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ପଞ୍ଚାୟତିରାଜ ଓ ପାନୀୟଜଳ ବିଭାଗ

Government of Odisha
Panchayati Raj & D.W Department

ଓଡ଼ିଶା ଲୋକସେବା ଭବନ
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No. PR-RS-POLICY-0007-2026/ 21045 **Date:** 24/07/2026

From

S.N. Girish, IAS,
Commissioner-cum-Secretary to Government

To

All Collectors,
All CDOs cum EOs, Zilla Parishad

Sub: Advisory on utilization of 16th Finance Commission tied Grants for water and sanitation for next 5 years (2026-27 to 2030-31)– reg

Madam/Sir,

In inviting a reference to the subject cited above, I am to inform you that the Ministry of Finance, Government of India has issued the Operational Guidelines for Rural Local Body Grants recommended by the 16th Finance Commission for the period 2026–27 to 2030–31. Based on these guidelines, the Department of Drinking Water and Sanitation, Ministry of Jal Shakti, Government of India has issued the enclosed Technical Advisory on utilization of the 16th Finance Commission Tied Grants for water supply and sanitation.

You are requested to ensure strict adherence to the enclosed advisory while utilizing the Tied Grants.

It should be ensured that all prescribed activities are incorporated in the GPDP, BPDP and DPDP. No deviation from the permissible activities or guiding principles shall be allowed.

Further, the planning window on egram swaraj portal of Ministry of Panchayati Raj shall remain open up to 15th August, 2026 for uploading of approved Panchayat Development Plans for 2026-27.

The matter may be treated as most urgent and necessary compliance ensured.

Enclosed: As stated above.

Yours faithfully,

Commissioner-cum Secretary to Government

CC to:

1. Additional Secretary & Mission Director JJM, Ministry of Jal Shakti, GoI for favour of his kind information.
2. Joint Secretary & Mission Director SBMG, Ministry of Jal Shakti, GoI for favour of his kind information.
3. Director, DWS, PR&DW Deptt. for information and necessary action.
4. Director, SIRD & PR, PR&DW Deptt. for information and necessary action.
5. Engineer-in-Chief, RWSS, PR&DW Deptt. for information and necessary action .He is required to send necessary instructions to Divisions to ensure inclusion of activitied in GPDP as per the advisories.
6. All BDOs for information and necessary action.

कमल किशोर सोन
अपर सचिव एवं मिशन निदेशक
Kamal Kishore Soan
Additional Secretary & Mission Director

सत्यमेव जयते

हर घर जल
जल जीवन मिशन
राष्ट्रीय जल जीवन मिशन
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भारत सरकार
National Jal Jeevan Mission
Department of Drinking Water and Sanitation
Ministry of Jal Shakti
Government of India

D.O. No. W-11012/6/2026-JJM-III-DDWS

Dated: 17th July, 2026

Dear Colleague (ZP - CEO/CDO/DDC),

The Government of India is committed to ensuring sustainable and reliable rural drinking water services under Jal Jeevan Mission (JJM) 2.0. With the recommendations of the Sixteenth Finance Commission (FC-XVI) coming into effect, Rural Local Bodies have been provided substantial tied grants for water management and sanitation. These grants present a significant opportunity to strengthen rural water service delivery through effective planning at the Gram Panchayat level. Department of Drinking Water and Sanitation is nodal department for recommendation of tied grant to all States.

2. The Department of Expenditure has issued the Operational Guidelines for FC-XVI Rural Local Body Grants, and the Department of Drinking Water & Sanitation has issued a Technical Advisory to facilitate effective planning and utilization of these grants. The Advisory emphasizes convergence between FC-XVI tied grants, Jal Jeevan Mission 2.0, Swachh Bharat Mission (Gramin), permissible activities and other rural development programmes for sustainable water and sanitation outcomes.

3. As Chief Executive Officer/Chief Development Officer/Deputy Development Commissioner, Zila Panchayat, you play a pivotal role in ensuring that the planning process at the Gram Panchayat level adequately reflects local priorities while addressing long-term sustainability of rural water supply systems. The preparation of the Gram Panchayat Development Plan (GPDP) for FY 2026-27 and subsequent years provides an appropriate platform for integrating these priorities.

4. I request you to ensure that all Gram Panchayats are provided suitable orientation regarding the provisions of the Sixteenth Finance Commission Operational Guidelines and the enclosed Technical Advisory so that the tied grants are utilized effectively and in accordance with the prescribed norms.

5. The District Water and Sanitation Mission (DWSM), in coordination with the Zila Panchayat and Panchayati Raj Institutions, may closely monitor the quality of GPDPs to ensure that investments are focused on sustainable rural drinking water service delivery, rather than creation of avoidable new infrastructure where adequate assets already exist.

Contd ..2/-

6. I am confident that your leadership will enable Gram Panchayats to effectively leverage the FC-XVI tied grants for improving the quality, reliability and sustainability of drinking water and sanitation services, thereby contributing significantly to the objectives of JJM 2.0 and SBM(G).

With best wishes.

Yours sincerely,

17/03/2026

(Kamal Kishore Soan)

Encls.: As above

To

Chief Executive Officer/ Chief Development Officer/ Deputy Development Commissioner

(All States/UTs)

Technical Advisory/guidance for the utilization of the 16th Finance Commission tied grant to Rural Local Bodies/ PRIs for water and sanitation-reg

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Madam / Sir

I have been directed to forward attached Letter and technical advisory for information and necessary action.

Thanks & Regards,
जेजेएम-III डिवीजन/ JJM-III Division
पेयजल एवं स्वच्छता विभाग/ Dept. Of Drinking Water & Sanitation
जल शक्ति मंत्रालय/ Ministry of Jal Shakti
दूरभाष: 011-24360264

3 Attachment(s)

Issuance of Technical Advisory...
346 KB

Technical Advisory Guidance f...
1017.9 KB

Operational Guidelines of 16th ...
893.6 KB

No. W-11012/6/2026-JJM-III-DDWS - Part (1)

Government of India
Ministry of Jal Shakti
Department of Drinking Water and Sanitation
National Jal Jeevan Mission

12th Floor, 'Antyodaya' Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110003
Dated 6th July, 2026

To,

1. The Additional Chief Secretary/Principal Secretary / Secretary,
Public Health Engineering / Rural Water Supply Department,
All States

2. The Additional Chief Secretary/Principal Secretary / Secretary,
Panchayati Raj Department/Rural Development Department
All States

Subject: Issuance of Technical Advisory/guidance for the utilization of the 16th Finance Commission tied grant to Rural Local Bodies/ PRIs for water and sanitation.

Sir/Madam,

As you are aware that Department of Expenditure, Ministry of Finance vide letter No. 6(1)/FCD/2026-31 dated 21.05.2026 has issued the Operational Guidelines for "**Rural Local Body Grants**" Recommended by the 16th Finance Commission for its Award Period from 2026-27 to 2030-31.

2. This advisory/guidance is a follow-up to the aforesaid guidelines issued by Department of Expenditure and provides guidance for utilisation of the 16th Finance Commission tied grants for water & sanitation as per Para 18 of DoE guidelines.

3. It is requested to kindly circulate this advisory/guidance along with DoE guidelines for preparation of plan by RLBs for utilisation of tied grant as described therein. Further, the planning window on egram swaraj portal of Ministry of Panchayati Raj shall remain open upto 15th August, 2026 for uploading of approved Panchayat Development Plans for FY: 2026-27.

4. This issues with the approval of the competent authority.

Yours faithfully,

Nitesh Kumar

(Nitesh Kumar)
Under Secretary to the Govt. of India
Email: nitesh.kumar84@gov.in

Encls: as above.

Technical Advisory/Guidance for the utilization of the 16th Finance Commission tied grant to Rural Local Bodies/ PRIs for water and sanitation

1 Introduction:

1.1 In line with 73rd Amendment to the Constitution of India, 16th Finance Commission has recommended grants to Rural Local Bodies/ Panchayat Raj institutions (RLBs/ PRIs) for next five years i.e. from 2026-27 to 2030-31.

1.2 In this regard, Department of Expenditure, Ministry of Finance, Government of India vide letter No. 6(1)/FCD/2026-31 dated 21.05.2026 has issued the Operational Guidelines for "Rural Local Body Grants" recommended by the 16th Finance Commission for its Award Period from 2026-27 to 2030-31 (enclosed). This advisory is a follow-up to the aforesaid guidelines issued by Department of Expenditure and provides guidance for utilisation of the 16 Finance Commission tied grants for water & sanitation.

1.3 The 73rd Constitutional Amendment Act, 1992 strengthened local self-government in India by adding Part IX, "The Panchayats," and the Eleventh Schedule to the Constitution. The Eleventh Schedule includes 29 subjects, such as drinking water and health and sanitation, placing important responsibilities for these services under Panchayati Raj Institutions (PRIs). It also empowers Gram Panchayats and local communities to plan, implement, manage, operate, and maintain village-level water supply and sanitation systems on a sustainable basis.

1.4 Under Article 280 of the Constitution, a Finance Commission is constituted every five years to recommend the distribution of tax revenues between the Union and the States. The 16th Finance Commission, constituted in 2023, was tasked with recommending measures to augment the Consolidated Funds of the States to support Panchayats and Municipalities, thereby strengthening local self-governance and service delivery for the period 2026-27 to 2030-31. It submitted its final report to the President of India on 17 November 2025.

1.5 Union Cabinet has approved the JJM 2.0 on 10.03.2026 with a focus to restructure and reorient the implementation of JJM from infrastructure creation to a service delivery, supported by drinking water governance and institutional ecosystem for sustainable rural piped water supply. It is expected that Gram Panchayats, through their standing committee, Village Water & Sanitation Committees (VWSCs) shall act as micro utilities i.e an agency responsible for in-village distribution, operation, maintenance and local service delivery.

1.6 The successive Finance Commissions have recommended recovery of service delivery charges for the provision of water supply services and revision of their rates commensurate with inflation so that at least the full O&M cost of providing these services is recovered. Therefore, the GPs/ VWSCs to ensure that households pay monthly user charges for water and sanitation services, to cover recurring O&M expenditure for long term sustainability. In case of shortfall, the 16th Finance Commission tied grant for water and sanitation can be utilized.

1.7 SBM(G) Phase II was launched in 2020 with the objective of sustaining the ODF outcomes and to cover villages with solid and liquid waste management arrangements i.e.

converting the villages from ODF to ODF Plus (Model). While the focus under the programme is on decentralized management of wastes and adoption of low cost, environment friendly technologies that are easy to operate and maintain, adequate flexibility has been given to the States/UTs to choose appropriate technologies and implementation mechanism best suited to the local conditions.

1.8 The 16th Finance Commission tied grants are necessary to ensure that Panchayats allocate adequate resources to critical basic services such as drinking water, sanitation, waste management, and public health. Since these grants are earmarked for specific sectors, they help address essential infrastructure and service gaps, improve accountability in fund utilization, and ensure that local governments fulfil their constitutional responsibilities under the Eleventh Schedules. Tied grants also promote uniform standards of service delivery across regions, support sustainable development, and contribute to better health, environmental and quality-of-life outcomes for rural communities.

2. Objective:

The primary objectives of the tied grants under the Sixteenth Finance Commission are centered around strengthening basic service delivery systems at the rural level in a sustainable and equitable manner. These objectives are aimed at ensuring that Rural Local Bodies (RLBs) are effectively empowered to deliver critical public services, particularly in the water and sanitation sectors, in a manner that improves overall quality of life and supports long-term development outcomes.

The key objectives are as follows:

i. **Ensuring universal access to safe drinking water and sanitation:** To provide all rural households with reliable access to safe and adequate drinking water, sustain ODF status and make the villages ODF Plus (Model), thereby contributing to improved public health, reduced disease burden, and enhanced socio-economic well-being.

ii. **Strengthening service delivery institutions at the Gram Panchayat/RLBs level:** To enhance the institutional capacity of Gram Panchayats/RLBs to plan, implement, manage and monitor water and sanitation services as core functions of decentralized governance.

iii. **Promoting financial sustainability of Rural Local Bodies:** To improve financial management practices, encourage the mobilization of own-source revenues and ensure prudent utilization of resources so that service delivery systems remain operationally and financially viable over the long term.

iv. **Community Ownership and Accountability (Jan Bhagidhari)**: To strengthen citizen participation, transparency and local accountability in planning, implementation and monitoring of services.

3. Allocation of tied grant for water & sanitation to RLBs for the period 2026-27 to 2030-31:

FC-16 has recommended the Basic and Performance grant components in the ratio of 80:20. State-wise share and amount of RLB grants are given in Annexure-II (A) & (B) of the guidelines placed in Annexure-1.

3.1 Basic grant- Basic grant is further divided into Tied and Untied grants.

i. **Tied Grant:** FC-16 has allocated 50% of the Basic grant for 'Sanitation and Solid Waste Management' and/or 'Water Management'. Flexibility is available within this component for RLBs to address their needs, including O&M expenditures for the aforesaid tied items.

ii. **Untied Grant:** Balance 50% of the Basic grant component is recommended by FC-16 for addressing locally identified needs at the RLB level. Basic grant can be utilised by RLBs under the twenty-nine subjects enshrined in the Eleventh Schedule of the Constitution.

4. Guiding Principles for utilization of funds:

The central objective of this Advisory is to ensure that public investments made under Jal Jeevan Mission continue to deliver reliable drinking water services throughout the design life of the assets. Accordingly, planning under FC-XVI shall be based upon the principle that financial resources are a means to sustain service delivery, rather than an end in themselves. Every intervention financed under FC-XVI should therefore demonstrate its contribution to long-term sustainability of rural water supply schemes.

Utilisation of tied grants shall adhere to the following guiding principles:

4.1 Service Delivery First: Priority shall be accorded to ensure functionality and effective operation and maintenance (O&M) of existing assets, rather than the creation of new infrastructure.

4.2 Sustainability of scheme: Focus shall be placed on long-term operational and financial sustainability through ring-fenced annual O&M budgeting, supported by robust systems for collection of service delivery charges. *FC-XVI Tied Grants shall complement and supplement existing resources and shall not substitute service delivery charges or statutory funding responsibilities.* Every major activity proposed under FC-XVI should be linked to one or more sustainability dimensions (Annexure-VI).

4.3 Skilled Human Resource and capacity building: Every GP should have access to skilled O&M personnel. Priority shall be given to engagement of certified Nal Jal Mitras. Continuous capacity building of GPs, VWSCs, Sujalam Shakti (NSQF course) and operators may be supported.

4.4 O&M Budgeting: Financial discipline shall guide utilisation, with FC XVI tied grants intended strictly as a supplementary and complementary source of funding for sustainable O&M of Water & Sanitation assets. These grants shall not substitute:

i. service delivery charges collected by Gram Panchayats.
ii. statutory funding responsibilities of State Governments.
iii. existing O&M funding arrangements (Annexure-III); or
iv. financial resources available through convergence with other Central or State Government programmes.

Accordingly, FC XVI support should primarily address the residual sustainability gap after accounting for all available financial resources. Operation and Maintenance Costs planning shall be done for water supply as per Annexure-IV.

4.5 Convergence: Efforts shall be made to ensure alignment and convergence with JJM 2.0, SBM(G), and VB-G RAM G, such that the Public Water Supply (PWS) operations budget captures all available resource streams without any duplication or double-booking of activities.

4.6 Community Ownership: Preventive maintenance shall be prioritised over reactive repairs, with planning adopting a lifecycle approach covering assets from commissioning to rehabilitation. Gram Sabha-led planning, supported by community-based monitoring and surveillance mechanisms, shall be strengthened to ensure accountability and reduce operation and maintenance (O&M) costs. All processes related to planning, budgeting, utilisation, and monitoring shall be undertaken in a transparent manner, duly recorded in digital systems, and disclosed in the public domain for transparency.

5. Role of the Department of Drinking Water & Sanitation (DDWS):

In accordance with the operational guidelines issued by the Ministry of Finance, Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Govt. of India (DDWS) would act as a nodal Ministry for determining the eligibility of the rural local bodies for the Tied grant.

In this role, DDWS is responsible for ensuring that the objectives of the tied grant framework are effectively realized through a combination of policy oversight, technical guidance, and performance monitoring. Specifically, DDWS shall:

i. assess compliance with eligibility, periodic review and conditional requirements prescribed under FC-XVI guideline;

ii. recommend release of tied grants to the Department of Expenditure, Ministry of Finance;

iii. facilitate alignment of tied grant utilization with flagship programmes such as Jal Jeevan Mission (JJM) and Swachh Bharat Mission (Gramin) [SBM (G)];

iv. support States through capacity building, technical advisory, and best practice dissemination;

v. provides technical guidance and support for planning, implementation and monitoring of water and sanitation systems.

This institutional arrangement enables a coordinated and convergent approach, ensuring that Finance Commission grants complement existing sectoral investments and accelerate progress toward national goals.

6. Nodal Department for tied grant in States:

All States will identify the nodal department for coordination with the Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Government of India on one hand and to work with RLBs/ PRIs on the other and will intimate the same to the DDWS. The nodal department of a State shall be responsible for the implementation of the recommendations of the 16th Finance Commission and utilization of the tied grant for water and sanitation, including fund monitoring, reporting, evaluation and regular data updation. The nodal departments will also facilitate Panchayats by providing them assistance in water management, sanitation and solid and liquid waste management (SLWM) activities. State may take necessary steps to encourage PRIs that tied funds are used for service delivery, rather than asset creation.

7. Utilization of 16th Finance Commission Tied Grants:

The tied grant can be used for the list of permissible activities as listed at Annexure-II. While preparing GPDP/BPDP/DPDP, RLBs had to adhere to the list of permissible activities and accordingly plan has to be prepared. The deviation of plans from the list of activities is not allowed and will require approval of DDWS. All States and RLBs shall adopt a prioritisation framework linked to service delivery outcomes (Annexure-V). The brief explanation of permissible activities under tied grants is explained below:

7.1 Permissible Activities under Tied Grants

i. Water Supply Activities

The tied grants under the Sixteenth Finance Commission (FC XVI) may be utilized for a comprehensive set of activities aligned with the objectives of the Jal Jeevan Mission (JJM), with a strong focus on ensuring sustainable, reliable, and safe drinking water services. These activities cover the full spectrum of water service delivery, including source sustainability, infrastructure management, operation and maintenance (O&M), service delivery support, and community engagement. The emphasis is not only on asset creation but also on ensuring long-term functionality and sustainability of water supply systems. Priority should be accorded to operation & maintenance (O&M) of water supply systems to ensure sustainability of assets.

Direct Field Activities

Category	Permissible Activity
Source sustainability & water security	**1-Protection of drinking water sources** • Fencing/ boundary wall, parapet/ approach protection, and signage. • Desilting of source structures (wells, borewells, springs, infiltration galleries etc.), cleaning of intake chambers and collection structures. • Removal of vegetation/ encroachments and keeping source catchment area clean and free from pollution. • Regular mapping and monitoring of source regime and water quality. **2-Arrangement for water availability if current source becomes defunct/ insufficient** • Identification and development of alternate source within the village or nearby. • Provision for additional borewell/ handpump/ spring development. • Interlinking with nearby source/ scheme where feasible.

Village water supply infrastructure

- Provision of temporary or emergency water arrangements (tanker, mobile storage, community standpost) during distress.
- Contingency planning for summer months/ drought/ water stress period.

3-Minor repair of pumps, motors, valves, control panels and extension of existing pipelines

- Replacement of worn-out parts/ seals, bearings, coupling, starter, wires, fuses.
- Servicing and rewinding of motors, inspection of pumps, priming arrangement.
- Repair/ replacement of valves, non-return valves, air valves, sluice valves.
- Repair of control panels, cables, relays, starters and meters.
- Extension of existing distribution lines within the village to cover unserved habitations/ households and public institutions.
- Leak detection and timely repair of burst/ leakage in intra-village pipelines.

4-Taking up emergency breakdown and up-gradation post disasters/ exigencies of rural piped water supply infrastructure

- Immediate restoration of damaged intake structures, pipelines, tanks, pumps etc. due to floods, cyclones, earthquakes, storms or other calamities.
- Temporary repairs and emergency arrangements to restore water supply.
- Post-disaster strengthening/ up-gradation of vulnerable components.

5-Cleaning / Repair of over-head tank

- Periodical cleaning, de-sludging and chlorination of OHT.
- Inspection of tank structure, inlet/ outlet, vent, overflow, access ladder.
- Repair of cracks, plaster, waterproofing, valves and appurtenances.
- Replacement of damaged covers, screens, ladders, railings.

6-Providing taps for drinking, handwashing and use in toilets in public institutions like Schools, Anganwadi Centres, Ashramshalas (tribal residential schools), Health Centres, GP buildings, public

places like weekly haat/ bazar, mela ground, bus stand, playground/ sports complex, etc.

- Provision of taps/ standpost/ single taps to schools, AWCs, health centres, GP buildings, community halls, markets, haat, bus stands, play grounds, sports complexes and other public places for drinking, handwashing and toilet use.

Water quality management

7-Installation of chlorine doser

- Procurement and installation of chlorine doser (venturi/ gravity/ electronic etc.).
- Provision of necessary bypass arrangement and sampling point.
- Calibration, periodic testing and maintenance of doser.

8-Purchase of water testing kit/reagents (especially for residual chlorine)

- Procurement of FTK (Field Test Kit) and reagents for testing residual chlorine and other key parameters.

O&M

9-Bulk water charges

- Payment of bulk water charges to the source authority/ utility/ bulk supplier as applicable.
- Applicable only for schemes drawing water from bulk supply systems.

10-Operation and Maintenance of Water treatment plant (where applicable)

- Operation of WTP units such as coagulation, sedimentation, filtration, disinfection.
- Backwashing of filters, replacement of filter media as required.
- Maintenance of dosing pumps, blowers, instruments and control systems.
- Cleaning of clear water sump, service reservoirs and contact tanks.
- Disposal of sludge/ launder water in an environmentally safe manner.
- Record keeping of daily operations, chemical consumption and maintenance.

11-Purchase of consumables such as disinfectant (Bleaching powder, sodium hypochlorite, ClO2 gas)

- Regular supply of disinfectants including bleaching powder, sodium hypochlorite solution/ tablets, chlorine gas/ ClO2 as required.

12-Honorarium/professional fees/service charges to operator/Nal Jal Mitra managing PWS system, training of Nal Jal Mitra, water testing women, lab charges, contractual staff engaged in O&M of PWS, Sujalam Shakti group (SHG/PACS/LAMPS etc.) for maintaining accounts and service delivery charges collection

- Payment for training and honorarium to water supply operators (Certified Nal Jal Mitra NSQF level-4).
- Engagement of Sujalam Shakti Group (Certified NSQF course) as per JJM 2.0 Operational guidelines, laboratory staff on contractual basis.
- Service charges for operation, maintenance, meter reading, billing and collection.
- Support to Sujalam Shakti group/VWSC for maintaining accounts, record keeping and governance.

Energy management

13-Payment of re-occurring electricity charges of intra-village water supply systems

- Payment of electricity bills for pump houses, treatment plants, booster stations, over-head tanks lighting etc.

14-Install Solar panels for drinking water supply system to minimize electricity charges

- Capital support for installation of solar PV systems in SVS only (grid-connected/ off-grid/ hybrid).
- Maintenance and AMC of solar systems including batteries, inverters and panels.

Community participation & behaviour

15-Orientation for water user and community groups (Water Budgeting/ Jal Chaupal, presentation of Jal seva Ankalan report every year), Awareness generation for use of water-efficient fixtures for taps, and showerheads, judicious use of drinking water & Celebration of Lok Jal Utsav/ IEC activities

- Conduct of water budgeting, Jal Chaupal, community meetings, wall writing, rallies.
- Promotion of water-efficient fixtures/ aerators, dual-flush systems, low-flow showerheads.
- Campaigns for judicious use, prevention of wastage and protection of sources.
- Celebration of Lok Jal Utsav; dissemination of IEC materials.

<table>
<tr><td>Governance & administration</td><td>16-Administrative expenses towards water supply system data entry cost, account and audit, plan preparation, cost of preparation of GPDP
• Data entry, MIS reporting, documentation, printing, stationery and office expenses.
• Bookkeeping, audit charges, bank/ transaction charges.
• Preparation of annual plans, GPDP/ O&M plan, technical surveys and mapping.</td></tr>
</table>

The core set of 16 indicative JJM-aligned permissible activities under FC XVI tied grants are at Annexure-II (A). The permissible activities under the water supply component are designed to ensure that tied grants are utilized holistically-from source sustainability to last-mile service delivery. The framework ensures adequate flexibility to Rural Local Bodies while maintaining a clear emphasis on sustainability, service quality, and community ownership, in alignment with the objectives of Jal Jeevan Mission.

ii. **Sanitation related activities:**

Operational guidelines of SBM (G) Phase II envisage convergence with Finance Commission funds for creating various community assets at village level. It is mandated that 30% of the amount involved in construction of Community Sanitary Complexes and village level SLWM activities is to be borne by GP from its Finance Commission grants. Operation & Maintenance (O&M) constitutes an important aspect of sanitation service delivery and priority is to be given to O&M of sanitation assets created under the programme.

<table>
<tr><th>Category</th><th>Permissible activities</th></tr>
<tr><td>Operation & Maintenance</td><td>O&M component under SBM(G) involves various activities (excluding major renovations and repairs) that may be taken up by GPs to ensure regular upkeep and functionality of the community SBM(G) assets created in villages. Activities that can be undertaken by GPs through tied grants for O&M include:
1. Emergency minor repairs of CSCs and community level Solid & Liquid Waste Management (SLWM) assets for damage caused due to natural calamities, to ensure safe sanitation and sustained service delivery
2. Temporary public toilets at relief camps in times of natural calamities (Max2/camp)
3. O&M of Gobardhan units at community/cluster level including establishment of forward linkages
4. Payment for consumables like soap, disinfectants etc, for CSCs and other community assets
5. Payment of honorarium/ remuneration to outsourced/contractual persons engaged by the GP for</td></tr>
</table>

sanitation service delivery for solid & liquid waste management (including feacal sludge management)

ODF sustainability

SBM(G) Phase II aims at sustaining the ODF status achieved by the rural areas in 2019. Towards this aim the following activities are allowed under 16th FC funds:

1. Construction of Individual Household Latrines (IHHLs) for eligible beneficiaries
2. Upgradation of CSCs for ensuring Divyangjan friendly access
3. Operation and Maintenance (O&M) of CSCs including payment for consumables like soap, disinfectants etc, excluding major renovations and repairs

Solid Waste Management (SWM)

Tied grants under 16th FC may also be used to create solid waste management assets at both community and individual level. The following activities may be taken up to ensure coverage for solid waste management:

1. Construction of compost pits, segregation sheds, GOBARdhan units at community/ cluster level
2. Purchase of segregation bins, tricycles/battery operated vehicles for door to door collection (including repair), machineries/ weighing machines for community assets, sanitary pad incinerators
3. Construction of compost pits and purchase of segregation bins to be used at individual household level
4. Sanitation service delivery for collection of transportation of waste from household to treatment site
5. Solar power/renewable energy system to provide electricity in SLWM units including Gobardhan plants

Grey Water Management (GWM)

Greywater management is an integral component of SBM(G) at village/GP level. To ensure the same, the following activities are permissible under 16th FC tied funds:

1. Construction of community soak pits and large Greywater Management systems like DEWATS, Phytorids etc.
2. Construction of soak pits/ kitchen gardens at individual household level
3. Creation, repair and maintenance of Drainage line for grey water
4. Creation of silt, oil & grease chamber for pre-treatment of grey water

Feacal Sludge Management (FSM)	The following activities may be taken up by the GPs from tied funds to ensure FSM coverage in rural areas: 1. Setting up feacal sludge treatment plants (FSTPs) 2. Sanitation service delivery for mechanical cleaning/ desludging/ collection of feacal sludge 3. Retrofitting of single pit toilets to twin pit toilets and of septic tank toilets with soak pits.
Capacity Building/ IEC/ Administrative expenses	Various activities for awareness generation and capacity building regarding the sanitation related components may be taken up by the GP through tied funds. These include: 1. Awareness generation on 4Rs (Refuse, Reduce, Reuse, Recycle) of Plastic Waste Management and 3Rs (Reduce, Reuse, Recycle) for GWM 2. Support for rural cleanliness drives and special campaigns on sanitation 3. Training of PRI members/VWSCs/Swacchagrahis on SBM(G) including sanitation service delivery 4. Admin expenses towards sanitation and SLWM, data entry cost, accounting, preparation of project reports/technical plans for community sanitation and SLWM projects, GPDP preparation cost.

The details of indicative SBM-aligned permissible activities under FC-XVI tied grants are at **Annexure-II (B)**.

8. Asset, Inventory, O&M and WQM&S Management Framework:

The primary objective of asset and inventory management under FC-XVI shall be to ensure timely availability of critical materials required for uninterrupted drinking water service delivery while minimizing idle inventory, avoiding indiscriminate procurement and promoting efficient utilisation of public funds. The inventory management framework shall be based on asset lifecycle management, preventive maintenance, and predictive maintenance, rather than breakdown-driven procurement.

8.1 Guiding Principles Asset and Inventory Management:

i. Inventory shall primarily be maintained at **District** and **Block/Cluster** levels.

ii. Gram Panchayats shall ordinarily **not maintain inventories of spare parts, pumps, motors, valves, pipes or electrical components**.

iii. Only **minimum operational quantities of chlorination and water disinfection consumables** required for uninterrupted daily operation may be maintained at the village level.

iv. Procurement shall be demand-driven and linked to approved Annual Sustainability Plans and preventive maintenance schedules.

v. Bulk procurement and framework/rate contracts shall be encouraged to improve quality, standardisation and economy.

vi. Purchase of duplicate or excessive materials by multiple RLBs shall not be permitted.

vii. Inventory shall be periodically reviewed based on actual consumption, asset condition and maintenance history.

Theme	GP level	Block / Cluster Panchayat	District Panchayat
Asset and Inventory Management	Only the following consumables may be maintained in small operational quantities: Bleaching powder, Sodium hypochlorite Chlorine tablets/ClO_2 solution, where applicable FTK reagents, Residual chlorine testing reagents, Minor operator consumables required for routine operation The quantity shall ordinarily not exceed the operational requirement for the next replenishment cycle. Procurement shall be based on actual consumption and shelf life to avoid deterioration and wastage.	Illustrative inventory which may be included at block level: Pumps and pump sets, Motors, Starter panels, Capacitors, Control panels, Bearings, Mechanical seals, Couplings, Impellers, Foot valves, Non-return valves, Air valves, Sluice valves, Pressure gauges, Electrical cables, Fuses, Relays, Contactors, GI/HDPE repair, couplers, Clamps, Pipe repair sleeves, Jointing materials, Portable generators, Leak detection equipment, Portable chlorination equipment, Dewatering pumps, Emergency repair tools. The Block inventory shall support preventive maintenance, scheduled replacement and emergency repairs across all Gram Panchayats.	The District Technical Unit shall maintain strategic inventory for high-value, long-lead and emergency items, illustratively: large capacity pumps, Transformers, Major electrical, equipment, large diameter valves, SCADA and instrumentation spares, Chlorination systems, Solar pumping components, Laboratory instruments, Emergency pipeline repair materials, Disaster response equipment etc. The district inventory shall also maintain framework procurement contracts for commonly used items.

Service extension framework	Not Applicable	The Block/Cluster Extended arm of DTUs i.e., Technical Support Unit at cluster/ block shall function as the first-line maintenance supporting staff for all Gram Panchayats. The services of hired technical manpower delivering technical support including maintenance works under this head may be funded under Service extension framework. Mobile block level maintenance may also be thought of which is equipped with frequently encountered maintenance tools and tackles and are mobile to serve at the location of the GPS to deliver the services.	District Technical Unit (SWSM level): Support to outsourced/ on contract staff for technical strengthening and wider reach including addressing skilling gaps and capacity building. Assistance in functioning of Command and Support Centre.
Water Quality Management	Payment of incentive to Sujalam Shakti/ SHG cadre for WQM&S to ensure the testing at GP/ village level and filling up of consumables on required basis	Develop Block Water Quality Support Cell, Monitoring and Surveillance, laboratory sample collection, Chlorine dosing optimization	District Water Quality Laboratory strengthening, Support for lab accreditation, laboratory quality assurance, surveillance planning, contamination trend analysis, water quality management support during disaster situations.
Operation & Maintenance	Bulk Water Charges (if required), honorarium of NJM, etc.	O&M technical support teams, preventive maintenance schedules, spare parts depot, emergency breakdown support.	District Technical Unit (DTU), annual O&M planning, service level benchmarking, O&M performance monitoring, Bulk Water Charges payment in case the Zila Panchayat acts as macro utility.

8.2 Preventive Inventory Planning: Inventory planning shall be based on:

i. Asset register
ii. Asset age
iii. Expected useful life
iv. Preventive maintenance calendar
v. Manufacturer recommendations
vi. Seasonal demand
vii. Previous consumption
viii. Breakdown history

Annual inventory requirements shall be estimated before the commencement of each financial year.

8.3 Predictive Inventory Planning: The District Technical Unit shall progressively adopt predictive maintenance by analyzing:

i. Frequency of equipment failures
ii. Pump running hours
iii. Motor current and voltage trends
iv. Energy consumption
v. Pump efficiency
vi. Water production trends
vii. Leakage trends
viii. Age profile of assets
ix. Repair frequency
x. Availability of critical spare parts

Such analysis shall be used to identify assets likely to fail and to procure replacement parts in advance.

8.4 Inventory Control: To prevent over-procurement and idle stock:

i. Procurement shall be linked to approved maintenance plans.
ii. All purchases shall be recorded in the inventory management system.
iii. Issues shall be made against approved work orders.
iv. Periodic physical verification shall be undertaken.
v. Slow-moving and obsolete inventory shall be reviewed annually.
vi. Inter-block transfer of materials shall be encouraged before fresh procurement.
vii. Emergency procurement shall be restricted to unforeseen failures and natural disasters.

9. Thematic framework for annual sustainability plan:

RLBs shall utilise FC-XVI Tied Grants not merely for expenditure on water supply assets, but for ensuring long-term sustainability, service continuity, water quality assurance, efficient operation & maintenance, community ownership and resilience of rural piped water supply systems. The following thematic framework may be adopted while preparing the Annual Sustainability Plan.

Theme	Activity	Planning Considerations	Expected Outputs
Source Sustainability & Water Security	Protection of drinking water source	• Identify vulnerable sources and contamination risks. • Prioritise sources requiring protection before monsoon. • Plan fencing, drainage and catchment protection. • Integrate recharge measures wherever feasible.	• Drinking water sources protected. • Reduced contamination risk. • Improved source yield and reliability. • Longer source sustainability.
	Alternate source development	• Assess adequacy of existing source. • Identify alternate safe source. • Verify water quality and long-term availability. • Prepare contingency plan for summer.	• Functional alternate source available. • Reduced dependence on single source. • Improved continuity of water supply.
	Recharge & source strengthening	• Identify recharge locations. • Converge with MGNREGS/Watershed programmes. • Prioritise water-stressed areas.	• Increased groundwater recharge. • Improved source sustainability. • Better water availability during lean season.
Village Water Supply Infrastructure	Minor repair of pumps, motors & valves	• Prepare annual maintenance schedule. • Identify recurring breakdowns. • Ensure availability of spare parts and skilled personnel.	• Reduced breakdowns. • Improved system functionality. • Reliable water supply.

	Extension of existing pipeline	• Identify uncovered households and institutions. • Verify hydraulic adequacy. • Prioritise service gap areas.	• Increased service coverage. • Improved water availability. • Better service equity.
	Emergency breakdown restoration	• Prepare emergency response plan. • Maintain critical repair materials. • Identify rapid response team.	• Quick restoration of water supply. • Reduced service interruption. • Improved disaster preparedness.
	Cleaning & repair of OHSR	• Prepare annual cleaning schedule. • Inspect structural safety. • Ensure safe access arrangements.	• Clean storage reservoir. • Safe drinking water storage. • Extended asset life.
	O&M of Water Treatment Plant	• Schedule preventive maintenance. • Ensure chemical availability. • Monitor treatment performance.	• Functional treatment plant. • Consistent water quality. • Safe drinking water supply.
Water Quality Management	Installation of chlorination system	• Assess chlorination requirement. • Maintain dosing equipment. • Monitor residual chlorine.	• Effective disinfection. • Safe drinking water. • Reduced bacteriological contamination.
	Testing kits & reagents	• Ensure adequate stock. • Prepare testing schedule. • Train FTK users.	• Regular water quality testing. • Early detection of contamination. • Timely corrective action.
	Procurement of disinfectants	• Maintain minimum stock. • Follow safe storage practices. • Monitor consumption.	• Continuous disinfection. • Safe drinking water. • Reduced disease risk.

	Water quality surveillance	• Prepare annual sampling plan. • Test all drinking water sources. • Address non-compliant sources promptly.	• Water quality compliance. • Improved public confidence. • Better health protection.
Operation & Maintenance	Bulk water charges	• Estimate annual demand. • Budget timely payments. • Monitor bulk supply agreements.	• Uninterrupted bulk water supply. • Reliable raw water availability.
	Electricity charges	• Estimate annual energy cost. • Monitor monthly consumption. • Avoid payment delays.	• Continuous pumping. • Reduced service interruptions. • Better financial planning.
	Honorarium for operators	• Clearly assign responsibilities. • Ensure skilled manpower. • Link payments with service delivery.	• Functional O&M team. • Improved asset management. • Better service delivery.
	Service delivery support	• Maintain complaint register. • Schedule preventive maintenance. • Update operational records.	• Improved service quality. • Faster grievance resolution. • Increased consumer satisfaction.
Energy Management	Installation of solar power	• Assess technical feasibility. • Size system appropriately. • Plan maintenance arrangements.	• Reduced electricity consumption. • Lower O&M cost. • Reliable energy supply.
	Energy efficiency improvements	• Conduct energy audit. • Replace inefficient equipment. • Reduce leakages.	• Improved energy efficiency. • Lower operating cost. • Financial sustainability.

Community Participation & Behaviour Change	Public water access	• Identify public institutions lacking water access. • Prioritise vulnerable locations. • Ensure regular maintenance.	• Improved public access. • Better hygiene. • Inclusive service delivery.
	Water budgeting	• Estimate seasonal demand and availability. • Discuss in Gram Sabha. • Promote efficient water use.	• Village Water Budget prepared. • Reduced wastage. • Sustainable water use.
	Jal Chaupal	• Schedule annual meetings. • Review scheme performance. • Encourage community participation.	• Better public participation. • Increased accountability. • Improved local ownership.
	Jal Seva Ankalan	• Present annual performance report. • Seek citizen feedback. • Record improvement actions.	• Transparent service assessment. • Better governance. • Improved community confidence.
	IEC & awareness	• Prepare annual IEC calendar. • Focus on water conservation and hygiene. • Engage schools and community groups.	• Improved awareness. • Behavioural change. • Reduced water wastage.
Governance & Administration	Data entry & MIS	• Update functionality and financial data regularly. • Maintain asset records. • Ensure timely reporting.	• Updated database. • Better planning. • Improved monitoring.
	Accounts & audit	• Maintain books of accounts. • Complete annual audit.	• Transparent financial management. • Timely audits.

		• Ensure financial transparency.	• Improved accountability.
	Plan preparation	• Identify sustainability priorities. • Consult Gram Sabha for GP and similar consultation required for Block and District Panchayats. • Integrate annual O&M requirements.	• Approved GPDP/BPDP/DPDP. • Better prioritisation of investments. • Long-term sustainability.

FC-XVI Tied Grants Utilisation Framework

Stage	Key Activities
Planning	Village water security assessment, asset inventory, service level assessment, water quality review, energy audit, Gram Sabha prioritization
Approval	Technical scrutiny, GP approval, convergence mapping, budget allocation
Execution	Procurement, repairs, source protection, O&M, water quality activities, IEC, solarisation
Monitoring	Physical inspection, financial monitoring, water quality testing, service level verification, citizen feedback
Evaluation	Annual Jal Seva Ankalan, asset functionality assessment, financial audit, sustainability scorecard

10. Monitoring, Evaluation and Reporting (DWSM/DTU):

Under FC-XVI, monitoring should progressively move beyond financial and physical progress reporting towards assessing the sustainability and performance of rural water supply systems. Financial utilisation alone does not adequately reflect whether drinking water services are reliable, resilient, and sustainable. Therefore, States may adopt an integrated Sustainability Assessment Framework aligned with the four sustainability dimensions.

The DWSM, supported by the DTU, shall undertake periodic monitoring of sustainability indicators to assess service delivery outcomes, functionality of assets, source security, operation and maintenance practices, and institutional performance. Such monitoring should enable timely identification of risks and gaps, facilitate corrective actions, and support evidence-based planning and resource allocation.

Monitoring and evaluation findings should be incorporated into annual planning and review processes to strengthen accountability, improve service delivery, and ensure long-term sustainability of rural water supply systems. Periodic reporting of sustainability outcomes will also enable States and DDWS to track progress, identify good practices, and support targeted interventions where required.

10.1 District Command and Support Centre:

Monitoring shall be done through the District Command and Control Centres and will ordinarily cover the following dimensions.

Dimension	Indicators
Institutional	GPDP prepared, VWSC functional, SOPs adopted, capacity building completed
Financial	Service delivery charge collection efficiency, O&M cost recovery, energy cost, Annual Sustainability Budget implementation
Infrastructure	Functionality, downtime, preventive maintenance compliance, asset condition
Source	Water quality compliance, source adequacy, recharge measures, Village Water Security Plan implementation
Citizen	Complaints resolved, Lok Jal Utsav, public disclosure, citizen satisfaction

10.2 Monitoring level:

Level	Frequency	Focus Areas
Gram Panchayat/RLB	Monthly	• Expenditure; • revenue; • service levels; • water quality; • functionality
District	Quarterly	• Sustainability indicators; • technical performance; • financial performance
State	Half-yearly	• District performance; • utilisation trends; • sustainability outcomes
DDWS	Annual	• Sustainability indicators; • good practices;

- policy improvements

10.3 Digital Monitoring Systems: All planning, expenditure and reporting shall be undertaken through designated Government platforms including e-Gram Swaraj, PFMS, Audit Online and JJM digital monitoring platforms. Water quality monitoring data shall be mandatorily reported through the WQMIS platform using the prescribed WQ1 format, covering routine FTK-based surveillance as well as pre-monsoon and post-monsoon source testing results.

10.4 Reporting Requirements: All Rural Local Bodies are required to submit annual Utilisation Reports outlining funds received, expenditure incurred, sector-wise allocation (water and sanitation), and progress against planned activities. States must submit Grant Transfer Certificates confirming transfer of funds to RLBs within the stipulated timeframe. Utilisation Reports shall be submitted online through the UC module of PFMS.

11. Non-Permissible Expenditure:

The tied grants shall not be utilised for any of the following:

1. Salaries of regular Government employees or other establishment-related expenditure of the Government
2. Purchase of vehicles
3. Construction of office buildings
4. Administrative expenditure unrelated to water supply or sanitation service delivery
5. Activities not related to water management, sanitation or solid and liquid waste management
6. Activities already financed under other Central or State Government schemes without approved and documented convergence arrangements
7. Capital expenditure amounting to creation of new infrastructure where existing assets have not been maintained or made functional
8. Any expenditure that amounts to duplication of activities financed under convergence programmes including VB-G RAM G, SBM(G) or other scheme funds (vide Para 19 of FC-XVI Operational Guidelines)
9. Extension or augmentation of infrastructure without examination of existing DPR/design capacity and without establishing that existing infrastructure is inadequate for current population requirements
10. Under the GPDP, only Operation and Maintenance (O&M) activities related to water management, sanitation, and solid waste management shall be permitted. No other activities under these sectors shall be planned.

12. Conclusion:

The FC-XVI tied grants represent a significant opportunity to strengthen decentralised governance and transform Rural Local Bodies from infrastructure-owning entities into accountable water and sanitation service delivery institutions. States and RLBs shall utilise these grants to improve service quality, ensure functionality of assets, strengthen financial sustainability, promote community ownership and enhance accountability. Priority shall be accorded to O&M, source sustainability, water quality assurance, and service delivery outcomes, so that rural households receive safe, reliable and sustainable water and sanitation services on a long-term basis.

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Annexure-I

16th FC guideline issued by DoE.

Annexure-II (A)

List of permissible activities for water management

Sr. No.	Activity Description
1	Protection of drinking water source
2	Arrangement for water availability if current source become defunct/insufficient
3	Installation of chlorine dozer through (ventury system etc.)
4	Minor repair of pumps, motors, valves, control panels and extension of existing pipeline.
5	Bulk water charges
6	Taking up emergency breakdown and up-gradation post disasters/exigencies of rural piped water supply infrastructure
7	Cleaning / Repair of over-head tank
8	Operation and Maintenance of Water treatment plant
9	Purchase of water testing kit/reagents (specially for residual cholorine)
10	Purchase of consumable such as disinfectant (Bleaching powder, sodium hypochlorite, ClO2 gas)
11	Honorarium/professional fees/service charges to operator/Nal Jal Mitra managing PWS system, training of Nal Jal Mitra, water testing women, lab charges, contractual staff engaged in O&M of PWS, SHG for maintaining accounts and user charges collection
12	Payment of re-occurring electricity charges of intra-village water supply systems
13	Install Solar panels for drinking water supply system to minimize electricity charges
14	Providing taps for drinking, handwashing and use in toilets in public institutions like schools, anganwadi centres, ashramshalas (tribal residential schools), health centres, GP buildings, public places like weekly haat/ bazar, mela ground, bus stand, playground/ sports complex, etc.
15	Orientation for water user and community groups (Water Budgeting/ Jal Chaupal, presentation of Jal Seva Ankalan report every year), Awareness generation for use of water-efficient fixtures for taps, and showerheads, judicious use of drinking water & Celebration of Lok Jal Utsav/ IEC activities
16	Administrative expenses towards water supply system data entry cost, account and audit, plan preparation, cost of preparation of GPDP

Annexure-II (B)

List of permissible activities for sanitation and solid waste management activities

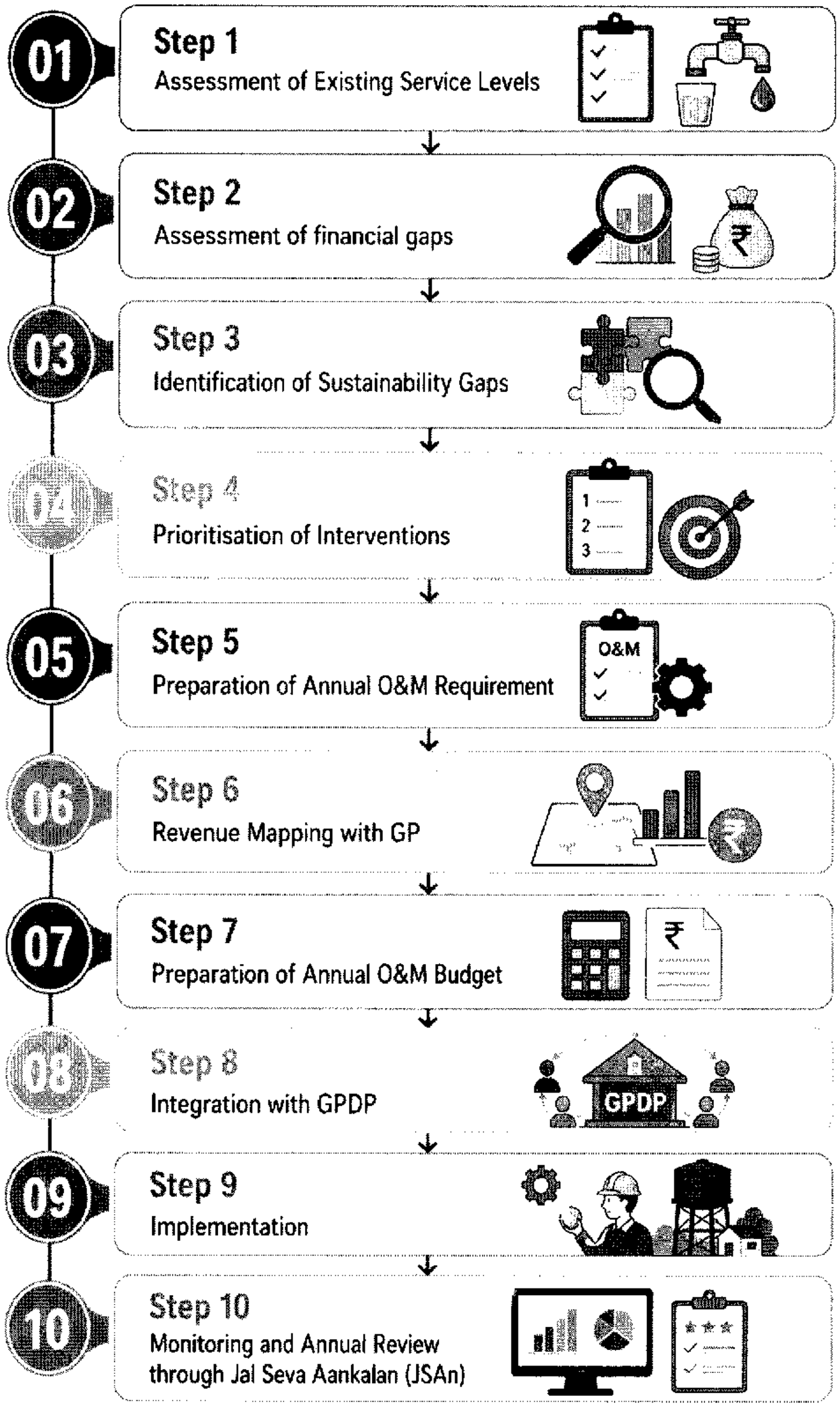
Sr. No.	Activity Description
1	Payment of honorarium to Swacchagrahis
2	Payment of honorarium/ remuneration to outsourced/contractual persons engaged by the GP for sanitation service delivery for solid & liquid waste management (including feacal sludge management)
3	i) Emergency minor repairs of CSCs and community level Solid & Liquid Waste Management (SLWM) assets (like PWMU, community segregation sheds, community soak pits, DEWATS, Planted drying beds etc.) for damage caused due to natural calamities, to ensure safe sanitation and sustained service delivery ii) Temporaray public toilets at relief camps in times of natural calamities (Max2/camp)
4	Operation and Maintenance (O&M) of CSCs including payment for consumables like soap, disinfectant etc, excluding major renovations and repairs
5	O&M of community compost pits including payments for consumables and excluding major repairs and renovations
6	O&M of segregation shed at community level excluding major repairs and renovations
7	O&M of PWMUs excluding major repairs and renovations
8	O&M of Gobardhan units at community/cluster level including establishment of forward linkages
9	O&M of community Grey Water Management systems/ community soak pits including consumables and excluding major repairs and renovations
10	O&M of Feacal Sludge Management plant excluding major repairs and renovations
11	Purchase of equipment including safety equipments like gloves, masks, PPE kits etc. for waste management
12	Construction of Individual Household Latrines (IHHL) for eligible Households
13	Construction of toilets/ handwash unit in AWC/School
14	Construction of toilets in public institutions
15	Retrofitting of single pit toilets to twin pit toilets
16	Retrofitting of septic tank toilets with soak pits
17	Upgradation of CSC for ensuring divyangjan friendly access
18	Construction of compost pits at community level
19	Construction of segregation shed at community level
20	Purchase of segregation bins for community level
21	Purchase of segregation bins for Household level
22	Awareness generation for segregation of waste at source and Household level composting and feeding organic waste to cattle
23	Awareness generation on 4Rs (Refuse, Reduce, Reuse, Recycle) of Plastic Waste Management
24	Procurement of machinery for solid waste management at community level for seggregation sheds
25	Construction of Gobardhan units at community/ cluster levels

26	Solar power/renewable energy system to provide electricity in SLWM units including Gobardhan plants
27	Sanitation service delivery for collection and transportation of waste from Household to treatment site
28	Creation of compost pits for individual households
29	Purchase and repair of Tricycles/other battery operated vehicles for door to door waste collection including waste collection for Gobardhan units
30	Purchase of weighing machine for use in SWM in community assets (seggregation sheds/PWMUs/Gobardhan units)
31	Purchase of sanitary pad incinerator
32	Construction of community level large Grey Water Management systems like DEWATS, Phytorids etc.
33	Construction of community soak pits for Grey Water Management
34	Creation of soak pits/ kitchen gardens for individual households for Grey Water Management
35	Creation, repair and maintenance of Drainage line for grey water
36	Creation of silt, oil & grease chamber for pre-treatment of grey water
37	Awareness generation on 3Rs (Reduce,Reuse,Recycle) for GWM
38	Setting up feacal sludge management plants
39	Sanitation service delivery for mechanical cleaning/ desludging/ collection of Feacal Sludge
40	Training of PRI members/VWSCs/Swacchagrahis on SBM(G) including sanitation service delivery
41	Awareness generation regarding social security schemes for sanitation workers
42	Support for rural cleanliness drives and special campaigns on sanitation
43	Admin expenses towards sanitation and SLWM, data entry cost, accounting, preparation of project reports/technical plans for community sanitation and SLWM projects, GPDP preparation cost.

Annexure-III

Annual Sustainability Planning Cycle

Every Gram Panchayat/RLB should undertake Annual Sustainability Planning before preparation of the Annual Action Plan under the GPDP/BPDP/DPDP. The planning cycle should ordinarily comprise the following steps.



ANNEXURE-IV

Operations and Maintenance Costs of Water Supply

Date																		
District Name:																		
Months	Planned Expenditure	Bulk Water Transfer Costs (Out-village Costs) (Rs.)		Distribution Costs (In-village Costs) (Rs.)		Water Quality Testing Costs (Rs.)		Total O&M Cost (Rs.)	Total Power Charges Costs (Rs.)	% Power Cost	Total Manpower Costs (Rs.)	% Manpower Cost	Total Volume of Water Produced (ML)	Total Volume of Water Supplied (ML)	O&M Cost/ KL	Total No. of Households (HHs) Water Supplied	O&M Cost/ HHs	Total Revenue
		Operations Cost	Maintenance Costs	Operations Cost	Maintenance Costs	Procurement of reagents/ FTKs/ in labs etc	Operations Cost (FTK + Lab)	(8=2+3 +4+5+ 6+7)		10 = (9/8)* 100		12 = (11/8) *100			(15=8/(14 *1000))		(17= 8/16)	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
M1																		
M2																		
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M11																		
M12																		
Note	All the data in the above format will be pulled from other formats - Bulk_Out_Village, Distribution_In village, Maintenance_InVillage_Major and Water Quality. No data entry required in this format																	

ANNEXURE-V

Indicative Prioritisation, Assessment and Validation Framework

To ensure efficient and targeted use of tied grant resources, all States and RLBs shall adopt a prioritisation framework linked to service delivery outcomes. The indicative prioritisation, assessment parameters, validation evidence sources and expected outcomes are set out in the table below. Gram Panchayats/RLBs shall prioritise in the order indicated, proceeding to new asset creation only after ensuring the restoration of existing functionality, water quality compliance, source sustainability, service delivery improvements and institutional strengthening.

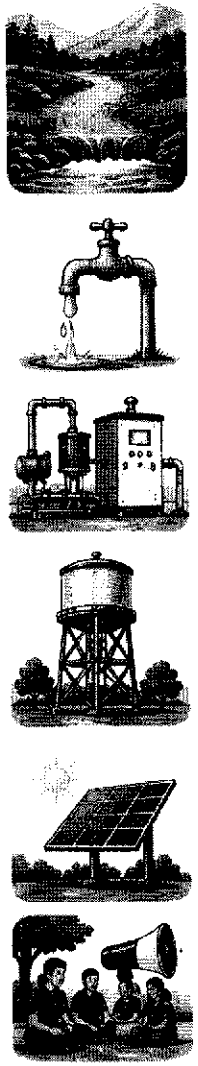
Priority Area	Indicative Share of Annual Allocation	Assessment Parameter	Validation Process	Expected Outcome
Priority-I: O&M of Water Supply Systems	40–50%	Functionality, downtime, supply regularity, breakdown response time	Jal Seva Ankalan, VWSC records, IMIS, GP records	Improved continuity and reliability of water supply
Priority-II: Source Sustainability & Water Security	15–25%	Source adequacy in lean season, groundwater trends, tanker dependence reduction	Village Water Security Plan, GP records, source monitoring data	Sustainable water availability
Priority-III: Water Quality Management	20%	% samples meeting standards, residual chlorine compliance, contamination incidents; WQM&S activities as per WQMIS format WQ1; mandatory pre-monsoon and post-monsoon source testing	FTK records, laboratory reports, WQMIS (WQ1 format); pre- and post-monsoon source testing records	Safe drinking water
Priority-IV: Service Delivery Improvements	10–20%	Institutional coverage, complaint reduction, service level improvement	GP records, IMIS, community feedback	Improved access and service quality
Priority-V: Human Resource Support	Up to 15%	Timely operation (Nal Jal Mitra), preventive maintenance, service delivery charge collection efficiency	VWSC records, GP accounts	Improved operational efficiency
Priority-VI: IEC & Community Mobilisation	Up to 5%	Community participation levels, Lok Jal Utsav conducted, GPDP consultations completed	Gram Sabha proceedings, Lok Jal Utsav reports	Enhanced community ownership and accountability
Priority-VII: Administrative Support	Up to 3%	Timely reporting, audit compliance, GPDP preparation, data updation	eGramSwaraj, AuditOnline, PFMS records	Improved governance and compliance

Annexure-VI

Sustainability Mapping of FC-XVI Investments

Every major activity proposed under FC-XVI should be linked to one or more sustainability dimensions.

SUSTAINABILITY MAPPING



ILLUSTRATIVE ACTIVITY	INSTITUTIONAL	FINANCIAL	INFRASTRUCTURE	SOURCE
Protection of drinking water source	–	–	–	✓
Arrangement for water availability if current source becomes defunct/insufficient	–	–	✓	✓
Installation of chlorine dozer through (ventury system etc.)	–	–	✓	–
Minor repair of pumps, motors, valves, control panels and extension of existing pipeline	–	–	✓	–
Bulk water charges	✓	✓	✓	–
Taking up emergency breakdown and up-gradation post disasters/exigencies of rural piped water supply infrastructure	–	–	✓	✓
Cleaning / Repair of over-head tank	–	–	✓	–
Operation and Maintenance of Water treatment plant	–	–	✓	–
Purchase of water testing kit/reagents (especially for residual chlorine)	–	–	–	✓
Purchase of consumables such as disinfectant (Bleaching powder, sodium hypochlorite, ClO_2 gas)	–	–	–	✓
Honorarium/professional fees/service charges to operator/Nal Jal Mitra managing PWS system, training of Nal Jal Mitra, water testing women, lab charges, contractual staff engaged in O&M of PWS, SHG for maintaining accounts and service delivery charges collection	✓	✓	–	–
Payment of recurring electricity charges of intra-village water supply systems	✓	✓	–	✓
Install Solar panels for drinking water supply system to minimize electricity charges	–	✓	✓	✓
Providing taps for drinking, handwashing and use in toilets in public institutions like schools, anganwadi centres, ashramshalas (tribal residential schools), health centres, GP buildings, public places like weekly haat/bazar, mela ground, bus stand, playground/sports complex, etc.	–	–	✓	–
Orientation for water user and community groups (Water Budgeting/Jal Chaupal, presentation of Jal Seva Ankalan report every year). Awareness generation for use of water efficient fixtures for taps and showerheads, judicious use of drinking water & Celebration of Lok Jal Utsav/IEC activities	✓	✓	–	–
Administrative expenses towards water supply system data entry cost, account and audit, plan preparation, cost of preparation of GPDP	✓	✓	–	✓

SUSTAINABLE WATER FOR A BETTER TOMORROW

INSTITUTIONAL STRENGTH FOR SUSTAINABILITY

FINANCIAL SUPPORT FOR CONTINUITY

STRONG INFRASTRUCTURE FOR RESILIENCE

RELIABLE SOURCE FOR SECURITY

F.No. 6(1)/FCD/2026-31
Ministry of Finance
Department of Expenditure
Finance Commission Division

Room No. 10012, D-Wing,
Kartavya Bhawan-1, New Delhi-110001.
Dated:- 21.05.2026.

To

The Chief Secretary,
(All State Governments)

Subject: **Operational Guidelines for "Rural Local Body Grants" Recommended by the 16th Finance Commission for its Award Period from 2026-27 to 2030-31 – reg.**

Sir,

The recommendations of the Sixteenth Finance Commission (FC-16) for the award period 2026-27 to 2030-31, inter-alia, include release of grant-in-aid to State Governments for Rural Local Bodies.

2. The Union Government vide 'Explanatory Memorandum' as to the Action Taken on the Recommendations made by FC-16 in its Report for the award period 2026-27 to 2030-31 has inter-alia accepted the recommendations contained in Chapter 10 of its report (Volume I and Volume II) titled 'Local Body Grants'.

3. In this regard, the undersigned is directed to forward herewith a copy of the guidelines for release and utilisation of Grants recommended by FC-16 for Rural Local Bodies for information and further necessary action.

Encl.: as above

Yours faithfully,

21/05/2026.

(Mahesh Kumar)
Joint Director to the Government of India

Copy to:-

(i) The Secretary, Ministry of Panchayati Raj, Jeevan Prakash Building, 25 K.G. Marg, New Delhi.
(ii) The Secretary, DDW&S, Ministry of Jal Shakti, C.G.O. Complex, New Delhi.

Operational Guidelines for "Rural Local Body Grants" Recommended by the 16th Finance Commission for its Award Period from 2026-27 to 2030-31

1. Introduction

1.1 The Sixteenth Finance Commission (FC-16) has recommended **Rs. 4,35,236 crore** as grants to Rural Local Bodies (RLBs) for the award period from 2026-27 to 2030-31. FC-16 in Volume-II of the Report has provided Year-wise and State-wise allocation under different components of Rural Local Body grants.

1.2 The Union Government vide 'Explanatory Memorandum' as to the Action Taken on the Recommendations made by FC-16 in its Report for the award period 2026-27 to 2030-31 has inter-alia accepted the recommendations of the FC- 16 contained in Chapter 10 of its report (Volume I and Volume II) titled 'Local Body Grants'.

1.3 These guidelines are issued to operationalise the recommendations of FC-16 for Rural Local Body grants and to ensure their timely release and effective utilisation. These guidelines shall be applicable from the financial year 2026-27 to 2030-31.

2. Grants recommended -Quantum and Components

2.1 The FC-16 has recommended a total grant of **Rs. 4,35,236 crore** for **duly constituted** Rural Local Bodies, which is divided into Basic and Performance components in an 80:20 ratio. The Performance component is further divided into two equal halves, namely RLB Performance component and the State Performance component.

2.2 FC-16 has recommended that the RLB Performance grant will be released from the third year of the award period and that the State Performance component will begin in the second year. The Table below shows the quantum of RLB grants over the five years of the Commission's award period.

Rural Local Body Grant recommended by FC-16

(Rs. in crore)

Grant component	2026–27	2027–28	2028–29	2029–30	2030–31	Total (2026-31)
Basic	55,909	62,059	68,885	76,462	84,873	**3,48,188**
RLB Performance Component	0	0	13,023	14,455	16,046	**43,524**
State Performance Component	0	9,241	10,258	11,386	12,639	**43,524**
Total Grant	55,909	71,300	92,166	1,02,303	1,13,558	**4,35,236**

3. Distribution of Grants:

FC-16 has allocated RLB grants to all three levels of the RLBs, i.e., Gram Panchayat (GP), Block Panchayat (BP), and District Panchayat (DP). The distribution of RLB grants to States and further distribution to all three tiers of RLBs within the State are as follows:

3.1 Inter-se Share of States in RLB Grants

In making the State-level inter-se allocation, the FC-16 has assigned 90 per cent weight to the projected rural population in 2026 and 10 per cent to the total area of the State. Inter-se share of States in RLB grants is given in *Annexure-I.*

3.2 Inter-tier RLB grants sharing within the State

The distribution of grants to duly constituted RLBs of all tiers within each State is based on the latest accepted recommendations of the State Finance Commission (SFC). In the absence of SFC recommendations, the tier-wise distribution of RLB grants in percentage is given as follows:

Number of Tiers	Gram Panchayats	Block Panchayats	District Panchayats
Three	80 per cent	10 per cent	10 per cent
Two	90 per cent	–	10 per cent
One	100 per cent	–	–

3.3 Allocation within a particular tier of RLB

The distribution within a particular tier of RLB will be as per the latest accepted SFC recommendations or, in the absence of SFC recommendations, based on population and area in the ratio 90:10. The Basic grant is recommended during all five years of the award period, the RLB Performance grant will be accrued from the third to the fifth year and the State Performance grant from the second to the fifth year of the award period.

4. Treatment of Exempted Areas

To address needs equitably, FC-16 has treated the areas outside the purview of Part IX of the Constitution at par with local bodies in other areas. The concerned State Government will make allocations for these areas at par with the FC-16 recommendations with respect to the local bodies. The concerned State Government shall allot the year-wise grants to these areas out of the total RLB grants due to a State in a year/award period of five years at the beginning of award period i.e. in 2026-27 itself and intimate the same to the Department of Expenditure, Ministry of Finance & the Ministry of Panchayati Raj. Accordingly, all the conditions stipulated (excluding the conditions of having duly elected bodies) for the release of grants under these guidelines shall be applied to areas outside the purview of Part IX of the Constitution.

5. Grants recommended for RLB

FC-16 has recommended the Basic and Performance grant components in the ratio of 80:20. State-wise share and amount of RLB grants are given in *Annexure-II(A)&(B).*

5.1 Basic grant- Basic grant is further divided into Tied and Untied grants.

(a) **Tied Grant:** FC-16 has allocated 50% of the Basic grant for 'Sanitation and Solid Waste Management' and/or 'Water Management'. Flexibility is available within this component for RLBs to address their needs, including O&M expenditures for the aforesaid tied items.

(b) Untied Grant: Balance 50% of the Basic grant component is recommended by FC-16 for addressing locally identified needs at the RLB level. Basic grant can be utilised by RLBs under the twenty-nine subjects enshrined in the Eleventh Schedule of the Constitution.

5.2 Performance grant

In order to bolster the financial self-sufficiency of the local bodies and to ensure that States discharge their Constitutional obligations, the FC-16 has recommended Performance grants subject to the fulfilment of entry-level and qualifying conditions. The entire Performance grant shall be treated as untied. The Performance grant is divided into the following two components:

5.2.1 RLB Performance component: FC-16 underscored that Gram Panchayats have the necessary powers of taxation and levying user charges. Thus, based on the achievement of the minimum level of Own Source of Revenue **(OSR)**, the local bodies will be eligible for the RLB Performance component grant.

5.2.2 State Performance component: While emphasising the primary responsibility of making adequate financial resources available to local bodies rests with the States, FC-16 has recommended the grant based upon the State transferring funds to RLBs from its own resources.

6. Conditions for release of the Grants

6.1 Entry-level conditions

The following three entry-level eligibility conditions must be fulfilled before the release of the RLB grant:

i. There must be a duly constituted local body in place in accordance with Part IX of the Constitution. However, this condition shall not be applicable to RLBs/Local Tribal Bodies in States/areas where Part IX of the Constitution does not apply.

ii. In the fiscal year 'T' (year for which the grant is recommended), there must be publicly available online provisional accounts of all RLBs of the State for the fiscal year T-1 and audited accounts for the fiscal year T-2. This condition will be applicable from the very first year of the award period. In cases where only a fraction of the RLBs meet this condition, the grant will be disbursed to the State in proportion to the local bodies that meet this condition.

iii. State must comply with the Constitutional provision of forming the SFC on the expiry of five years from the formation of the previous SFC. The ATR must be tabled in the State legislature within 6 months of submission of the SFC report.

6.2 Qualifying conditions for the release of the RLB Performance component

After fulfilment of entry-level conditions, FC-16 has recommended that the RLB is entitled to avail Performance grants on satisfying the following conditions:

6.2.1 For Gram Panchayats

GP in fiscal year T, must raise in year T-1, a minimum 1.025 times its OSR in year T-2 or 2.5 per cent per annum compounded growth applied over the OSR of 2025-26, whichever is lower, subject to a minimum amount of Rs. 1200 per household per annum.

6.2.2 For Block Panchayats

Block Panchayats will qualify for the RLB performance component, if 75 per cent of Gram Panchayats within their jurisdiction qualify for the RLB performance grant.

6.2.3 For District Panchayats

To qualify for the grant in year T, District Panchayats must raise, in year T-1, a minimum of 1.025 times its OSR in year T-2 or 2.5 per cent per annum compounded growth applied over OSR of 2025-26, whichever is lower.

For the calculation of OSR (as mentioned in para 6.2) under the qualifying criteria for the release of the RLB Performance component, it is provided that interest receipts will not be considered in OSR.

A sample illustration for determining eligibility of RLBs for Performance grant may be seen at *Annexure-III.*

6.3 Qualifying conditions for the release of the State Performance component

FC-16 has recommended the State Performance component starting from the second year of the award period. To qualify for the grant in year T, the State must transfer from its own resources in the year T-1, grants to local bodies amounting to 20 per cent or more of the basic grant recommended by FC-16 for the year T-1. FC-16 also recommended that revenues assigned and shared statutorily with the local bodies by the State would be included in these transfers to ascertain the quantum of the transfers for this condition. **In order to ascertain the exact quantum of funds transferred by the States to the Panchayats, States will be required to integrate their respective Treasuries with PFMS.**

Note: The summary of eligibility Conditions and timelines for availing grants is given in Annexure-IV.

7. Limitations on the utilisation of RLB grants

7.1 RLB should not spend more than 20 per cent of the untied allocation on the construction and maintenance of roads (including but not limited to all types of paved surfaces such as bituminous/black-topped/asphalt, cement concrete/concrete, interlocking concrete block pavements, gravel, mud and so on).

7.2 Untied grants should not be used for the payment of salaries or other establishment-related expenditure. However, the expenditure on engagement of professional services, as empanelled by the CAG of India, for auditing and accounting functions in respect of RLBs may be borne from the Untied component of the 16th FC grants.

8. Resolution for specific activities

FC-16 has recommended that the Gram Sabha pass resolutions for specific activities to be undertaken under both tied and untied grants by a Gram Panchayat, and similar resolutions would be needed by Block Panchayats and District Panchayats as well. RLB will be deemed to be eligible for the release of the grant (tied and untied grant) on fulfilment of the following:

(i) Uploading of GPDP/BPDP/DPDP in e-GramSwaraj containing details of the Annual Action Plan of Village/Block/District by the RLBs in the common format as may be prescribed by the Ministry of Panchayati Raj (M/o PR)/Department of Drinking Water and Sanitation (D/o DW&S) jointly.

(ii) Uploading of details about utilization of FC-16 funds [both components] on the e-GramSwaraj Portal.

9. Treatment of Undisbursed Local Body Performance Component

If any of the conditionality (Para 6) is unfulfilled, the undisbursed portion of Performance grants would be disbursed according to the following methodology:

(i) The undisbursed portion of RLB Performance grants, due to non-fulfilment of the condition(s), will be distributed to the performing RLBs of the same State.

(ii) Undisbursed portion of the State Performance component due to the failure of a State to fulfil the conditionality would be distributed among the performing States according to the State-level inter se criteria.

(iii) The distribution of the undisbursed Performance component of the grants, among the States and among the local bodies within a State, as the case may be, would follow the modalities mentioned in para-3 of these guidelines for the distribution of local body grants.

It is provided that in the case of the undisbursed portion of RLB/State Performance grants, the maximum amount per RLB will not exceed the annual allocation of the basic grant recommended by FC-16 to that RLB/State.

10. Grant Transfer Certificate

In order to maintain fiscal discipline in the transfer of funds to the RLBs/State, a Grant Transfer Certificate is a pre-requisite condition to release grants to the Rural Local Bodies. States need to furnish Grant Transfer Certificate for the last installment received from the Union Government in the format as prescribed at *Annexure-V* along with the claim of the subsequent installment to the M/oPR (for untied component), D/o DW&S (for tied component) and the Department of Expenditure, Ministry of Finance.

11. Modalities of Release of Grants

11.1 Basic Grants will be released by the Department of Expenditure, Government of India in two equal instalments each year subject to receipt of recommendations from the Nodal Ministry. The first instalment will be released in June and the second in October, upon receipt of the Grant Transfer Certificate of the previous installment. The Nodal Ministries (MoPR and DDWS) shall ensure that where a set of local bodies within the State meet the conditions, the grants due to them are recommended on pro-rata basis without waiting for the rest. The balance portion of grants will be released as and when the concerned RLBs become eligible on fulfilling the stipulates conditions.

11.2 Further, the Performance grant shall be released in single installments i.e. (i) the State Performance Grant in the month of June and its undisbursed portion in the month of October; (ii) RLB Performance Grant in the month of October and its undisbursed portion in the month of December (refer *Annexure-IV*).

11.3 State Governments shall ensure the transfer of these grants-in-aid to their respective local bodies within ten working days of their receipt from the Union Government. Any delay in this transfer beyond the stipulated ten working days shall obligate the State Governments to release the funds along with interest, calculated at the effective weighted rate of interest applicable to market borrowings/State Development Loans for the preceding financial year.

11.4 The State Governments shall transfer each installment of the RLB grants received from the Department of Expenditure (Finance Commission Division), Ministry of Finance, Government of India to all the concerned entities [GP/BP/ZP & Excluded Areas, if any] without any deduction.

12. Accounting and Audit

12.1 All RLBs shall follow the Model Accounting System (MAS) and maintain accounts through the e-Gram Swaraj platform and shall ensure that all the financial transactions (both receipt and expenditure) are carried out through eGramSwaraj PFMS Interface. The provisional accounts shall be audited annually through the AuditOnline application of MoPR. The State Panchayati Raj Departments are advised to submit an Action Taken Report (ATR) through the ATR Module developed in the AuditOnline Portal. The Technical Guidance and Supervision of CAG shall continue.

12.2 In the spirit of the recommendations of the FC-16, the accounts of RLBs should reflect Receipts and Expenditures from all streams, including Finance Commission grants, Central Sector Schemes, Centrally sponsored Schemes and own source of revenues of the concerned RLBs for meeting the conditionality regarding availability of Accounts. In order to facilitate the timely preparation of financial accounts and to enable end-to-end accounting of transactions, the Ministry of Panchayati Raj will take all necessary actions, including the upgradation of e-Gramswaraj platform.

12.3 While recommending the release of grants to the Department of Expenditure, State Government and the Union Ministry of Panchayati Raj (M/o PR) will monitor the quality of audit certification. Special attention should be accorded to modified audit opinions (adverse or disclaimer opinions) reported in the Audit reports of the RLBs.

13. Measures for Performance Grants and OSR Reporting

13.1 States are advised to enact or amend their Own Source of Revenue (OSR) Rules to empower and enable the RLBs to generate OSR. States are required to undertake end-to-end onboarding on the SAMARTH Panchayat Portal, including system integration, user provisioning, and capacity building, to ensure accurate, consistent, and real-time OSR reporting across all RLBs. The onboarding process to be completed by the financial year 2026-27. The RLBs shall upload their Annual Revenue Plans on the SAMARTH Panchayat Portal annually. Further, OSR collection data shall be auto reflected either through direct onboarding or integration of existing State/local systems with effect from the financial year 2027-28 onwards.

13.2 In order to calculate OSR performance, the State governments will ensure timely and comprehensive uploading of OSR data on the SAMARTH Portal for FY 2025-26 onwards. MoPR shall operationalize requisite system provisions on the portal to enable granular capture of tax-wise and non tax-wise revenue details and household-level coverage.

13.3 Further, States are also advised to amend their Panchayati Raj Acts/Rules as well as other relevant Acts/Rules, to include clear provisions that institutionalize the sharing of taxes, duties, toll, fees and royalties etc. with Panchayats in line with the recommendations of FC-16. This would not only ensure equitable distribution across all levels of Panchayats but it would also help the States to become eligible for the State Performance grants.

14. Unspent balance of previous Finance Commissions

14.1 To avoid parking of funds, while forwarding the request for release of the 1st installment of RLB grants 2026-27, the State Government(s) shall ensure that there is no unspent balance available of the 14th Finance Commission or previous successive Commissions pending with the RLBs. Local bodies may utilise the unspent balance as per the extant guidelines of the respective Finance Commission. The State Government will provide certification in this regard.

14.2 With regard to the unspent funds of the 15th Finance Commission (FC-15) available with RLBs, from the financial year 2028-29 onwards (i.e. 3rd year of the award period), M/o PR and D/o DW&S are advised not to recommend the release of grants to those local bodies who have unspent balance of the FC-15 exceeding 10% of the installment under consideration for release. Further, from the 4th year of the award period of FC-16, grants should be recommended by Nodal Ministries to only those local bodies having no unspent balance of the 15th Finance Commission.

15. Utilisation Report

15.1 States will certify in the Grant Transfer Certificate, along with the claim for the 2nd instalment of a year, that RLBs have utilized at least 50% of the grants released during the previous year for both tied and untied grants respectively. The States need to submit consolidated utilisation reports to the nodal ministry(ies) (M/o PR and D/o DW&S) and Department of Expenditure, Ministry of Finance, clearly indicating the items on which expenditure has been incurred in consonance with the guidelines.

15.2 A digital verification protocol may be developed and prescribed by M/o PR and D/o DW&S for determining compliance with the conditions of FC-16 in respect of the own source of revenue or expenditure from tied and untied grants.

16. Integration of FC-16 recommended Local bodies grants with PFMS

PFMS is interfaced with the treasury system of all States. States share the details of expenditure incurred against Government of India releases for various schemes and grants by mapping their expenditure heads with GoI schemes. In consonance with these guidelines, State Governments shall integrate their systems with PFMS, which will enable the data exchange of expenditures and receipts of the FC-16 RLB grants through PFMS/e-Gramswaraj portal. The information submitted by the State regarding the grant transfers will be validated by the M/o PR and D/o DW&S from PFMS before sending a recommendation to the Department of Expenditure for the release of funds

17. Role of Ministry of Panchayati Raj (M/o PR)

M/o PR, Govt. of India shall act as a nodal ministry for determining the eligibility of the RLBs for the Untied grant. It will assess compliance with the conditions and on the basis of the assessment, shall recommend the release of the grant to the Department of Expenditure, Ministry of Finance. It will also monitor the utilisation of the funds recommended by the FC-16 for RLBs and may also handhold and provide technical guidance to RLBs.

18. Role of the Department of Drinking Water & Sanitation (D/o DW&S)

D/o DW&S, Ministry of Jal Shakti, Govt. of India shall act as a nodal ministry for determining the eligibility of the RLBs for the Tied grant. The D/o DW&S shall recommend the release of tied grant to the Department of Expenditure, Ministry of Finance for the bodies/States which have complied with the relevant conditions, based on the information received from M/o PR and after assessment of the conditions as mentioned above. The D/o DW&S shall also handhold and provide technical guidance to the RLBs in utilization of the tied grant component or the schemes/technology to be adopted for efficient use of the funds.

19. Role of the Department of Expenditure, Ministry of Finance

Upon receipt of recommendations from the Nodal Ministries i.e. MoPR/DDW&S, the Department of Expenditure (FCD), Ministry of Finance shall release the due installment of grants to the States concerned, subject to fulfillment of all the conditions as stipulated in the guidelines above.

20. Convergence of FC-16 recommended funds

The FC-16 in Chapter 10 of its Report for the period 2026-27 to 2030-31 has inter-alia recommended tied grants for supporting and strengthening the delivery of basic services, which are national priorities like drinking water for all, sanitation, etc. The Government of India has also launched some schemes aimed at similar outcomes like Swachh Bharat Mission Grameen (SBM-G), Jal Jeevan Mission. etc. In order to sustain the achievements made in these schemes, all three levels of Government need to join hands in the spirit of Cooperative Federalism. Therefore, rural local bodies may utilise tied grant components in convergence with any other scheme aided by the Union Government with similar outcomes and jurisdiction with the ultimate aim to cover the maximum population within the jurisdiction of the concerned local body to improve the quality of the assets proposed to be constructed for the purpose.

However, 16th Finance Commission grants should not be used as a State share/contribution towards any particular scheme. While the Gram Panchayats shall operate the tied grants for tapping locally available resources for achieving the objectives/goals, convergence with national schemes at block or district panchayats level

will ease the operations as well as resource transfer for such schemes. Therefore, Block Panchayats and District Panchayats may explore the possibility of such convergence within their respective jurisdiction.

21. **Power to Relax:** *Notwithstanding whatsoever has been mentioned above, the Department of Expenditure reserves the right to amend/relax any of the conditions/pre-conditions as may be deemed fit to cover any unforeseen event or in case of any exigencies or for any other reasons.*

Annexure I

Inter se Share of States in RLB Grants

S.No.	State	Area ('000 Sq. Km)	Area Share (10%)	Rural Population ('000)	Rural Population Share (90%)	Inter se share (%)
1	Andhra Pradesh	162.92	0.53	32,974	3.29	3.82
2	Arunachal Pradesh	83.74	0.27	1,185	0.12	0.39
3	Assam	78.44	0.26	30,987	3.09	3.35
4	Bihar	94.16	0.31	1,16,546	11.62	11.93
5	Chhattisgarh	135.19	0.44	22,516	2.24	2.68
6	Goa	3.70	0.01	329	0.03	0.04
7	Gujarat	196.24	0.64	36,906	3.68	4.32
8	Haryana	44.21	0.15	17,577	1.75	1.90
9	Himachal Pradesh	55.67	0.18	6,806	0.68	0.86
10	Jharkhand	79.72	0.26	30,178	3.01	3.27
11	Karnataka	191.79	0.63	37,253	3.71	4.34
12	Kerala	38.85	0.13	6,351	0.63	0.76
13	Madhya Pradesh	308.25	1.01	63,685	6.35	7.36
14	Maharashtra	307.71	1.01	65,537	6.53	7.54
15	Manipur	22.33	0.07	2,213	0.22	0.29
16	Meghalaya	22.43	0.07	2,734	0.27	0.34
17	Mizoram	21.08	0.07	563	0.06	0.13
18	Nagaland	16.58	0.05	1,128	0.11	0.16
19	Odisha	155.71	0.51	38,064	3.79	4.30
20	Punjab	50.36	0.17	17,861	1.78	1.95
21	Rajasthan	342.24	1.12	61,261	6.11	7.23
22	Sikkim	7.10	0.02	310	0.03	0.05
23	Tamil Nadu	130.06	0.43	34,701	3.46	3.89
24	Telangana	112.12	0.37	19,258	1.92	2.29
25	Tripura	10.49	0.03	2,427	0.24	0.27
26	Uttar Pradesh	240.93	0.79	1,84,063	18.34	19.13
27	Uttarakhand	53.48	0.18	7,526	0.75	0.93
28	West Bengal	88.75	0.29	62,144	6.19	6.48
Total		**3,054.25**	**10.00**	**9,03,083**	**90.00**	**100.00**

Source: FC-16 report

Annexure-II-(A)

RLB Basic and Performance Components

(Rs. in crore)

S.No.	State	2026-27		2027-28		2028-29		2029-30		2030-31		Total 2026-27 to 2030-21		Grand Total (Basic + Perf)
		Basic	Perf	Basic	Perf.	Basic	Perf.	Basic	Perf.	Basic	Perf.	Basic	Perf.	
1	Andhra Pradesh	2136	0	2371	353	2632	889	2921	987	3242	1096	13302	3325	16627
2	Arunachal Pradesh	218	0	242	36	269	91	298	101	331	112	1358	340	1698
3	Assam	1873	0	2078	310	2308	780	2561	866	2843	961	11663	2917	14580
4	Bihar	6670	0	7404	1102	8218	2777	9122	3083	10125	3422	41539	10384	51923
5	Chhattisgarh	1498	0	1663	248	1846	624	2049	693	2275	768	9331	2333	11664
6	Goa	22	0	25	4	28	9	31	10	34	11	140	34	174
7	Gujarat	2415	0	2681	399	2976	1006	3303	1116	3667	1239	15042	3760	18802
8	Haryana	1062	0	1179	176	1309	442	1453	491	1613	545	6616	1654	8270
9	Himachal Pradesh	481	0	534	79	593	200	658	222	730	247	2996	748	3744
10	Jharkhand	1828	0	2029	302	2253	761	2500	845	2775	938	11385	2846	14231
11	Karnataka	2427	0	2693	401	2990	1010	3318	1122	3683	1245	15111	3778	18889
12	Kerala	425	0	472	70	524	177	581	196	645	218	2647	661	3308
13	Madhya Pradesh	4115	0	4568	680	5070	1713	5627	1902	6247	2111	25627	6406	32033
14	Maharashtra	4216	0	4679	697	5194	1755	5766	1948	6399	2163	26254	6563	32817
15	Manipur	162	0	180	27	199	68	222	75	246	83	1009	253	1262
16	Meghalaya	190	0	211	31	234	79	260	88	288	98	1183	296	1479
17	Mizoram	73	0	81	12	90	30	99	34	110	38	453	114	567
18	Nagaland	90	0	99	15	110	37	122	42	136	46	557	140	697
19	Odisha	2404	0	2669	397	2962	1001	3288	1111	3650	1233	14973	3742	18715
20	Punjab	1090	0	1210	180	1343	454	1491	504	1655	559	6789	1697	8486
21	Rajasthan	4042	0	4487	668	4980	1684	5528	1868	6136	2074	25173	6294	31467
22	Sikkim	28	0	31	5	34	12	38	13	43	14	174	44	218
23	Tamil Nadu	2175	0	2414	359	2679	906	2975	1005	3301	1116	13544	3386	16930
24	Telangana	1280	0	1421	212	1578	533	1751	592	1944	657	7974	1994	9968
25	Tripura	151	0	168	25	186	63	206	70	230	77	941	235	1176
26	Uttar Pradesh	10695	0	11872	1768	13177	4454	14628	4943	16236	5488	66608	16653	83261
27	Uttarakhand	520	0	577	86	640	217	711	240	789	267	3237	810	4047
28	West Bengal	3623	0	4021	599	4463	1509	4955	1674	5500	1859	22562	5641	28203
	Total	**55909**	**0**	**62059**	**9241**	**68885**	**23281**	**76462**	**25841**	**84873**	**28685**	**348188**	**87048**	**435236**

Source: FC-16 report

Annexure-II-(B)

(Rs in crore)

S.No.	State	RLB Basic Grant (Tied and Untied)											
		2026-27		2027-28		2028-29		2029-30		2030-31		2026-31	
		Tied	Untied	Tied	Untied	Tied	Untied	Tied	Untied	Tied	Untied	Tied	Untied
1	Andhra Pradesh	1068	1068	1186	1186	1316	1316	1461	1461	1621	1621	6651	6651
2	Arunachal Pradesh	109	109	121	121	135	135	149	149	166	166	679	679
3	Assam	937	937	1039	1039	1154	1154	1281	1281	1422	1422	5832	5832
4	Bihar	3335	3335	3702	3702	4109	4109	4561	4561	5063	5063	20770	20770
5	Chhattisgarh	749	749	832	832	923	923	1025	1025	1138	1138	4666	4666
6	Goa	11	11	13	13	14	14	16	16	17	17	70	70
7	Gujarat	1208	1208	1341	1341	1488	1488	1652	1652	1834	1834	7521	7521
8	Haryana	531	531	590	590	655	655	727	727	807	807	3308	3308
9	Himachal Pradesh	241	241	267	267	297	297	329	329	365	365	1498	1498
10	Jharkhand	914	914	1015	1015	1127	1127	1250	1250	1388	1388	5693	5693
11	Karnataka	1214	1214	1347	1347	1495	1495	1659	1659	1842	1842	7556	7556
12	Kerala	213	213	236	236	262	262	291	291	323	323	1324	1324
13	Madhya Pradesh	2058	2058	2284	2284	2535	2535	2814	2814	3124	3124	12814	12814
14	Maharashtra	2108	2108	2340	2340	2597	2597	2883	2883	3200	3200	13127	13127
15	Manipur	81	81	90	90	100	100	111	111	123	123	505	505
16	Meghalaya	95	95	106	106	117	117	130	130	144	144	592	592
17	Mizoram	37	37	41	41	45	45	50	50	55	55	227	227
18	Nagaland	45	45	50	50	55	55	61	61	68	68	279	279
19	Odisha	1202	1202	1335	1335	1481	1481	1644	1644	1825	1825	7487	7487
20	Punjab	545	545	605	605	672	672	746	746	828	828	3395	3395
21	Rajasthan	2021	2021	2244	2244	2490	2490	2764	2764	3068	3068	12587	12587
22	Sikkim	14	14	16	16	17	17	19	19	22	22	87	87
23	Tamil Nadu	1088	1088	1207	1207	1340	1340	1488	1488	1651	1651	6772	6772
24	Telangana	640	640	711	711	789	789	876	876	972	972	3987	3987
25	Tripura	76	76	84	84	93	93	103	103	115	115	471	471
26	Uttar Pradesh	5348	5348	5936	5936	6589	6589	7314	7314	8118	8118	33304	33304
27	Uttarakhand	260	260	289	289	320	320	356	356	395	395	1619	1619
28	West Bengal	1812	1812	2011	2011	2232	2232	2478	2478	2750	2750	11281	11281
	Total	**27955**	**27955**	**31030**	**31030**	**34443**	**34443**	**38231**	**38231**	**42437**	**42437**	**174094**	**174094**

Sample illustration to determine the eligibility of RLB Performance Grants (Gram Panchayats & District Panchayats and equivalent bodies), if other eligibility criteria are fulfilled.

Case 1: In case of Eligibility

No. of Households in Panchayat / Local Body: HH - 1000

Particulars	No.	
No. of Households	1,000	
Term	**FY**	**OSR generated**
T (Grant year)	2028-29	
T-1 (OSR to be checked)	2027-28	₹13,00,000
T-2 (previous OSR)	2026-27	₹ 12,00,000
Base Year	2025-26	₹ 11,50,000
Eligible conditions for RLB Performance Grant		
	Condition 1	**OSR (2027-28) = 1.025*OSR (2026-27)**
		12,30,000
	Condition 2	**OSR (2027-28) = (1.025)^n * OSR (2025-26)**
		12,08,219
	Min (Condition 1, 2)	**12,08,219**
	OSR / HH in year T-1	1,300
	Ceiling @ 1200/HH/p.a	1,200
	Is Panchayat Eligible?	**Eligible**

Case 2: In case of Non-Eligibility

No. of Households in Panchayat / Local Body: HH - 1000

Particulars	No.	
No. of Households	1,000	
Term	**FY**	**OSR generated**
T (Grant year)	2028-29	
T-1 (OSR to be checked)	2027-28	₹ 11,00,000
T-2 (previous OSR)	2026-27	₹ 10,50,000
Base Year	2025-26	₹ 10,00,000
Eligible conditions for RLB Performance Grant		
	Condition 1	**OSR (2027-28) = 1.025*OSR (2026-27)**
		10,76,250
	Condition 2	**OSR (2027-28) = (1.025)^n * OSR (2025-26)**
		10,50,625
	Min (Condition 1, 2)	**10,50,625**
	Actual OSR / HH in year T-1	1,100
	Ceiling @ 1200/HH/p.a	1,200
	Is Panchayat Eligible?	**Not Eligible**

N.B.: For clarity, the figures above are purely illustrative and not intended to reflect actual results.

Annexure-IV

Summary of eligibility conditions and timelines for availing grants

S. No	Grant Condition/timelines	2026-27	2027-28	2028-29	2029-30	2030-31
1	A duly constituted local body is in place	✓	✓	✓	✓	✓
2	Availability of online provisional accounts of all RLBs of the State for the previous year and audited accounts of the year before the previous year.	✓	✓	✓	✓	✓
3	Formation of the SFC on the expiry of five years from the formation of the previous SFC, and the ATR tabled in the State legislature within 6 months of submission of the SFC report.	✓	✓	✓	✓	✓
4	Uploading of GPDP/BPDP/DPDP and details of utilisation of the grant in the e-GramSwaraj portal.	✓	✓	✓	✓	✓
5	RLB Performance component (refer to Para 6.2 of the guidelines)	N.A	N.A	✓	✓	✓
6	State Performance Grant (refer to Para 6.3 of the guidelines)	N.A	✓	✓	✓	✓
7	Release of the Untied and Tied grant	Month of June (1st install) and October (2nd install) of each F Y				
8	Release of State Performance Grant	Month of June (single instalment) of each FY (starting from year 2027-28)				
9	Release of the undisbursed State performance grant	Month of October (single instalment) of each FY (starting from year 2027-28)				
10	Release of RLB performance Grant	Month of October (single instalment) of each FY (starting from year 2028-29)				
11	Release of the undisbursed RLB performance grant	Month of December (single instalment) of each FY (starting from year 2028-29)				

Annexure-V

GRANT TRANSFER CERTIFICATE FOR THE GRANT RECEIVED FOR RURAL LOCAL BODIES RECOMMENDED BY SIXTEENTH FINANCE COMMISSION DURING ITS AWARD PERIOD 2026-27- TO 2030-2031.

Name of State:-

1.	For General Areas	Total No. of	GPs		Duly elected bodies	GPs	
			BPs			BPs	
			ZPs			ZPs	
2.	Non Part IX Areas [provide names and number of such Autonomous Bodies]				No.	Names	
3.	Details of Untied grant/Tied grant received:	Year	Installment	Amount(Rs. In lakh)	Date of Receipt		
4.	Details of Untied grant/ Tied grant transferred*:	Year	Installment	Amount (Rs. In lakh)	Date of Transfer	No. of days of delay	If delayed, amount of interest transferred (with rate of interest)
5.	Whether the State Finance Commission(SFC) recommendation is available	Yes/ No	Grant Distributed as per SFC recommendation or criteria recommended by FC-16	Date of Submission of SFC Report	Date on which ATR has been tabled	Period for which SFC Recommendations are applicable	
6.	Whether RLB accounts for 16th FC Grants linked to PFMS for all transactions						
7.	Balance, if any, available from previous Finance Commissions (Amount in Crore)						
8.	Percentage of the previous year's RLB grant utilised so far			For Untied Grant		For Tied Grant	
9.	Percentage of Tied Grant Used			For Sanitation and Solid Waste Management		For Water Management	

*Strike out whichever is not applicable.

Certified that the grants have been utilized/ proposed to be utilized for the purpose for which these have been provided and if any deviation is observed, the same will be intimated.

Signature with seal of
Secretary (Nodal Department)

Countersigned:
Signature with seal of the Finance Secretary