalities among states, have been a major source of revenue for Mizoram
- Over the five-year period, the state received Rs.9,771.59 crore through FC grants, contributing 46.68% to the total grants received.

CSS & Other Grants

- CSS grants, which are intended to fund state-level implementation of central schemes, account for Rs.9,792.35 crore during the same period.
- It contributed slightly more than FC grants at 46.77% of the total.
- The third category, labeled as "Others," includes grants from North Eastern Council (NEC), Non-Lapsable Central Pool of Resources (NLCPR) and Central Road Fund.
- Over the five years, these grants have contributed Rs.1,370.48 crore, which is 6.55% of the total central assistance.

Composition of Grants



Types of Finance Commission Grants

- Post-Devolution Revenue Deficit Grants: It fills revenue shortfalls even after tax devolution.
- RLB Grant: It provides rural local bodies with the financial resources needed to manage local governance.
- ULB Grant: It provides financial support to municipalities.
- SDRMF : The fund is used for disaster mitigation, preparedness, and response, as well as post-disaster relief and rehabilitation.
- Sector-specific grants & State specific grants

F C Grants Received Year-wise by Mizoram (Rs crore)

Particulars	2021-22	2022-23	2023-24 (RE)	TOTAL
Deficit Grant	1790.00	1615.00	1474.00	4879.00
Rural Local Body Grant	34.50	53.60	72.00	160.10
Urban Local Body Grant	17.00	39.20	37.00	93.20
SDRMF	37.60	53.50	52.00	143.10
Health Grant	31.19	-	-	31.19
Total	1910.29	1761.30	1635.00	5306.59

Local Body Grants

- FC-XIII recommended Rs.141.37 crore & Rs.74.68 crore for basic grants and performance grants respectively during 2010-2015, prescribing nine conditions. The State Government must put in place-
- a supplement to the budget documents for local bodies
- a system of independent local body ombudsmen who will look into complaints against the functionaries of local bodies
- a system to electronically transfer grants to the local bodies within five days of receipt from the Central Government.
- It must prescribe through an Act the qualifications of persons eligible for appointment as members of the SFC consistent with Article 243I (2) of the Constitution.

Utilization of Local Body Grants under FC-XIII

- RLB-Due to the prolonged process of meeting numerous conditions attached to performance grants for rural local bodies, the State Government was able to utilize only Rs.18.82 crore (Rs.1.16 crore in 2012-13 & Rs.17.66 crore in 2014-15) out of the total recommended amount of Rs.74.68 crore.
- ULB-Performance grants available under FC-XIII for the urban local body was Rs.27.62 crore and amount utilized was Rs.24.69 crore which was better utilized than rural local body grants.

Local Body Grants under FC-XIV

- FC-XIV did not recommend grants to areas where Part IX and Part IX-A do not apply, and where States have not enacted laws for establishing duly-elected panchayats and municipalities. Hence, RLB grant was not received by Mizoram under FC-XIV. However, ULB grants were received.
- To receive Performance Grants, to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which it seeks to claim the performance grant, to show an increase in own revenues over the preceding year, as reflected in these audited accounts and to publish the service level benchmarks relating to basic urban services each year for the period of the award and make it publicly available are prescribed conditions.

ULB Grants under FC-XIV (Rs. Crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Basic Grant	11.54	15.97	18.46	21.35	28.85
Performance Grant Recommended		4.71	5.34	6.06	7.93
Performance Grant Utilized		4.71	5.34		

RLB Grants under FC-XV

- 40 % is untied and can be used for felt needs under the 29 subjects enshrined in the 11th Schedule, except for salaries and establishment costs.
- Tied grants constitute 60% out of which 30% is for drinking water, rainwater harvesting and water recycling and the remaining 30% is for sanitation and maintenance of ODF status.
- Online availability of both provisional accounts of the previous year and audited accounts of the year before previous as entry level condition to avail of the grants.

Utilization of RLB Grants under FC-XV

- Village Councils prepare Gram Panchayat Development Plan (GPDP) which are placed before Gram Sabha for its approval.
- GPDP are uploaded to e-Gramswaraj portal.
- Plan and estimates are prepared separately for tied and untied grants and works are executed with geo-tagged photographs of works.
- Then online audit is conducted by Directorate of Local Fund Audit and audit certificates are generated.
- Online audit for the year 2021-22 is going on as in August 2024 and grant has been released by GoI up to the first installment amounting to Rs. 35.50 crore against the recommended amount of Rs.71.00 crore for the year 2022-23.

Online Audit of RLB Grants

- In order to conduct Audit online for RLB grants, the auditors must be able to access directly e-Gram Swaraj portal through AuditOnline portal.
- Currently, auditors under Directorate of Local Fund Audit of Mizoram cannot access e-Gram Swaraj portal and hence data of Village Councils including geo-tagged assets and works executed by Village Councils cannot be audited online.
- Due to this problem, the auditors are facing setback in online auditing of accounts of 834 Village Councils. Efforts are being taken to enable access of e-Gramswaraj through the Audit Online portal.

RLB Grants under FC-XV Corresponding to Year of Award (Rs.crore)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Grant Recommended	93.00	69.00	71.00	37.00	39.00	40.00
Grant Received	93.00	69.00	35.50			

ULB Grants under FC-XV

- 40% is untied and can be used for felt needs under the 18 subjects enshrined in the 12th Schedule, except for salaries and other establishment costs.
- 30% is earmarked for sanitation and solid waste management and 30% is for drinking water, rainwater harvesting and water recycling.
- Annual accounts to be made available online in the public domain. Audited accounts to include the minimum of balance sheet, income and expenditure statement, cash flow statement.
- States to notify floor rates of property tax. After notifying floor rates for property tax, the states are required to show consistent improvement in collection in tandem with the growth rate of State's own GSDP

Utilization of ULB Grant under FC-XV

- The conditions set by FC-XV for utilization of local body grants are more relaxed. As a result, local bodies in Mizoram did not face significant challenges or bottlenecks in the utilization of FC-XV grants.

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Grant Recommended	45.00	34.00	35.00	37.00	39.00	40.00
Grant Received	45.00	34.00	35.00	18.50		

Other FC Grants

- The revenue deficit grant is an unconditional grant. Hence no hurdles in its use.
- Sector-specific grants were recommended for general administration, environment, maintenance, education, health etc.
- FC-XIV did not recommend sector specific grants
- FC-XIII & FC-XV attached a number of conditions to be fulfilled for actual release of sector specific grants.

Centrally Sponsored Schemes

- CSS are initiatives funded by the GoI but implemented by state governments. They play a crucial role in delivering various services and infrastructure, especially in sectors like health, education, rural development, and agriculture.
- Typically, the central government provides the larger share and the ratio of funding is 60:40 for most states. For special category states, the ratio is usually 90:10.

Centrally Sponsored Schemes

- Although states are responsible for implementing the schemes, the central government maintains oversight through regular monitoring and review processes.
- CSS are widely implemented in Mizoram, and in most cases, they proceed without major hurdles. However, challenges often arise during the execution phase, particularly related to the scheme guidelines, and state matching contributions.
- Utilization status of some CSS are presented in the next slides.

National Ayush Mission

- Only 4% of the net funds available for the State is earmarked for administrative costs under the mission. Apart from the monthly salary, office expenses, travelling expenses, contingency, maintenance costs need to be met under the administrative cost provision.
- The cost of hiring vehicles for outreach activities and printing IEC materials, is considerably higher in Mizoram than in mainland India. For smaller states like Mizoram, meeting these administrative costs is particularly challenging, as the annual allocation for administrative expenses is typically determined on population basis, resulting in limited funds.

National Ayush Mission

- Although the Ministry of AYUSH has incorporated a 5% annual salary increment for certain categories of manpower, this benefit has not been extended to key personnel such as doctors and supporting staff working under Integrated AYUSH Hospitals. As a result, over time, a disparity has emerged among staff performing similar roles.
- Lack of uniformity in salary can create dissatisfaction and impact morale and the effective functioning of AYUSH healthcare services.

MGNREGS

- Many permissible works in guidelines not feasible in hilly areas, particularly in the northeastern region. Given the unique geographical conditions, separate lists of permissible works or customization to suit local needs may be allowed.
- Capturing attendance through the National Mobile Monitoring System (NMMS) is often impractical in hilly areas, where most worksites are situated in remote locations between hills and jungles with little to no mobile signal coverage.
- Although the Supreme Court has ruled that Aadhaar is not mandatory, it is required to become a beneficiary under MGNREGS. Since there are job card holders who do not have Aadhaar and since they cannot be beneficiaries, it adversely affects achievement rate.

Pradhan Mantri Awaas Yojana-Gramin (PMAY-G)

- Achievement is lower in remote and hilly regions due to the higher cost of construction materials compared to plain areas.
- Beneficiaries are often required to contribute more than the central share to complete housing construction, making it difficult for some needy families to finish their homes. This challenge arises primarily because uniform cost norms are applied across both plain and hilly or remote areas, without reflecting the regional variations in material costs.

Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM)

- It promotes the formation of Self Help Groups (SHGs), encourages entrepreneurship, and provides shelters for the urban homeless. However, the existing revolving fund for SHGs is only Rs.10,000, which is insufficient to meet their needs.
- Also, the maximum loan amount of Rs.2,00,000 available under DAY-NULM is inadequate for starting sustainable businesses or ventures.
- While the scheme's objectives are commendable, the financial support provided is not enough to achieve them effectively.

Krishonnati Yojana -Agriculture Extension

- The scheme offers specific pay structures, including a 10% annual increment for fixed-pay employees. However, a committed liability of Rs.525.00 lakh, resulting from integration issues between IFMIS and PFMS in 2022-23, remains unpaid.
- This liability has been included in the approved Annual Action Plan for 2024-25. As a result, staff under the ATMA scheme have not received their monthly remuneration for nearly eight months.

National Food Security and Nutrition Mission (NFSNM)

- The guidelines allow for the engagement of two Technical Assistants, with a minimum qualification of B.Sc. in Agriculture, who receive a fixed remuneration of ₹40,000 plus DA per month, without annual increments.
- Due to the small-scale cultivation sugarcane, the state is not eligible for the NFSM-Commercial Crops component. But sugarcane is a crucial commercial crop for over 3,000 farmers who rely for their livelihood. The Ministry should consider including sugarcane under the scheme and allocate funds for it. Given the food habits of the Mizo people, post-harvest issues, and market potential, a lower allocation may be made for the nutri-cereal component.

Sub-Mission on Seeds and Planting Material (SMSPM)

- It focuses on increasing the production of quality and certified seeds, with a particular emphasis on raising the Seed Replacement Rate (SRR), especially for crops such as paddy, maize, pulses, and oilseeds
- A key issue with this scheme is the lack of provisions for administrative costs or flexible funds, which are typically included in most other CSS. The exact amount of assistance for each seed type—pulses, paddy, oilseeds, cereals, and coarse cereals—should be clearly specified, rather than using percentage-based allocations like 50% or 60%, to ensure clarity and better support for farmers.

State Matching Shares for CSS

- During 2023-24, 131 CSS were implemented under 25 departments. Total amount spent for SMS was Rs.237.82 crore
- During 2024-25 up to August, 72 CSS were implemented under 25 departments. Total amount spent so far for SMS was Rs.77.22 crore.

Rashtriya Krishi Vikas Yojana (RKVY)- Per Drop More Crop

- With the introduction of the Single Nodal Agency (SNA) system in 2021-22, funds are disbursed in four installments, with only 25% as the first installment. Due to the uncertainty surrounding the release of subsequent funds, the Department is unable to make firm commitments regarding the expenditure for the remaining amount required to complete the project.
- As a result, only 25% of the project is being implemented in a phased manner. This partial implementation not only hampers the overall progress but also results in suboptimal utilization of the funds that have already been allocated.

Mission Shakti (Samarthya & Sambal)

- The PFMS code for Samarthya is 3980. Under Samarthya, there are seven sub-schemes. Unless the fund for any one of these sub-schemes is transferred to the SNA account from the State Treasury, funds for the remaining sub-schemes cannot be received, even if Utilization Certificates and interest remittances are completed.
- Consequently, delays in transferring funds under one sub-scheme lead to delays in fund releases for all other sub-schemes.
- This often results in some sub-schemes not receiving their full earmarked funds for the year. It is believed that assigning unique PFMS codes to each sub-scheme would prevent delays in one sub-scheme from affecting fund releases for the others.

State Matching Shares for CSS

- Mizoram is a small State with a predominantly rural population. Its tax base is narrow, and its geographical constraints limit economic growth.
- Though matching contribution appears not high in terms of percentage, the total cumulative amount across all CSS projects is huge. For a financially constrained State like Mizoram, even the relatively small 10% can be overwhelming.
- Sometimes, the State could not release its share to SNA accounts of the scheme. This resulted in withholding of the second installment of Central shares. This in turn delayed project implementations. After the completion of projects, the responsibility for maintenance shifts to the State. This adds a significant financial burden that grows over time.

Challenges in utilization of CSS

Guidelines of many Central schemes do not always account for the geographical and socio-economic realities of Mizoram. transportation of materials, labor mobilization, and monitoring of projects in remote areas become costly and time-consuming, often leading to delays and increased expenditure, which the guidelines may not sufficiently accommodate.

Challenges in utilization of CSS

Many Central schemes are designed with timelines that may not align with the state's monsoon-dominated climate, where heavy rainfall can make construction work or other project activities impractical for months at a time. This often results in delays or rushed work to meet deadlines, compromising the quality of implementation.

Challenges in utilization of CSS

- CSS may not align with unique geographical conditions of States. For instance, as per the guidelines of PMGSY, cost of maintenance covering routine maintenance for initial 5 years after construction and also for further 5 years including periodic renewal shall be fully borne by the State.
- This uniform period poses challenges in Mizoram as it experiences heavy monsoon rains, which cause faster deterioration of roads due to waterlogging, erosion, and landslides. It lacks an adequate supply of high-quality boulders and construction materials needed to build durable roads. In contrast, States with better access to good construction materials and with less rainfall enjoy longer-lasting roads.

Challenges in utilization of CSS

- Another example is Pradhan Mantri Awas Yojana (Gramin). Under this scheme, the government provides a fixed amount to beneficiaries for the construction of houses.
- Financial assistance for construction of a new house under PMAY-G is Rs.1,20,000 in plain areas and Rs.1,30,000 in hilly/difficult areas.
- However, the cost of construction in Mizoram is much higher than in the plains due to the difficult terrain and lack of locally available materials. Hence, Central schemes should be designed to address unique and specific situations of States.

Suggestions

- Every CSS that provides funding for the creation of new assets should also include a dedicated budget for their long-term maintenance.
- This fund should cover periodic repairs, operational costs, and any necessary upgrades to ensure that these assets remain functional and serve their intended purpose.
- Furthermore, CSS guidelines should mandate the allocation of a portion of the funds for the maintenance of pre-existing assets, helping states balance asset creation with preservation.

Suggestions

- A CSS should include provisions for regular audits of existing assets, identifying those in need of urgent maintenance.
- These audits would help prioritize the use of funds to ensure that critical infrastructure, such as health centers, schools, roads, and bridges, are maintained properly before new assets are created.
- The results of these audits should inform the allocation of both central and state resources to ensure that maintenance is not neglected.

Suggestions

- States should be given more flexibility in utilizing CSS funds. For instance, states facing severe infrastructure maintenance challenges should have the option to redirect a portion of funds allocated for new assets toward the upkeep of existing ones.
- This would allow states to address their unique infrastructural needs while adhering to CSS goals. CSS guidelines should be adjusted to allow for this reallocation based on the state's existing asset conditions.

Suggestions

- The central government could introduce a dedicated maintenance grant under CSS to ensure that states have the necessary funds to maintain their existing assets.
- This grant could operate on a matching basis, where states are required to contribute a portion of the funding, thereby promoting state ownership of asset maintenance. This co-funding model would ensure that both the Centre and the states are jointly responsible for sustaining public assets.

Suggestions

- The role of CSS may be reduced. Funds transferred by the Union Government for expenditure on state subjects may be subsumed as many as possible under devolution of taxes. This approach would be in line with fiscal federalism. Subsuming CSS funds under vertical devolution would also simplify the fiscal transfer process.
- The current system of CSS involves complex reporting, compliance with central guidelines, and frequent delays in fund release due to administrative bottlenecks. By providing funds directly through devolution, States can plan their budgets more effectively and avoid delays tied to the release of CSS funds. It would also reduce the perception that States are mere agents of implementation of centrally designed programs.

Suggestions

- Priority should be given to outcome-based monitoring where tangible outputs are monitored rather than input-based monitoring (expenditure, procedures).
- CSS are vital for fostering development and asset creation and their success is heavily reliant on the timely release of funds. Once the Annual Action Plans or Detailed Project Reports (DPRs) are approved, funds should be released by Central Government promptly, particularly for staff remuneration. To ensure smooth implementation, state governments must also expedite the release of the State Matching Share (SMS) and transfer to SNA accounts.

Suggestions

- The release of funds for a specific scheme or sub-scheme should not be contingent upon the utilization of funds from other schemes or sub-schemes.
- Each scheme or sub-scheme has its own set of objectives, timelines, and operational requirements, and linking their funding could cause unnecessary delays and bottlenecks in project execution.
- This separation is crucial to ensure that the implementation of one program is not delayed or hindered due to the unspent balances or utilization issues in other unrelated schemes.

Suggestions

- The salary structures, remuneration rates, and annual increment benefits for CSS employees across sectors or Ministries should be standardized and uniform to promote equity among employees.
- Funds should be released in fewer installments to streamline the tender process, allowing it to be completed in one or two rounds. This approach will not only expedite project execution but also significantly reduce administrative paperwork and procedural delays.

THANK YOU