



GOVERNMENT OF ANDHRA PRADESH

**Action taken Report
on the Recommendations of the
Third State Finance Commission**

JANUARY - 2014

**Panchayat Raj & Rural Development (Mdl.I) Department
A.P. Secretariat, Hyderabad.**

ACTION TAKEN REPORT ON THE REPORT OF THE THIRD STATE FINANCE COMMISSION

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994 the Governor of A.P. have constituted the Third State Finance Commission on 16.01.2003 to apportion Revenue, Assignment of Taxes and to suggest to grants-in-aid to the local self Government units vide reference 1st read above. Though, the Commission was constituted during the year 2003, then reconstituted in 2004, they submitted the report very belatedly during the year 2008 consisting of 63 recommendations pertains to the period from 2005 to 2010 co-terminus with 12th Finance Commission of Government of India. Subsequently, the Government of India have appointed two Finance Commissions i.e. 13th Finance Commission which is meant for the period 2010-15 whose recommendations are presently under implementation and 14th Finance Commission which is busy transacting business and likely to submit their report by the end 2014.

The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertaining to Urban Local Bodies involving 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Government had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has

discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

As the financial recommendations and the quantum of the amount to be devolved to the Panchayat Raj Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee has met on 7.6.2013 and after detailed discussions has decided to accept most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries.

The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies already effected amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance

Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations. Government have issued orders vide G.O.Ms.No. 461, PR & RD (MDL.I) Dept. dt. 13.12.2013 and G.O.Ms.No.512, Municipal Administration and Urban Development (Budget.2) Department, dated 31.12.2013. Hence this Action taken Report is submitted as per Section 241(2) of A.P. Panchayat Raj Act, 1994.

K. JANA REDDY,

Minister for Panchayat Raj & Rural Water Supply

Panchayat Raj & Rural Development Department

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Panchayat Raj and Rural Development Department – Third State Finance Commission – Finalization of the Recommendations of the Third State Finance Commission – Orders – Issued.

PANCHAYAT RAJ & RURAL DEVELOPMENT (MDL.I) DEPARTMENT

G.O.Ms.No.461

Dated:13.12.2013.

Read the following:-

1. G.O.Ms.No.13, PR&RD(Mdl.I) Deptt. Dt. 16.01.2003.
2. GO.Ms.No.390, PR&RD (Mdl.I) Deptt. Dt.23.12.2004.
3. G.O.Rt.No.379, PR & RD (Mdl.I) Deptt. Dated 10.03.2008.
4. G.O.Rt.No.515, PR & RD (Mdl.I) Deptt. Dated 06.04.2011.

ORDER:

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2. The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertaining to Urban Local Bodies involving 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Govt. had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

3. As the financial recommendations and the quantum of the amount to be devolved to the Panchayat Raj Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee have met on 7.6.2013 and after detailed discussions has decided to accept

most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries, which may be accepted and implemented.

4. The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

5. Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as described in Annexure-I & II. Government hereby decide to accept the recommendations of the Third State Finance Commission, both Financial and Non- Financial as annexed to this order.

6. The Departments in Secretariat/HODs noted in the address entries are requested to issue necessary follow up orders or instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**V. NAGI REDDY,
PRINCIPAL SECRETARY TO GOVERNMENT (PR)**

To
The PR&RD (RD)/PR&RD(RWS) / MA&UD/TR&B/ Revenue (Excise)
/Ind&Com/I&CAD (IW)/Agri &Coop. (Marketing)/EFS&T(Forest).
The Concerned Sections in PR&RD Department.
The Commissioner, Panchayat Raj and Rural Employment, Hyderabad.
The Commissioner of Rural Development
The Commissioner AMR-APARD
The Commissioner of Excise
The Commissioner of Transport
The Commissioner of Marketing
The Director of Mines & Geology
The Chief Conservator of Forests
The Engineer-in-chief, Panchayat Raj, Hyderabad.
The Engineer-in-chief, RWS, Hyderabad.

All the District Collectors in the State.
All the Chief Executive Officers of Zilla Parishads in the State.

Copy to :

The G.A.(Cabinet) Department

The Director, Local Fund Audit , Hyderabad.

All Audit Officers in the State.

The Accountant General, Andhra Pradesh, Hyderabad.

The Finance and Planning (FW. EXPR. PR.) Department,
SF/SC.

//FORWARDED::BY ORDER//

SECTION OFFICER

ANNEXURE-I

FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendation No. 13

The Per Capita Grant of Gram Panchayats may be enhanced from Rs.4/- to Rs.8/-, that of Mandal Parishads from Rs.8/- to Rs.16/- and of the Zilla Parishads from Rs.4/- to Rs.8/- from the year 2005-06 onwards. The additional commitment of Rs.88.64 crores in this regard may be released to the Panchayat Raj Institutions annually. (Para 5.37)

Decision of the Government

Accepted.

Recommendation No. 14

The Government may provide a special grant of Rs.18 crores per annum for five years for the construction of Gram Panchayat Office buildings. (Para 5.41)

Decision of the Government

Considering the alternate funding made available under MGNREGS the recommendation is treated as fulfilled.

Recommendation No. 15

The Government may provide a special grant of Rs.30.64 crores per annum at the rate of Rs.1.00 lakh to each of the 3,064 Gram Panchayats having a population upto 1000 for providing basic civic amenities. (Para 5.46)

Decision of the Government

Considering the grants already made under 13th Central Finance Commission the recommendation be treated as fulfilled.

Recommendation No. 18

An amount of Rs.42.08 crores per annum may be released from excise income to Panchayat Raj Institutions at least now. (Para 6.11)

Decision of the Government

Not accepted.

Recommendation No. 25 & 26

Third State Finance Commission recommends to pay 5 percent of income of the Market Committees to the local bodies instead of levying 5 percent extra surcharge. (Para 7.4)

The income of the Market Committees for the year 2004-05 was Rs.203.58 crores and the commitment at five percent in this regard is Rs.10.20 crores per annum. It may be released to Local Bodies on population basis at Rs.7.40 crores to rural bodies and Rs.2.80 crores to urban bodies. (Para 7.5)

Decision of the Government

To be examined in consultation with Marketing Department.

Recommendation No. 48

An amount of Rs.200 crores may be provided towards requirements for core amenities and released to Gram Panchayats. (Para 10.6)

Decision of the Government

Considering the devolvments made by the XIII Finance Commission and also adhoc grants provided under SFC head, the recommendation may be treated as fulfilled.

Recommendation No. 49

The amount of Rs.3.63 crores incurred by the Zilla Parishads towards education contingent grant from their general funds may be reimbursed to the Zilla Parishads by the Education Department. (Para 10.9)

Decision of the Government

Considering that the subject is very old and the amount is meager, the recommendation is **not accepted**.

Recommendation No. 50

An amount of Rs.220 crores may be provided annually to the Panchayat Raj Institutions for the Rural Water Supply Schemes. (Para 10.12)

Decision of the Government

Not accepted since considerable amounts are already released by GOI under XIII CFC, BRGF and State Government under SFC grants.

Recommendation No. 51

An amount of Rs.215 crores per annum may be released to the Panchayat Raj Institutions for Rural Sanitation. (Para 10.14)

Decision of the Government

Considering the grant provided under Nirmal Bharat Abhiyan, the recommendation is **not accepted**.

Recommendation No. 52

An amount of Rs.153 crores may be provided for the construction of Rural Roads and released to Panchayat Raj Institutions. (Para 10.18)

Decision of the Government

Considering the provision under budget estimates the recommendation be treated as fulfilled.

Recommendation No. 53

An amount of Rs.1.42 crores may be provided for providing drinking water facilities in the schools to the Panchayat Raj Institutions (Para 10.19)

Decision of the Government

Considering funds provided under SSA the recommendation be treated as fulfilled.

Recommendation No. 54

An amount of Rs.15 crores per annum may be sanctioned for the repairs to the school buildings and released to Panchayat Raj Institutions (Para 10.22)

Decision of the Government

Accepted and fulfilled.

Recommendation No. 55

An amount of Rs.5.35 crores per annum may be sanctioned for the maintenance of cyclone shelters under the control of Panchayat Raj Engineering Department and released (Para 10.24)

Decision of the Government

Considering the amount provided under the PR&RD head and disaster relief and mitigation the recommendation be treated as fulfilled.

Recommendation No. 56

An amount of Rs.200 crores per annum may be sanctioned for the maintenance of the Rural Roads (RRM) (Para 10.26)

Decision of the Government

Considered that an amount of Rs.161.61 Crores is provided under BE 2013-14, the recommendation be treated as fulfilled.

Recommendation No. 57

An amount of Rs.18 crores per annum may be sanctioned for maintenance of Mandal Office Buildings (Para 10.28)

Decision of the Government

Accepted to provide an amount of Rs.10 Crores per annum for the maintenance of Mandal Office Buildings

Recommendation No. 58

Rs.31.18 crores per annum may be released additionally for maintenance of Rural Water Supply Schemes (Para 10.30)

Decision of the Government

Considerable amounts are provided under drought relief programme and hence the recommendation be treated as fulfilled.

Recommendation No. 59

An amount of Rs.25.00 crores per annum may be provided in the budget for the maintenance of hand pumps and released to Gram Panchayats (Para 10.34)

Decision of the Government

Considering BE of Rs.31 Crores, the recommendation be treated as fulfilled.

ANNEXURE-II

NON-FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendation No. 1

An Officer be appointed three months before the constitution of the Fourth State Finance Commission to make all administrative arrangements for the functioning of the Commission from the date of its constitution. (Para 2.10)

Decision of the Government

Accepted.

Recommendation No. 2

A separate cell in PR & RD Department may be set up exclusively for the work of the State Finance Commissions (Para 2.24)

Decision of the Government

Accepted.

Recommendation No. 3

The Fourth State Finance Commission may be constituted by February, 2008. This will enable the Fourth State Finance Commission to make its recommendations available to XIII National Finance Commission by July, 2009. (Para 2.34)

Decision of the Government

Considering that the 4th State Finance Commission is not yet appointed it may be considered to advise the 4th State Finance Commission as and when appointed to submit the report by June 2014 so that the same can be made available to 14 Central Finance Commission as a reference to make their recommendations in turn.

Recommendation No. 4

While accepting the recommendations relating to devolution of finances to Rural and Urban Local Bodies, the Government may consider making budget provision covering all such recommendations (Para 3.11)

Decision of the Government

Accepted to make Budget provisions to the extent of recommendations **accepted** by the Government.

Recommendation No. 5

The amounts of devolution short released may be sanctioned to Panchayat Raj Institutions. The State Finance Commission grants should not be diverted for other purposes. (Para 3.14)

Decision of the Government

Partially **accepted** to the extent of Non-diversion of Finance Commission grants for other purposes.

Recommendation No. 6

Necessary instructions may be issued to levy maximum house-tax, as per the rules, to enhance revenue under this item. (Para 4.6)

Decision of the Government

Accepted.

Recommendation No. 7

Instructions may be issued to Gram Panchayats to levy and collect taxes on advertisements, drainage and lighting to augment their resources. (Para 4.9)

Decision of the Government

Accepted.

Recommendation No. 8

Gram Panchayats may levy vehicle tax on all vehicles (other than motor vehicles i.e. which are being taxed by transport authorities) kept or used in the village so as to increase their revenue. (Para 4.10)

Decision of the Government

Accepted in so far as vehicles not covered by the Motor Vehicles Act are considered.

Recommendation No. 9

Instructions may be issued to Gram Panchayats to levy non-taxes on the income of fruit bearing trees and other products, cart stands and other remunerative enterprises to augment their resources. (Para 4.11)

Decision of the Government

Accepted.

Recommendation No. 10

Instructions may be issued to Gram Panchayats to levy the Special Tax on houses at the rates indicated in the Rules to augment the revenue of Gram Panchayats. (Para 4.13)

Decision of the Government

Accepted.

Recommendation No. 11

Orders may be issued for the transfer of the subjects to Rural and Urban Local Bodies with funds, functions and functionaries so as to enable the next State Finance Commission to propose devolution of funds taking these subjects also into consideration. (Para 5.21)

Decision of the Government

Accepted.

Recommendation No. 12

The proposals to prioritise the (9) important subjects for devolution of the Functions, Functionaries and the Funds to Panchayat Raj Institutions may be finalized early. (Para 5.22)

Decision of the Government

Accepted.

Recommendation No. 17

Government may implement the orders issued in G.O.Ms.No.347 Rev.(LR) Department dated 21-04-1999 and release water charges at 10% to Gram Panchayats for all the major, medium and minor irrigation sectors. (Para 6.6)

Decision of the Government

Accepted.

Recommendation No. 19

Orders may be issued for apportioning the entire receipts under Seigniorage fee direct to the Local Bodies by the Assistant Director, Mines and Geology so that they may get their share fully and in time. (Para 6.17)

Decision of the Government

May be examined in detail

Recommendation No. 20

Orders may be issued to the Mandal Parishads and the Zilla Parishads to spend their share of the Seigniorage fee on the road works leading to the Gram Panchayats from where minor minerals are transported to other places, instead of spending it on some other activities. (Para 6.18)

Decision of the Government

Accepted.

Recommendation No. 21

The Government may revert back to the procedure of adjustment of Profession Tax to both the Rural and Urban Local Bodies which existed prior to the issue of orders in G.O.Ms.No.317 Fin.(Exp.PR&RD Department dated 29-06-2001. (Para 6.22)

Decision of the Government

To be considered after detailed examination.

Recommendation No. 27

The exemptions granted to the educational institutions from payment of House Tax may be withdrawn and permit the Urban and Rural Local Bodies to levy House Tax on all such educational institutions. (Para 7.9)

Decision of the Government

Accepted, however, reimbursement to be given to Local Bodies as and when any exemptions are granted by Government.

Recommendation No. 30

The Government may expedite the orders permitting the Panchayat Raj Institutions to advertise the construction of complexes and construct them by taking advance money from the lessee. (Para 7.18)

Decision of the Government

Accepted. A framework in line with that issued by MA&UD Department be considered.

Recommendation No. 34

Necessary amendments may be issued to Clause (xx) of Section 74 (2) of the A.P. Panchayat Raj Act, 1994 restoring the percentage as existed under the provisions of 1964 Gram Panchayat Act. (Para 7.35)

Decision of the Government

Considering the meager amounts involved, the recommendation is **not accepted**.

Recommendation No. 35

Action may be taken for the re-issue of the Rules for the levy of Kolagaram or Katarusum Tax on village produce sold in the village. (Para 8.3)

Decision of the Government

Not accepted as it could result into unbridled discretion for the officials at village level without any significant revenue for panchayats.

Recommendation No. 36

Clear and specific orders may be issued vesting all poramboke lands in Gram Panchayats. (Para 8.6)

Decision of the Government

Accepted.

Recommendation No. 39

Instructions may be issued on the procedure for the adjustment of the cable tax to the Urban and Rural Local Bodies. (Para 8.15)

Decision of the Government

Accepted.

Recommendation No. 44

The Government may issue necessary instructions to the Forest Department to provide necessary training contents to APARD under Social Forestry, for inclusion in the training modules of the Panchayat Secretaries. (Para 9.19)

Decision of the Government

Accepted.

Recommendation No. 46

Instead of collecting tariff rates for all the units consumed by the Minor Gram Panchayats the exemption from payment of current consumption charges previously existing to the Gram Panchayats upto 250 units may

be continued by enhancing the limit from 250 units to 400 units per month and also to meet the entire current consumption charges for Protected Water Supply. (Para 9.15)

Decision of the Government

Reserved for detailed examination in consultation with Energy Department.

Recommendation No. 47

Pre-audit system may be introduced in the 748 Gram Panchayats initially whose income is above ten lakhs per annum. (Para 9.30)

Decision of the Government

Panchayat Secretaries may be trained to discharge the pre-audit function with suitable responsibilities and liabilities.

Recommendation No. 62

The Third State Finance Commission generally recommends to implement all the recommendations of the First and Second State Finance Commissions which are not fully implemented or partially implemented. (Para 3.15)

Decision of the Government

Accepted.

Recommendation No. 63

The Third State Finance Commission recommends that the Government may consider to accept the above recommendations which are dealt in the relevant Chapters of the report since they are in consonance with the recommendations of the XII National Finance Commission.

Decision of the Government

Considering that an amount of Rs.2,112.28 Crores is provided under 13 Central Finance Commission as against Rs.1,763.72 Crores recommendation by 3rd State Finance Commission and also considering that an amount of Rs.500 crores is provided under State Finance Commission grants during the year 2013-14, the recommendation may be treated as fulfilled.

**Municipal Administration
&
Urban Development Department**

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

MA & UD Department – Third State Finance Commission – Finalization of the Recommendations of the Third State Finance Commission – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (BUDGET.2) DEPARTMENT

G.O.Ms.No.512,

Dated:31.12.2013.

Read the following:-

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5. Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as detailed in Annexure-I & II. Government hereby decide to accept the recommendations of the Third State Finance Commission, both Financial and Non-Financial as annexed to this order.

6. The Heads of Departments noted in the address entry are requested to take necessary action to implement these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**Dr S.K. JOSHI
PRINCIPAL SECRETARY TO GOVERNMENT**

To,
All the HoDs of MA & UD Deptt.
All the Sections in MA&UD Deptt
All the District Collectors in the State.
The G.A.(Cabinet) Department
The Director, Local Fund Audit,
Hyderabad.
All Audit Officers in the State.
The Accountant General, Andhra Pradesh, Hyderabad.
The Finance and Planning (Exp M&F) Department,

Copy to :

P.S. to Minister (MA & UD)
P.S. to Chief Secretary
P.S. to Principal Secretary (MA)
P.S. to Principal Secretary (PR)
SF/SC.

//FORWARDED BY ORDER//

SECTION OFFICER