

File No. PCH-HC (I) 1/2025 - 32089-52204
Government of Himachal Pradesh
Department of Panchayati Raj.

From:-

The Secretary (PR) to the
Government of Himachal Pradesh.

To

All the Chief Executive Officers
Zila Parishad, Himachal Pradesh.

All the District Panchayat Officers
Himachal Pradesh.

All the Block Development Officers
Himachal Pradesh.

Shimla-171009

dated 14th October, 2026

Subject:- Advisory for improving planning, prioritization, convergence and outcome-oriented utilization of Fifteenth and Sixteenth Finance Commission Grants by Panchayati Raj Institutions.

Madam/Sir,

With reference to the subject cited above, it is informed that, as per the information obtained from eGramSwaraj on dated 26-9-2026, approximately ₹850.739 crore of Fifteenth Finance Commission funds remain unutilised with the Panchayati Raj Institutions in Himachal Pradesh, comprising approximately ₹363.71 crore of Basic/Untied Grants and ₹487.029 crore of Tied Grants. On the other hand, substantial financial resources will be available to Rural Local Bodies in the State during the forthcoming five-year period under the Sixteenth Finance Commission. It is, therefore, necessary that the available funds are utilised not merely with the objective of increasing the number of works or the quantum of expenditure, but towards addressing actual service gaps at the local level and improving the quality of durable public assets and public services.

In this regard, an outcome-oriented, service-gap-based and saturation-based approach may be adopted in the preparation of Panchayat Development Plans. Under this approach, each Panchayat should identify deficiencies in the public services and basic infrastructure available within its jurisdiction and utilise the available financial resources, on the basis of priority, towards addressing such deficiencies. Funds are being provided in two components i.e. Tied and Untied. Detailed guidelines for utilizing the tied grants on Drinking Water and Sanitation related activities have been already provided to you for further action. As per guidelines of 16th Finance Commission, Ministry of Finance and Ministry of Panchayati Raj,

P-1.
B
BHO
16/10.26

Government of India, untied grant would be spent for address local identified needs at the RLB level.

Initially, the following activities may be accorded priority on the basis of actual local requirements and identified service gaps for untied grant:-

1. Equipments for hospitals/health centres/ Ambulance Services;
2. Procurement of essential medicines, subject to the applicable Finance Commission guidelines;
3. Integrated approach for making a model school.

The Additional Deputy Commissioners shall call joint meeting of Block Development Officers and relevant department functionaries to assess the service gap in respect of these specified priority activities. Where significant deficiencies in essential public services continue to exist, excessive expenditure on very small, repetitive or fragmented works should be accorded relatively lower priority. In particular, strict compliance should be ensured with the provision of the Sixteenth Finance Commission that not more than 20 per cent of the untied grant should be utilised for construction and maintenance of roads. Similarly, isolated individual streetlights, repetitive minor paving works and other fragmented activities should not be accorded priority where more significant and identified public-service deficiencies remain to be addressed.

Projects which benefit more than one Gram Panchayat may be identified in the Panchayat Development Plans of the concerned Gram Panchayats and consolidated at the Block level. Such projects may, wherever appropriate, be incorporated into the Block Panchayat Development Plan (BPDP) through the Panchayat Samiti. Similarly, projects involving more than one Development Block may be consolidated at the district level and considered through the District Panchayat Development Plan (DPDP).

This approach will facilitate collective financing of common public assets and facilities which may not be practically or financially feasible for a single Gram Panchayat to undertake independently.

Wherever infrastructure or equipment is proposed in a Government institution, such as a health centre, school or other departmental institution, technical assessment and certification of requirement and suitability by the concerned Department shall be mandatory. Panchayati Raj Institutions may, within the applicable statutory provisions, support the planning and financing of such infrastructure or equipment. However, the administrative, personnel, professional, technical, clinical and regulatory responsibilities of the concerned Department shall continue to remain with that Department.

It shall also be ensured that, before construction of any asset or procurement of equipment from Finance Commission funds, there is clarity regarding its ownership, installation, operation, maintenance and availability of the required technical manpower. Approval should ordinarily be accorded only where the concerned Department/institution is able to ensure effective utilisation and maintenance of the asset or equipment after its creation/procurement.

All such activities shall be planned and approved strictly within the prescribed GPDP/BPDP/DPDP framework and through the resolutions and approval process of the concerned Gram Sabha/Panchayati Raj Institution, as applicable.

The above approach may also be applied to the available unutilised Fifteenth Finance Commission funds, strictly subject to the original nature of the respective grant, permissible activities and the applicable guidelines issued by the Government of India.

All concerned officers and elected representatives of Panchayati Raj Institutions are, therefore, advised to adopt the above outcome-oriented, service-gap-based and saturation-based approach while preparing Panchayat Development Plans and selecting development activities, and to ensure effective, prudent and permissible utilisation of Finance Commission grants in accordance with the applicable guidelines.

This may be accorded wide circulation amongst all concerned Panchayati Raj Institutions for necessary action.

Yours faithfully,

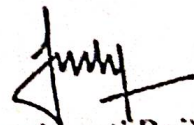


Special Secretary (Panchayati Raj) to the
Government of Himachal Pradesh.

dated 14th October, 2026

Endst No. As Above - 52205-06 Shimla-9
Copy for information and necessary action, please:-

- (1) The Secretary (Health) to the Government of Himachal Pradesh.
- (2) The Secretary (Education) to the Government of Himachal Pradesh.



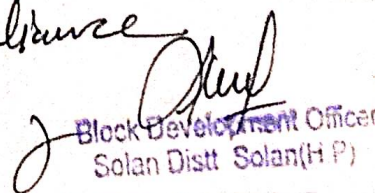
Special Secretary (Panchayati Raj) to the
Government of Himachal Pradesh.

Date 23-10-2026

Enclot No. 7531-69

Copy Forwarded to all Panchayat Secretaries

Dev. Block Solan for strictly compliance



Block Development Officer
Solan Distt Solan(H.P.)