

Financial Management Index for Rural Development Programs

July 27, 2020

The Ministry for Rural Development has released a Financial Management Index for Rural Development Programmes to rank the performance of the states. The states will be ranked on the basis of **preparation of annual plan, projecting the requirement of funds for the financial year, expeditious release of state's share, timely utilization of the funds and submission of the utilization certificates.**

Financial Management Index (FMI)

Sound financial management at each level of implementation is crucial for the success of any programme. The Centrally Sponsored Schemes being implemented for Rural Development are key drivers of progress in the rural areas. Accordingly, the responsibility for **ensuring effective/ proper utilization of funds under these schemes has to be shouldered both by the Central and the State Governments in a coordinated manner, considering the federal structure of the country.** The "Financial Management Index – Rural Development" is a step in that direction.

The FMI aims to promote a spirit of healthy competition among the States right from the programme planning stage through various steps of its implementation. On one hand, it would encourage the States/ Implementing Agencies in performing their best and on the other hand give an opportunity to them from learning from the experiences of others and thus promote **competitive cooperative federalism.**

Activity and Parameters:

Preparation of the Annual Plan for the year along with the physical and financial targets/ milestones: The projection of funds to be in consonance with the agreed targets.

Duly forwarding the complete and eligible proposals for release of the first installment of funds, to the GoI: **The proposal should be complete in all respect** as per the laid down procedure.

Release of funds from State treasury to the nodal account of State Implementing Agency: Within maximum 15 days from the date of receipt from GoI in State Treasury.

Release of full state share: Within maximum 15 days from the date of receipt of due GoI Share in the State treasury.

Duly forwarding of complete and eligible proposal for release of second installment of funds to the GoI: The proposal should be accompanied with all the documents including required audited statement of accounts.

Optimum utilization of total available funds and minimal unspent balances (UB) at the year end: The UB must be minimum at the FY end.

Achievement of annual financial targets as finalized: The annual targets must be met.

Other Parameters:

- Optimum implementation of **Public Financial Management System**
- Optimum implementation of **DBT module for MGNREGA**

- **Internal Audit**
- Social Audit