

**F. No. 33(1) FCD/2010**  
Ministry of Finance  
Department of Expenditure  
Finance Commission Division

**Guidelines for release and utilisation of Grants-in-aid for Incentive for Issuing Unique Identifications (UIDs) as recommended by the 13<sup>th</sup> Finance Commission (FC-XIII)**

With the objective of improving the quality of public expenditure to obtain better outputs and outcomes, FC-XIII has, inter-alia, recommended a grant to incentivize issue of UIDs by states. Government has accepted this recommendation. In recommending this grant, FC-XIII has observed:

- (i) The Centre and State Governments provide significant subsidies, particularly for power irrigation and food. These subsidies and social safety net programmes can be better targeted by removing errors of faulty inclusion and faulty exclusion.
- (ii) The poor face difficulties in establishing their identity, which affects their eligibility for benefits of subsidies and social safety net programmes. There are also problems of duplicate and ghost identities. Creation of biometric based identification systems has the potential to remove these problems.
- (iii) Issue of unique identities (UIDs) will help the poor to access benefits, improve the governance and delivery framework of public services and substantially reduce transaction costs, leakages and frauds.
- (iv) The Unique Identification Authority of India (UIDAI) plans to issue identities to at least 600 million residents of India by 2014, and maintain these identities in a Central ID Data Repository (CIDDR).
- (v) In registering people below poverty line, who may already be beneficiaries of Government programmes, there would be costs involved for both the beneficiaries and the State Governments. This indicates a strong case to incentivise States to enrol beneficiaries into the UID programme. Such support can be used by the state either to directly subsidise residents or to provide better facilities for enrolment so that their cost of participation is lower.

2. In line with the foregoing observations, FC-XIII has proposed an incentive for States, during its award period, 2010-15, calculated at Rs. 100 per person multiplied by the persons below the poverty line (Uniform Recall Period: 2004-05) as published by the Planning Commission. The grants to States aggregate to Rs.2989.10 crore as detailed in Annex 12.9, page 463 of the report of FC-XIII, Vol. 2.



3. In line with the recommendations of FC-XIII, the following conditions will be applicable to release of this grant:

(i) States may use this grant either to directly assist the intended beneficiaries or create convenient facilities for them such that the cost of registration is minimal to beneficiaries.

(ii) The assistance, if provided, will be restricted to beneficiaries of NREGS, RSBY, PDS, old-age pensioners and other welfare schemes of the State and Central Governments targeted at persons below the poverty line.

(iii) The grant will be released in five annual instalments, with two tranches per year, on 1 July and 1 January of each year.

(iv) The first tranche, amounting to one-tenth of the State's allocation shown in Annex 12.9 of FC-XIII's report, has been released on 1 July 2010 without any conditions.

(v) All subsequent tranches will be released on a reimbursement basis as per the following procedure:

(a) The UIDAI will certify the number of persons from those mentioned in para 3(ii) of these guidelines, who have been registered in that State and included in the CIDDR. UIDAI will separately specify the procedure for the required certification by the States.

(b) The eligibility of a State will be computed on the basis of a grant of Rs. 100 for every UID issued from that state and included in the CIDDR within the limit of the grant recommended for that State.

(c) The amount paid earlier will be deducted from the entitlement so computed and the balance will be released as that tranche.

(d) Each State will be eligible to draw up to the total amount recommended by FC-XIII for that State during its award period, if slow progress in issuing UIDs in the early stages is made up later.

4. The grant will be released by Ministry of Finance (Department of Expenditure) from the Demand for Grants number 35 of the Ministry of Finance.

#### **Monitoring agency at State levels**

5. The UID Implementation Committee (UIDIC) chaired by the Chief Secretary shall review the utilisation of grant and take corrective action as required to ensure its proper utilisation. The UIDIC shall be responsible for monitoring both the physical and financial targets and ensuring adherence to the specific conditions in respect of the grant.

6. The UIDIC shall meet on a quarterly basis during the award period to review the utilisation of grants and to issue directions for mid-course correction, if considered necessary. Minutes of UIDIC meetings shall be provided to the Department of Expenditure (Finance



Commission Division), Ministry of Finance, and Unique Identification Authority of India (UIDAI).

**Monitoring agency at the Union Government level**

7. A Review Committee will be constituted in the Government of India, headed by Chairman, UIDAI to review utilisation of grants. The Committee will include a representative from the Ministry of Finance (Department of Expenditure). Each state will be represented on this Committee by the Chief Secretary, or the Secretary of the nodal department. The Committee shall review and monitor the progress of the implementation of the grant from time to time.

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

8. The Comptroller and Auditor General of India would be expected to audit the release and use of the grant-in-aid within the time and for the purposes mentioned by the FC-XIII. GOI may take appropriate decision about withholding grants to a State, if the CAG reports that the State has allowed the grant to be used for purposes other than the ones for which it has been provided.

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