

F. No. 37(1) FCD/2010  
Ministry of Finance  
Department of Expenditure  
Finance Commission Division

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Block No. XI, 5<sup>th</sup> Floor, CGO Complex,  
Lodhi Road, New Delhi, 15<sup>th</sup> March, 2011.

To  
The Chief Secretary,  
Government of  
(All State Governments)

Subject: Implementation of recommendation of Thirteenth Finance Commission-  
Issue of Guidelines for utilisation of grant-in-aid for **District  
Innovation Fund**.

Sir,

The recommendations of Thirteenth Finance Commission for the award period 2011-15 include, inter-alia, release of grant-in-aid to the State Governments for **District Innovation Fund**.

I am enclosing herewith the guidelines for grant release and utilization of grant-in-aid for District Innovation Fund alongwith the Performa for furnishing information on projects under scheme formulated for implementation of District Innovation Fund, as recommended by the Thirteenth Finance Commission for information and necessary action. These guidelines and Performa are also accessible on this Ministry's website: <http://www.finmin.nic.in/TFC/guidelines.asp>

Yours faithfully,

Encl.: As above

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Copy with a copy of the guidelines to:-  
Principal Secretary (Finance), Government of  
(All State Governments)

Ministry of Finance  
Department of Expenditure  
Finance Commission Division

**Guidelines for release and utilisation of Grant-in-aid for  
District Innovation Fund**

The Thirteenth Finance Commission (FC-XIII) has underlined the need to support and promote innovation, as innovation can play an important role in providing better alternatives, reducing costs, improving service levels and improving governance and justice delivery. A number of appropriate, low cost and people oriented innovations already introduced in various states have been documented by the National Innovation Foundation (NIF) and these are being disseminated. These innovations relate mostly to individual initiatives in the private sector. FC-XIII has noted that a number of equally relevant innovations exist in the government sector, which need to be recognised, documented and promoted amongst all State Governments. A number of national programmes, like the mid-day meal scheme, are rooted in innovative schemes initially adopted at the state level. Other innovations have arisen in various sectors like health, education, tourism and natural resource management.

2. One initiative recommended by FC-XIII relates to setting up of the Centre for Innovations in Public Systems (CIPS) in the Administrative Staff College of India, Hyderabad. CIPS is mandated to actively promote, and disseminate among States, practices that have enhanced service delivery, increased efficiency and reduced costs in public systems. CIPS will develop its data base on new practices, make it available across States, conduct training programmes and enable experience sharing. Chief Secretaries of all State Governments are members of CIPS' Advisory Council. A grant to run CIPS for a five year period has already been released to ASCI, Hyderabad.

3. The second initiative in this direction is focussed on making cutting-edge levels of governance responsive to felt needs and innovations. In line with this objective, FC-XIII has recommended a grant of Rs.616 crore, at Rs.1 crore per district, aimed at increasing the efficiency of capital assets already created and provide immediate benefits. The State-wise allocation

of this grant is in Annex 12.14, report of FC-XIII, Vol.II, which is reproduced as **Annex 1** to these guidelines. This grant is to be used to fill in vital gaps in public infrastructure already available in the district, which is not being fully utilised for want of a relatively small investment. It has been noted that projects with immediate welfare returns for comparatively low investment are best identified at the district level. There is also great scope to innovate at this level, and even a comparatively small investment can be effectively leveraged as a force multiplier.

4. The following conditions are applicable to the release of this grant:

i. State Governments would prepare guidelines for the scheme using the following basic template:

- (a) projects undertaken under the scheme should be demand driven rather than supply driven;
- (b) the scheme should be conducive to triggering innovative measures to make government accessible and accountable to all sections of society;
- (c) at the district level, only 90% of the cost of a project be met from DIF, the balance 10% being met from non-governmental contributions, from either the public or NGOs. This 10% must be collected and deposited with the district agency before the scheme is sanctioned.

ii. State government will designate an authority at the district level to approve schemes to be financed from this grant.

iii. The grant will be released in two instalments during 2011-15. The first instalment, amounting to 50% of the amount allocated to a State, will be released in 2011-12, after the State Government finalises detailed guidelines for implementation of the scheme, and notifies the authority at the district level that would sanction the projects under the scheme. These guidelines and district level authority are to be approved by the State High Level Monitoring Committee (HLMC), mentioned in para 6 below. Information about these actions, when taken, will be provided to Ministry of Finance to facilitate release of the first instalment of the grant.

iv. The second instalment of the grant would be released after the State Government provides a report to Ministry of Finance on the end use of the first instalment, detailing the benefits created, as per the format at **Annex-II**.

v. Districts could be covered in two phases, if a State Government so wishes. To generate competition, if some districts come up with more innovative projects for support, then unutilised funds from the remaining districts can be reallocated to those.

5. The grant would be released by Ministry of Finance (Department of Expenditure) for which Budget provision will be made in the Demand of Grant No. 35 of the Ministry of Finance.

### **Monitoring agency at state levels**

6. Every State shall constitute a High Level Monitoring Committee (HLMC) headed by the Chief Secretary, which will include Finance Secretary and Secretaries of the Departments concerned as members. HLMC shall be responsible for monitoring both physical and financial targets and ensuring adherence to the specific conditionalities associated with the grant. Minutes of HLMC meetings shall be provided to the Department of Expenditure (Finance Commission Division), Ministry of Finance, Government of India for information.

### **Audit by the Controller and Auditor General**

7. The Comptroller and Auditor General of India would undertake audit of expenditure of this grant every year.

(Alok Chandra)  
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Dated 15-03-2011

## Annex-I

**State-wise allocation of grant for District Innovation Fund  
recommended by FC-XIII**

<b>State</b>	<b>Rs. crore</b>
Andhra Pradesh	23
Arunachal Pradesh	16
Assam	27
Bihar	38
Chhattisgarh	18
Goa	2
Gujarat	26
Haryana	21
Himachal Pradesh	12
Jammu & Kashmir	22
Jharkhand	24
Karnataka	29
Kerala	14
Madhya Pradesh	50
Maharashtra	35
Manipur	9
Meghalaya	7
Mizoram	8
Nagaland	11
Orissa	30
Punjab	20
Rajasthan	33
Sikkim	4
Tamil Nadu	31
Tripura	4
Uttar Pradesh	70
Uttarakhand	13
West Bengal	19
<b>Total</b>	<b>616</b>

Source: FC-XIII report, Vol.11, Annexure 12.14, page 473

**Performa<sup>1</sup> for furnishing information on Projects under scheme formulated for implementation of the District Innovation Fund recommended by the 13<sup>th</sup> Finance Commission**

State: \_\_\_\_\_

1. Name of the District
2. Name of the Project
3. Objectives of the Project
4. Name of the implementing agency
5. Intended benefits out of the Project
6. Total cost of the Project
7. Funding pattern
  - (i) from grant-in-aid
  - (ii) from non-governmental contributions (public or NGO). Please specify amount and date of deposit with implementing agency.
8. Date of approval of the project by the designated authority
9. Benefits created or realised as assessed against the intended benefits as in item no. 5 above<sup>2</sup>

Finance Secretary to the Government of .....

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<sup>1</sup> Information in respect of items nos. 1 to 8 is required for release of the first instalment. Information in respect of items nos. 1 to 9 is required for release of the second instalment.

<sup>2</sup> Information to be provided for release of the second instalment only.