
Chapter 10

Grants-in-aid to States

10.1 Para 4(ii) of the TOR requires us to make recommendations on the principles which should govern the grants-in-aid of the revenues of the states out of the consolidated fund of India, and the sums to be paid to the states, which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the proviso to clause (1) of the article.

Principles governing grants-in-aid

10.2 As the system of grants has evolved in India, grants flow from the centre to the states in three ways. The first consists of grants-in-aid given under the recommendations of the finance commission. The second category consists of plan grants covering central assistance for state plans as decided by the Planning Commission, as well as the plan grants given by the central ministries for implementation of plan schemes. The third type of grants, which is much smaller in magnitude, essentially consists of discretionary grants given by the central ministries to states on the non-plan side.

10.3 The finance commission has the mandate to recommend the principles and the amounts of grants-in-aid of revenues for

states which are in need of assistance in accordance with the provisions of article 275 of the Constitution. Needs require to be assessed in relation to services provided by the states, the standard of these services in relation to the average or other desirable norms, and the extent to which these requirements can be met by own revenues. As discussed in chapters 2 and 6, a normative approach is required to be adopted to assess the expenditure requirements as well as the own revenues of the states. In making these assessments, one issue is whether the requirements of the states on their plan accounts should also be considered. We have decided to make an assessment of the needs of the states to the extent of their requirements on the non-plan account. This is because plan requirements are best determined on an annual basis, and the states determine their plans in consultation with the Planning Commission, which is charged with determining the plan grants.

10.4 As discussed in Chapter 4, we have made one recommendation with respect to the principles governing central assistance for state plans. At present, the normal central assistance and the additional central assistance are given to the general category states by the centre in the form of

70 per cent loan and 30 per cent grant (10 per cent loan and 90 per cent grant in the case of special category states). This means that if a general category state wants a grant of Rs.30 from the centre, it must necessarily borrow Rs.70 from the same, and that, too, at a rate of interest which is often higher than the open market rate. It is also well known that the existing plan process inherently encourages ever larger plan sizes. All these result in states getting deeper into debt on account of structurally mandated borrowings. There is indeed no reason why plan grants to states should be linked to compulsory loans from the centre. The considerations that go into deciding the grants are, and should be, different from those relating to loans. Since almost the entire expenditure on plan is met by the centre from borrowed funds, central loans as part of the plan assistance unnecessarily increase the fiscal deficit of the centre (on a stand-alone basis). Under the circumstances, we recommend that the system of imposing a 70 : 30 ratio between loans and grants for extending plan assistance to general category states (10:90 in the case of special category states) should be done away with. Instead, the Planning Commission should confine itself to extending plan grants to the states, and leave it to the states to decide how much they wish to borrow and from whom, i.e., from the centre or from the open market. This “dis-intermediation” of the centre in the borrowing process of the states would go a long way in ensuring greater fiscal discipline on the part of the states by removing the structural obligation to borrow from the centre. This would, of course, benefit the centre as well,

because it would bring down its own fiscal deficit.

Finance Commission Grants

10.5 While making recommendations regarding grants-in-aid of the revenues of the states, the suggestions received from the states as well as those received from experts in the field have been carefully considered. During the discussions with the state governments, it was noticed that they generally favoured a larger part of finance commission transfers as tax devolution, rather than as grants-in-aid. The states feel that tax devolution is a matter of entitlement, and by its very nature, unconditional.

10.6 While this is so, grants have several unique characteristics as an instrument of fiscal transfer. First, these are determined in absolute terms and the amounts are, therefore, known. Secondly, these can be targeted better. Thirdly, in determining these, better account can be taken of cost disabilities and redistributive considerations that are not adequately captured in the tax devolution formula. For these reasons, we have allowed a greater role for grants in overall finance commission transfers. As would emerge from the discussions later in the chapter, the relative share of grants to tax devolution in our recommendations has been increased as compared to previous Commissions. This can be seen from Table 10.1.

10.7 Based on the assessment of needs and developmental concerns of the states, grants-in-aid of the revenues of the states for the award period 2005-10 have been

Table 10.1
Transfers Recommended by Finance Commissions

(Rs.in crore)

Commission	Period	Grants-in-aid		Share in Taxes		Total Amount
		Amount	% Share	Amount	% Share	
Seventh	1979-84	1609.92	7.72	19233.05	92.28	20842.97
Eighth	1984-89	3769.43	9.55	35682.58	90.45	39452.01
Ninth*	1989-95	11030.38	9.96	99667.64	90.04	110698.02
Tenth	1995-00	20300.30	8.96	206343.00	91.04	226643.30
Eleventh	2000-05	58587.39	13.47	376318.01	86.53	434905.40
Twelfth	2005-10	142639.60	18.87	613112.02	81.13	755751.62

* Ninth Finance Commission covered six years, and in addition also provided plan grants of Rs.9000.83 crore (not included above).

recommended, as indicated below:

- (i) Post-devolution non-plan revenue deficit: Rs.56,856 crore.
- (ii) Health sector : Rs.5887 crore.
- (iii) Education sector : Rs.10,172 crore.
- (iv) Maintenance of roads & bridges : Rs.15,000 crore.
- (v) Maintenance of buildings : Rs.5000 crore.
- (vi) Maintenance of forests : Rs.1000 crore.
- (vii) Heritage conservation : Rs.625 crore.
- (viii) State-specific needs : Rs.7100 crore.
- (ix) Local bodies : Rs.25,000 crore.
- (x) Calamity relief : Rs.16,000 crore.

Total Finance Commission

Grants : Rs.142640 crore.

The first eight items have been dealt with in this chapter, and the remaining two have already been covered in chapters 8 and 9 respectively.

Post-Devolution Non-Plan Revenue Deficit

10.8 The grants-in-aid to cover non-plan revenue deficit have generally been the largest component of the finance commission grants. The objective has been to give grants to those states which are

projected, on a normative basis, to have post-devolution non-plan revenue deficit in any year, so that the normatively assessed deficit can be provided for. It needs to be emphasised here that this approach is different from a pure gap filling approach. In the latter case, deficits are assessed without making any corrections in the fiscal behaviour of the states. We have, as has been done by the previous commissions, followed a normative approach, which ensures that deficiency in fiscal capacity is corrected, but inadequate revenue effort or excessive expenditure is not encouraged.

10.9 The pre-devolution non-plan revenue surplus/deficit of each state has been assessed in a normative manner under chapter 6. Table 10.2 provides the result of that exercise.

10.10 As seen from Table 10.2, all special category states are to have, on the basis of normative projection, non-plan revenue deficit in each of the five years of the award period in the pre-devolution scenario. In the case of non-special category states, Goa, Gujarat, Haryana, Karnataka and Maharashtra have been assessed as having

Table 10.2
Pre-Devolution Non-Plan Revenue Surplus/Deficit(-)

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	-2252.29	-1171.68	-2815.30	-1407.41	287.30	-7359.38
Arunachal Pradesh	-535.21	-564.47	-639.05	-671.81	-714.68	-3125.22
Assam	-3263.86	-3356.94	-3730.26	-3794.54	-3838.37	-17983.97
Bihar	-8327.27	-8623.72	-9412.75	-9719.92	-10130.36	-46214.02
Chhattisgarh	-196.11	-60.14	-545.04	-380.84	-170.77	-1352.90
Goa	70.76	196.17	306.34	502.52	746.19	1821.98
Gujarat	99.15	1447.25	1872.02	3945.18	6371.47	13735.07
Haryana	2172.96	2948.57	3385.95	4484.74	5791.17	18783.39
Himachal Pradesh	-2641.47	-2653.65	-2748.04	-2712.79	-2649.65	-13405.60
Jammu & Kashmir	-3576.54	-3722.12	-4010.51	-4181.68	-4304.32	-19795.17
Jharkhand	-531.12	-457.31	-1416.60	-1357.60	-1360.13	-5122.76
Karnataka	2612.70	4517.46	5194.17	7956.95	11267.78	31549.06
Kerala	-2907.35	-2415.69	-3137.66	-2444.79	-1562.85	-12468.34
Madhya Pradesh	-1979.58	-1463.29	-2008.59	-1336.55	-468.17	-7256.18
Maharashtra	73.08	2604.01	4367.63	8009.66	12262.34	27316.72
Manipur	-1139.43	-1220.17	-1323.99	-1418.62	-1511.21	-6613.42
Meghalaya	-715.93	-747.43	-838.93	-868.32	-902.86	-4073.47
Mizoram	-755.73	-806.72	-892.27	-964.16	-1025.43	-4444.31
Nagaland	-1234.13	-1312.98	-1440.34	-1531.46	-1631.26	-7150.17
Orissa	-5207.47	-5272.97	-6117.81	-6190.06	-6300.37	-29088.68
Punjab	-2744.68	-2282.59	-2213.66	-1506.75	-619.22	-9366.90
Rajasthan	-5098.50	-4666.61	-5046.73	-4396.04	-3461.81	-22669.69
Sikkim	-274.39	-284.71	-325.56	-335.53	-360.02	-1580.21
Tamil Nadu	-785.96	539.66	1095.37	3229.94	5874.47	9953.48
Tripura	-1433.25	-1512.35	-1637.01	-1723.12	-1814.56	-8120.29
Uttar Pradesh	-12448.30	-11744.71	-12338.20	-11072.60	-9624.16	-57227.97
Uttaranchal	-1971.60	-2047.40	-2243.08	-2289.28	-2325.54	-10876.90
West Bengal	-8892.12	-7993.98	-7309.07	-5679.90	-3626.73	-33501.80
Total States (Deficit)	-68912.29	-64381.63	-72190.45	-65983.77	-58402.47	-329870.61
Total States (Surplus)	5028.65	12253.12	16221.48	28128.99	42600.72	104232.96

pre-devolution surplus in each of the five years. Tamil Nadu would have surpluses from 2006-07 onwards, while Andhra Pradesh is expected to have surplus in the last year.

10.11 The share of each state in tax devolution during the award period has been assessed in chapter 7. The post-devolution position of states is indicated in Table 10.3.

Table 10.3
Post Tax Devolution Non-Plan Revenue Surplus/Deficit(-)

	<i>(Rs. in crore)</i>					
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	4474.35	6529.51	6021.40	8754.77	11999.27	37779.30
Arunachal Pradesh	-271.84	-262.94	-293.07	-273.92	-256.11	-1357.88
Assam	-305.67	29.83	155.86	674.49	1312.21	1866.72
Bihar	1757.18	2921.76	3835.05	5515.02	7428.01	21457.02
Chhattisgarh	2230.82	2718.40	2643.18	3285.61	4054.85	14932.86
Goa	307.58	467.30	617.45	860.28	1158.51	3411.12
Gujarat	3362.80	5183.73	6159.42	8875.68	12053.91	35635.54
Haryana	3155.98	4074.00	4677.32	5969.82	7502.73	25379.85
Himachal Pradesh	-2164.12	-2107.14	-2120.96	-1991.64	-1818.52	-10202.38
Jammu & Kashmir	-2458.56	-2446.64	-2552.18	-2510.64	-2385.44	-12353.46
Jharkhand	2542.31	3061.39	2620.92	3285.53	3991.11	15501.26
Karnataka	6690.21	9185.72	10550.74	14117.00	18367.27	58910.94
Kerala	-470.37	374.36	63.77	1236.85	2680.26	3884.87
Madhya Pradesh	4157.22	5562.61	6053.24	7934.53	10216.81	33924.41
Maharashtra	4642.56	7835.51	10370.49	14912.94	20218.41	57979.91
Manipur	-808.39	-841.17	-889.10	-918.50	-934.82	-4391.98
Meghalaya	-376.67	-359.02	-393.24	-355.78	-312.15	-1796.86
Mizoram	-537.19	-556.52	-605.17	-634.00	-644.91	-2977.79
Nagaland	-993.65	-1037.66	-1124.44	-1168.17	-1212.58	-5536.50
Orissa	-488.04	130.22	82.05	939.76	1916.80	2580.79
Punjab	-1556.83	-922.64	-653.20	287.78	1448.99	-1395.90
Rajasthan	30.61	1205.60	1691.32	3352.69	5468.65	11748.87
Sikkim	-66.81	-47.06	-52.86	-21.94	1.40	-187.27
Tamil Nadu	4065.11	6093.55	7468.14	10558.61	14320.81	42506.22
Tripura	-1041.91	-1064.30	-1122.91	-1131.90	-1133.18	-5494.20
Uttar Pradesh	5167.48	8423.22	10803.39	15540.17	21047.22	60981.48
Uttaranchal	-1112.91	-1064.30	-1115.02	-992.02	-830.43	-5114.68
West Bengal	-2438.90	-605.82	1168.44	4069.21	7609.18	9802.11
Total States (Deficit)	-15091.86	-11315.21	-10922.15	-9998.51	-9528.14	-56855.87
Total States (Surplus)	42584.21	63796.71	74982.18	110170.74	152796.4	444330.24

10.12 It is seen from Table 10.3 that all the special category states, except Assam and Sikkim are expected to have normatively determined post-devolution non-plan revenue deficit during the entire award

period. Assam is assessed to have revenue surplus from the second year onwards and Sikkim is expected to have revenue surplus in the last year of the award period. Most of the non-special category states, except

Kerala, Orissa, Punjab and West Bengal have post-devolution non-plan revenue surplus during the entire award period. Kerala and Orissa are projected to have a deficit only in the first year of the award period, whereas West Bengal is assessed to be in deficit in the first two years and Punjab in the first three years, before a surplus emerges. In order to cover the assessed non-plan revenue deficit states, we recommend year-wise grants-in-aid as indicated in Table 10.4.

10.13 During the first year of the award period, fifteen states are recommended for non-plan revenue deficit grant amounting to Rs.15091.86 crore. By the last year of the award period, only nine states would get non-plan revenue deficit grants amounting to Rs.9528.14 crore. In all, we recommend total non-plan revenue deficit grant of Rs.56855.87 crore during the award period.

Education and Health Sectors

10.14 In the normative approach, as applied to the own tax revenues of the states, a correction was made in the case of states, where the tax-GSDP ratio was less than the group average. This is consistent with the equalisation approach, although only to a limited extent. There is a need to follow a similar approach on the expenditure side. Per capita expenditures of many states are much below the average per capita expenditure of the relevant group of states. While the amount of transfer required for a full application of the equalisation approach would be too large, we have decided to focus on two critical areas of deficiencies, namely, education and health. But, only a partial correction could be made, because of large disparity between the relevant group average and the actual per capita expenditure

Table 10.4
Grant-in-aid for Non-Plan Revenue Deficit (2005-10)

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Arunachal Pradesh	271.84	262.94	293.07	273.92	256.11	1357.88
Assam	305.67	Nil	Nil	Nil	Nil	305.67
Himachal Pradesh	2164.12	2107.14	2120.96	1991.64	1818.52	10202.38
Jammu & Kashmir	2458.56	2446.64	2552.18	2510.64	2385.44	12353.46
Kerala	470.37	Nil	Nil	Nil	Nil	470.37
Manipur	808.39	841.17	889.10	918.50	934.82	4391.98
Meghalaya	376.67	359.02	393.24	355.78	312.15	1796.86
Mizoram	537.19	556.52	605.17	634.00	644.91	2977.79
Nagaland	993.65	1037.66	1124.44	1168.17	1212.58	5536.50
Orissa	488.04	Nil	Nil	Nil	Nil	488.04
Punjab	1556.83	922.64	653.20	Nil	Nil	3132.67
Sikkim	66.81	47.06	52.86	21.94	Nil	188.67
Tripura	1041.91	1064.30	1122.91	1131.90	1133.18	5494.20
Uttaranchal	1112.91	1064.30	1115.02	992.02	830.43	5114.68
West Bengal	2438.90	605.82	Nil	Nil	Nil	3044.72
Total States	15091.86	11315.21	10922.15	9998.51	9528.14	56855.87

of some of the constituent states, particularly those having low fiscal capacity and large population. In the estimation of grants, care is taken of those states, who have not been able to allocate on education and health an amount equal to the group average, as measured in relation to the aggregate revenue expenditure, including both plan and non-plan. Aggregate expenditure for this purpose is taken net of interest payments, pensions, and some other adjustments, as explained below. This consideration has been called 'preference correction' in the ensuing discussion.

10.15 Even though considerable funds are made available by the central government to the states on the plan side, the availability of funds still falls short of the requirements in view of the magnitude of the problem. In many plan schemes in these two sectors, the inability to meet the requirement of counterpart funding by the state governments also becomes a handicap in fully utilising the funds. To cite an example, under the scheme of Sarva Shiksha Abhiyan (SSA), the states are required to provide 25 per cent of the scheme outlay from their resources in order to avail of the central grant fully. Many states have been unable to meet this requirement. It was, therefore, felt that we should provide specific grants-in-aid for these two sectors to those states which are unable to spend adequately in these sectors because of deficiencies in fiscal capacity.

10.16 In estimating the extent of grants for these two sectors, a two-step normative approach has been adopted. In the first instance, low expenditure preferences of the states in these sectors have been corrected. In other words, it is expected that all states should spend normatively a certain

minimum percentage of their total revenue expenditure (both plan and non-plan) on education and health. The second step involves identification of those states which, even after spending the required percentage, fall short of a normative level of per capita expenditure in these two sectors.

10.17 For this purpose, the expenditure data (both plan and non-plan) of each of the states for 2002-03 were examined. In the case of education, the ratio of revenue expenditure under the major head 2202 (plan and non-plan) was worked out for each state with reference to its "adjusted" total revenue expenditure (plan and non-plan). While working out this ratio, expenditure relating to pensions, interest payments and other adjustment items (as already described in the chapter 6) were excluded from non-plan revenue expenditure for arriving at the "adjusted" total revenue expenditure. Thereafter, average ratios were worked out for special and non-special category states. Those states, whose ratio was less than their respective group average, were deemed as having low expenditure preference in regard to the education sector, in the sense that these states were not spending (as a percentage of revenue expenditure) what other states in their group were able to do. This low expenditure preference, therefore, was corrected by normatively assigning the respective group average ratio to those states which were below the average. After this adjustment, the corrected per capita revenue expenditure relating to education (both under plan and non-plan put together) for each state for 2002-03 was worked out. Thereafter, average per capita expenditure was worked out for the two groups of special and non-special category states. Those states, whose

per capita expenditure was less than their group average, were reckoned as needing financial assistance, because their lower expenditure could be on account of low fiscal capacity. We worked out the amount of grant required for covering 15 per cent of the distance by which a below-average state was lagging behind its group average of per capita expenditure (after having adjusted for low expenditure preference). It may be noted here that this grant is equal to 15 per cent of the distance with reference to both plan and non-plan revenue expenditure, and it would constitute a much larger proportion if seen against the non-plan revenue expenditure only. The extent of equalisation is, however, limited by the availability of resources. Having thus determined the amount of grant required in 2002-03 for education, a growth rate equal to the group's TGR for 1993-2003 for non-plan revenue expenditure on education was applied on this amount in order to estimate the quantum of grant in the base year. Thereafter, a growth rate of 9.5 per cent was assigned during the forecast period. This is the rate at which the normal expenditure stream on education has been estimated to

grow for determining the pre-devolution non-plan revenue surplus/deficit of each state. As a result of this exercise, we recommend that eight states be given grants-in-aid of Rs.10171.65 crore over the award period 2005-10 for the education sector, with a minimum of Rs.20 crore in a year for any eligible state. Details are given in Table 10.5.

10.18 As far as the grant for health sector (major head 2210 & 2211) is concerned, the same methodology, as that for education sector discussed above, was followed. There are, however, two important differences. In the case of health, we have assigned a higher percentage, i.e., 30 per cent, of the distance from group's average per capita expenditure for determining the additional grant for 2002-03, as against 15 per cent in the case of education. This is because while there has been a major initiative in the form of Sarva Shiksha Abhiyan recently in the education sector for which substantial funds are being provided by Government of India, the health sector lacks such increases in central funding. The other difference relates to the assigned growth rate for the forecast period. It is 11.5 per cent for the health

Table 10.5
Grants-in-aid for Education Sector (major head 2202)

State	<i>(Rs. in crore)</i>					
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Assam	183.20	200.60	219.66	240.53	263.38	1107.37
Bihar	443.99	486.17	532.36	582.93	638.31	2683.76
Jharkhand	107.82	118.06	129.28	141.56	155.01	651.73
Madhya Pradesh	76.03	83.25	91.16	99.82	109.30	459.56
Orissa	53.49	58.57	64.13	70.22	76.89	323.30
Rajasthan	20.00	20.00	20.00	20.00	20.00	100.00
Uttar Pradesh	736.87	806.87	883.52	967.45	1059.36	4454.07
West Bengal	64.83	70.99	77.73	85.11	93.20	391.86
Total States	1686.23	1844.51	2017.84	2207.62	2415.45	10171.65

sector in keeping with the growth rate adopted for working out the normal expenditure stream for health for purposes of determining pre-devolution non-plan revenue surplus/deficit. As a result of this exercise, we recommend that seven states be given grants amounting to Rs.5887.08 crore over the award period 2005-10, for the health sector (major head 2210 & 2211), with a minimum of Rs.10 crore a year for any eligible state. Details are given in Table 10.6.

10.19 These grants are being provided for the education and health sectors as an additionality, over and above the normal expenditure by the states in these sectors. These grants should be utilised only for the respective sectors (non-plan), i.e., major head 2202 in the case of education and major heads 2210 & 2211 in the case of health. Conditionalities governing the releases and utilisation of these grants have been specified in annexures 10.1 to 10.3. No further conditionalities should be imposed by the central government for the release of these grants. Monitoring of the expenditure relating to these grants will rest with the state government concerned.

Maintenance of Roads and Buildings

10.20 We are required under para 6(vi) of the TOR to take into consideration the expenditure on non-salary component of maintenance of capital assets and recommend specific amounts for this purpose. The Eleventh Finance Commission did not recommend separate grants for maintenance of roads and buildings. Instead, the projections regarding the maintenance expenditure were subsumed in the overall projection of non-plan revenue expenditure and the requirement for this purpose was embedded in the non-plan revenue deficit grant. We, however, notice that maintenance of roads and buildings has not been given adequate importance by the states. We are, therefore, recommending additional grants separately for maintenance of roads and bridges, and for maintenance of buildings.

10.21 In the case of roads and bridges, the requirement of funds for maintenance in the base year was assessed normatively by adopting, with some modifications, the norms for plains and for hilly areas furnished by the Ministry of Road Transport & Highways. While normal repairs have been fully provided for, the provision for

Table 10.6
Grants-in-aid for Health Sector (major head 2210 & 2211)

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Assam	153.58	171.24	190.93	212.89	237.38	966.02
Bihar	289.30	322.57	359.66	401.02	447.14	1819.69
Jharkhand	57.39	63.99	71.35	79.55	88.70	360.98
Madhya Pradesh	28.88	32.20	35.90	40.03	44.63	181.64
Orissa	31.22	34.81	38.81	43.28	48.25	196.37
Uttar Pradesh	367.63	409.90	457.04	509.60	568.21	2312.38
Uttaranchal	10.00	10.00	10.00	10.00	10.00	50.00
Total States	938.00	1044.71	1163.69	1296.37	1444.31	5887.08

periodical repairs has been restricted to 20 per cent of the norms. The norm-based requirement of funds for maintenance expenditure has been worked out for the base year 2004-05, as well as for the forecast period, by adopting the road length data received from the states. The expenditure stream for the forecast period based on TGR for each state has also been worked out. Taking into account these two estimates, we have decided to provide an amount of Rs.15,000 crore over the period 2006-10. This amount is in addition to the normal expenditure, which the states would be incurring on maintenance of roads and

bridges. It has been distributed among the states on the basis of road lengths. For this purpose, the length of local body roads has been given a weightage of 0.5, and the hilly roads a weightage of 1.2, before being added to the length of roads other than those of local bodies and hill areas. Further, we have decided to provide this amount in equal instalments over the last four years (i.e., 2006-07 to 2009-10) of the forecast period, so that the states get a year for making preparations to absorb these funds. State-wise amounts recommended as grants-in-aid for maintenance of roads and bridges are shown in Table 10.7.

Table 10.7
Grants-in-aid for Maintenance of Roads & Bridges

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	0.00	245.03	245.03	245.03	245.03	980.12
Arunachal Pradesh	0.00	11.09	11.09	11.09	11.09	44.36
Assam	0.00	82.53	82.53	82.53	82.53	330.12
Bihar	0.00	77.34	77.34	77.34	77.34	309.36
Chhattisgarh	0.00	65.60	65.60	65.60	65.60	262.40
Goa	0.00	9.87	9.87	9.87	9.87	39.48
Gujarat	0.00	223.80	223.80	223.80	223.80	895.20
Haryana	0.00	45.68	45.68	45.68	45.68	182.72
Himachal Pradesh	0.00	65.41	65.41	65.41	65.41	261.64
Jammu & Kashmir	0.00	29.42	29.42	29.42	29.42	117.68
Jharkhand	0.00	102.26	102.26	102.26	102.26	409.04
Karnataka	0.00	364.53	364.53	364.53	364.53	1458.12
Kerala	0.00	160.58	160.58	160.58	160.58	642.32
Madhya Pradesh	0.00	146.72	146.72	146.72	146.72	586.88
Maharashtra	0.00	297.42	297.42	297.42	297.42	1189.68
Manipur	0.00	19.24	19.24	19.24	19.24	76.96
Meghalaya	0.00	21.60	21.60	21.60	21.60	86.40
Mizoram	0.00	10.53	10.53	10.53	10.53	42.12
Nagaland	0.00	30.22	30.22	30.22	30.22	120.88
Orissa	0.00	368.77	368.77	368.77	368.77	1475.08
Punjab	0.00	105.24	105.24	105.24	105.24	420.96
Rajasthan	0.00	158.33	158.33	158.33	158.33	633.32
Sikkim	0.00	4.66	4.66	4.66	4.66	18.64
Tamil Nadu	0.00	303.60	303.60	303.60	303.60	1214.40
Tripura	0.00	15.37	15.37	15.37	15.37	61.48
Uttar Pradesh	0.00	600.79	600.79	600.79	600.79	2403.16
Uttaranchal	0.00	81.14	81.14	81.14	81.14	324.56
West Bengal	0.00	103.23	103.23	103.23	103.23	412.92
Total States	0.00	3750.00	3750.00	3750.00	3750.00	15000.00

10.22 With respect to public buildings, the maintenance norms were obtained from the Central Public Works Department (CPWD). These norms are elaborate and highly differentiated, covering buildings of different types and age, separately for civil and electrical works. While the states were able to provide aggregate plinth area of all the public buildings in the state, they found it difficult to furnish differentiated data,

which were required for the application of the CPWD norms. Even the plinth area reported by some of the states was found to be abnormally high, and had to be adjusted by comparing it with states of similar size. We recommend an amount of Rs.5000 crore as grant for maintenance of public buildings. This has been distributed as shown in Table 10.8 among the states based on the plinth area.

Table 10.8
Grants-in-aid for Maintenance of Public Buildings

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	0.00	60.64	60.63	60.63	60.63	242.53
Arunachal Pradesh	0.00	14.35	14.35	14.36	14.36	57.42
Assam	0.00	57.66	57.66	57.66	57.66	230.64
Bihar	0.00	89.90	89.90	89.91	89.90	359.61
Chhattisgarh	0.00	45.78	45.77	45.77	45.77	183.09
Goa	0.00	6.05	6.05	6.04	6.04	24.18
Gujarat	0.00	50.90	50.90	50.90	50.91	203.61
Haryana	0.00	37.95	37.95	37.95	37.95	151.80
Himachal Pradesh	0.00	36.90	36.90	36.90	36.90	147.60
Jammu & Kashmir	0.00	41.14	41.14	41.13	41.13	164.54
Jharkhand	0.00	39.90	39.90	39.90	39.91	159.61
Karnataka	0.00	51.28	51.28	51.28	51.28	205.12
Kerala	0.00	25.88	25.88	25.87	25.87	103.50
Madhya Pradesh	0.00	110.76	110.76	110.75	110.75	443.02
Maharashtra	0.00	55.90	55.90	55.90	55.91	223.61
Manipur	0.00	9.42	9.43	9.43	9.43	37.71
Meghalaya	0.00	8.75	8.76	8.75	8.76	35.02
Mizoram	0.00	5.82	5.82	5.82	5.83	23.29
Nagaland	0.00	11.54	11.55	11.54	11.54	46.17
Orissa	0.00	97.28	97.28	97.29	97.29	389.14
Punjab	0.00	37.95	37.95	37.95	37.95	151.80
Rajasthan	0.00	53.27	53.27	53.27	53.28	213.09
Sikkim	0.00	8.04	8.03	8.04	8.04	32.15
Tamil Nadu	0.00	60.64	60.63	60.63	60.63	242.53
Tripura	0.00	12.53	12.53	12.53	12.52	50.11
Uttar Pradesh	0.00	150.07	150.07	150.08	150.06	600.28
Uttaranchal	0.00	24.40	24.40	24.40	24.40	97.60
West Bengal	0.00	45.30	45.31	45.32	45.30	181.23
Total States	0.00	1250.00	1250.00	1250.00	1250.00	5000.00

10.23 The grants for maintenance of roads & bridges as also for buildings are expected to be an additionality, over and above the normal maintenance expenditure to be incurred by the states. These grants should be released and spent in accordance with the conditionalities indicated in annexures 10.4 to 10.6. Monitoring of the expenditure relating to these grants would rest with the state governments concerned.

Additional Grants-in-aid for States

10.24 It is seen that the formula used for horizontal distribution of sharable taxes among the states, by its nature, cannot take care of all dimensions of the fiscal needs of a state. It is, therefore, necessary to look at certain common as well as specific needs of the states. Previous finance commissions, starting with the Sixth Commission, have been providing separate grants-in-aid for special needs of the states, even when the TOR did not make any specific reference to special problems. Based on our discussions and visits to the states, we have also decided to recommend grants for certain common and specific needs of the states. These are discussed in the following paragraphs.

Maintenance of Forests

10.25 Several states have represented that subsequent to the restrictions placed by the Supreme Court on exploitation of forest wealth, the forests have become a net liability for the states rather than a source of revenue. The Eleventh Finance Commission had recommended preparation and implementation of scientific work plans for management of forests for the country as a whole. Some of the states have already

got work plans approved and have started implementing them. They have, however, pointed out that maintenance of the forest area as per the working plan has become a problem due to financial constraints. They have pleaded that separate grants should be provided to them for maintenance of forests. We recognise that forests are a national wealth, and the country as a whole has a responsibility in preserving it. Accordingly, we have decided to recommend a grant of Rs.1000 crore spread over the award period 2005-10 for maintenance of forests. This would be an additionality over and above what the states have been spending through their forest departments. This amount has been distributed among the states based on their forest area, and it should be spent for preservation of forest wealth. It should also result in increased expenditure to the extent of this grant, in addition to the normal expenditure of the forest department. Table 10.9 indicates the state-wise break-up of this grant.

Heritage Conservation

10.26 During our visits to the states, we had occasion to see several historical monuments and archaeological sites. It was noticed that many of these were poorly maintained. Several state governments have sent proposals for providing funds for their maintenance. These requests have been considered carefully. We are of the view that these historical monuments and archaeological sites constitute our non-renewable cultural resource, and there is a definite need to preserve them and to encourage people to visit them. Accordingly, we have decided to

Table 10.9
Grants-in-aid for Maintenance of Forests

State	Forest Area (Sq.Km.)	<i>(Rs. in crore)</i>					
		2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7	8
Andhra Pradesh	44637	13.00	13.00	13.00	13.00	13.00	65.00
Arunachal Pradesh	68045	20.00	20.00	20.00	20.00	20.00	100.00
Assam	27714	8.00	8.00	8.00	8.00	8.00	40.00
Bihar	5720	1.00	1.00	1.00	1.00	1.00	5.00
Chhattisgarh	56448	17.00	17.00	17.00	17.00	17.00	85.00
Goa	2095	0.60	0.60	0.60	0.60	0.60	3.00
Gujarat	15152	4.00	4.00	4.00	4.00	4.00	20.00
Haryana	1754	0.40	0.40	0.40	0.40	0.40	2.00
Himachal Pradesh	14360	4.00	4.00	4.00	4.00	4.00	20.00
Jammu & Kashmir	21237	6.00	6.00	6.00	6.00	6.00	30.00
Jharkhand	22637	6.00	6.00	6.00	6.00	6.00	30.00
Karnataka	36991	11.00	11.00	11.00	11.00	11.00	55.00
Kerala	15560	5.00	5.00	5.00	5.00	5.00	25.00
Madhya Pradesh	77265	23.00	23.00	23.00	23.00	23.00	115.00
Maharashtra	47482	14.00	14.00	14.00	14.00	14.00	70.00
Manipur	16926	6.00	6.00	6.00	6.00	6.00	30.00
Meghalaya	15584	6.00	6.00	6.00	6.00	6.00	30.00
Mizoram	17494	5.00	5.00	5.00	5.00	5.00	25.00
Nagaland	13345	5.00	5.00	5.00	5.00	5.00	25.00
Orissa	48838	15.00	15.00	15.00	15.00	15.00	75.00
Punjab	2432	0.40	0.40	0.40	0.40	0.40	2.00
Rajasthan	16367	5.00	5.00	5.00	5.00	5.00	25.00
Sikkim	3193	1.60	1.60	1.60	1.60	1.60	8.00
Tamil Nadu	21482	6.00	6.00	6.00	6.00	6.00	30.00
Tripura	7065	3.00	3.00	3.00	3.00	3.00	15.00
Uttar Pradesh	13746	4.00	4.00	4.00	4.00	4.00	20.00
Uttaranchal	23938	7.00	7.00	7.00	7.00	7.00	35.00
West Bengal	10693	3.00	3.00	3.00	3.00	3.00	15.00
Total States	668200	200.00	200.00	200.00	200.00	200.00	1000.00

recommend an amount of Rs.625 crore spread over the award period for this purpose. In distributing this amount among the states, we have been guided by the requirements indicated by them. This grant will be used for preservation and protection

of historical monuments, archaeological sites, public libraries, museums and archives, and also for improving the tourist infrastructure to facilitate visit to these sites. Table 10.10 indicates the grants-in-aid earmarked for each state.

Table 10.10
Grants-in-aid for Heritage Conservation

(Rs. in crore)

State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	0.00	10.00	10.00	10.00	10.00	40.00
Arunachal Pradesh	0.00	1.25	1.25	1.25	1.25	5.00
Assam	0.00	5.00	5.00	5.00	5.00	20.00
Bihar	0.00	10.00	10.00	10.00	10.00	40.00
Chhattisgarh	0.00	2.50	2.50	2.50	2.50	10.00
Goa	0.00	5.00	5.00	5.00	5.00	20.00
Gujarat	0.00	6.25	6.25	6.25	6.25	25.00
Haryana	0.00	3.75	3.75	3.75	3.75	15.00
Himachal Pradesh	0.00	2.50	2.50	2.50	2.50	10.00
Jammu & Kashmir	0.00	2.50	2.50	2.50	2.50	10.00
Jharkhand	0.00	2.50	2.50	2.50	2.50	10.00
Karnataka	0.00	12.50	12.50	12.50	12.50	50.00
Kerala	0.00	6.25	6.25	6.25	6.25	25.00
Madhya Pradesh	0.00	5.00	5.00	5.00	5.00	20.00
Maharashtra	0.00	12.50	12.50	12.50	12.50	50.00
Manipur	0.00	1.25	1.25	1.25	1.25	5.00
Meghalaya	0.00	1.25	1.25	1.25	1.25	5.00
Mizoram	0.00	1.25	1.25	1.25	1.25	5.00
Nagaland	0.00	1.25	1.25	1.25	1.25	5.00
Orissa	0.00	12.50	12.50	12.50	12.50	50.00
Punjab	0.00	2.50	2.50	2.50	2.50	10.00
Rajasthan	0.00	12.50	12.50	12.50	12.50	50.00
Sikkim	0.00	1.25	1.25	1.25	1.25	5.00
Tamil Nadu	0.00	10.00	10.00	10.00	10.00	40.00
Tripura	0.00	1.25	1.25	1.25	1.25	5.00
Uttar Pradesh	0.00	12.50	12.50	12.50	12.50	50.00
Uttaranchal	0.00	1.25	1.25	1.25	1.25	5.00
West Bengal	0.00	10.00	10.00	10.00	10.00	40.00
Total States	0.00	156.25	156.25	156.25	156.25	625.00

State-specific Needs

10.27 All the states, in their memoranda, have asked for grants for tackling certain state-specific issues. For obvious reasons, it has not been possible to consider all such requests. An assessment of the more pressing needs of the states was made on the basis of the representations made by the

states in meetings as well as during Commission's visits to the states. State-wise details of grants-in-aid recommended for state-specific needs are given ahead.

Andhra Pradesh

- (i) *Drinking water supply to fluoride-affected areas:* The state government has requested for a

special package for installation of de-fluorination plants in Nalgonda and neighbouring districts to supply safe drinking water by complete removal of fluorosis, at an estimated cost of Rs.500 crore. We have provided Rs.325 crore for this purpose.

- (ii) *Improving the socio-economic conditions of the people living in the remote areas:* The state government has requested for a grant of Rs.300 crore for construction of roads in remote and tribal areas. An amount of Rs.175 crore has been provided for this purpose.

Arunachal Pradesh

Treasury buildings: For its 12 treasury and 5 sub-treasury buildings, which are in a dilapidated condition, the state government has requested for an assistance of Rs.10 crore, which is being provided.

Assam

- (i) *Development of urban areas:* The state government has requested for a provision of Rs.924 crore for construction of road side drains and for clearing storm water drains in Guwahati city. An assistance of Rs.121 crore is being provided as seed money for construction of road side drains in Guwahati city.
- (ii) *Health infrastructure:* For expanding and improving eye care facilities in the high-tech hospital set up at Guwahati with the assistance of the state government, a sum of Rs.9 crore has been requested for. This is being provided to the state government.

Bihar

- (i) *Technical education:* As major technical institutions have gone to Jharkhand after the bifurcation, an amount of Rs.108.33 crore has been requested by the state to improve and expand the existing technical institutions like Muzaffarpur Institute of Technology, Bhagalpur College of Engineering, Lok Nayak Jayaprakash Institute of Technology and six government polytechnics. A grant of Rs.50 crore is being provided for this purpose.
- (ii) *Establishment of Administrative Training Institute:* The Administrative Training Institute of Bihar was located at Ranchi and it is now with Jharkhand government. Bihar government now proposes to establish a new institute at an estimated cost of Rs. 110.17 crore. A grant of Rs.50 crore is being provided for this purpose.
- (iii) *e-Governance:* The state has formulated a project, Bihar Revenue Administration Intra Net (BRAIN), with an estimated cost of Rs.47.95 crore. The project aims at collecting and using on-line data relating to commercial taxes, registration, treasuries and sub-treasuries and the Directorate of Provident Fund, with the data centre located in the finance department. The project covers not only internal computerization of the above offices, but also their district level offices across the state. We have provided Rs.40 crore for this project.

- (iv) *Construction of homes under Juvenile Justice Act and improvement of remand home, after-care home and residential school for the handicapped:* A proposal in this regard has been submitted by the state at an estimated cost of Rs.21.20 crore. An amount of Rs.20 crore has been provided for this project.
- (v) *Improvement of urban water supply and drainage:* A project for augmentation of water supply, sewerage and drainage facilities in major towns has been formulated by the state. It is estimated to cost Rs.180 crore. The same amount has been provided.
- (vi) *Fire services:* In order to strengthen the infrastructure of fire service, the state government has prepared a development plan at an estimated cost of Rs.10.65 crore. The proposal includes construction of fire station buildings, replacement of old fire engine equipments, purchase of new equipments and setting-up of a fire service training school. A provision of Rs.10 crore has been made for this purpose.
- (vii) *Construction of residential schools and hostels for SC/ST/OBC:* With a view to improving the educational levels of the children of SC/ST and other weaker sections of the society, the state government has proposed construction of residential schools and hostels for boys and girls at a cost of Rs.124.22 crore. A sum of Rs.50 crore has been provided for construction of such residential

schools and hostels, preferably for girls.

Chhattisgarh

- (i) *Development of the state capital at Raipur:* The state has requested for an amount of Rs.1000 crore for development of the state capital at Raipur. We have provided Rs.200 crore for creating state level infrastructure including construction of secretariat, legislative assembly and other buildings at Raipur on land to be made available by the state government.
- (ii) *Improving the police infrastructure:* The state has requested for a grant of Rs.237 crore for upgrading and improving arms/ammunition, equipments, vehicles, training and communication infrastructure of the police force. We have provided Rs.100 crore for this purpose.

Goa

Health infrastructure: As against an assistance of Rs.150 crore sought by the state, a grant of Rs.10 crore is being provided for the improvement of primary health centres.

Gujarat

Salinity ingress: The State has made a request for an amount of Rs.1000 crore to tackle salinity ingress problem, particularly in the Saurashtra coastal area. Gujarat has a long sea coastline of 1600 kms., which is about one third of the total coastline of India. About seven lakh hectare of coastal land in the state has lost its fertility due to ingress of salinity, which in turn has affected the

economic prosperity of the coastal region. Given the urgency of tackling the problem, we have provided Rs.200 crore for such projects.

Haryana

Water logging/salinity and declining water table: The state government has stated that in some parts of Haryana, large scale introduction of canal irrigation has resulted in higher water table with brackish water underneath. The problem of water-logging and salinity is threatening the agricultural production in the state. Further, due to over-drawal in sweet water zone, there is considerable decline in the ground water table in such zones. The state government has requested for a grant of Rs. 523 crore to address these problems. We have provided Rs. 100 crore for this purpose.

Himachal Pradesh

Development of urban areas: A sum of Rs.13.46 crore has been requested for construction of Sanjuali bye-pass. We have provided Rs.12 crore for the purpose. The state has also prepared a project for augmenting water supply in Shimla at a cost of Rs.39.37 crore. We have provided Rs.38 crore for the purpose. In all, the state is being provided grants amounting to Rs.50 crore for development in and around Shimla.

Jammu & Kashmir

- (i) *Tourism related schemes:* The state government has sought an assistance of Rs.136.33 crore to upgrade its tourism facilities. An assistance of Rs.90 crore is being provided for this purpose.
- (ii) *Construction of Public Service Commission building in Jammu:* As against an assistance of Rs. 15.85

crore sought by the state government, a sum of Rs.10 crore is being provided.

Jharkhand

- (i) *Development of the state capital at Ranchi:* The State has requested for an amount of Rs.5000 crore for development of the state capital at Ranchi. We have provided Rs.200 crore for creating state level infrastructure including construction of secretariat and other buildings at Ranchi on land to be made available by the state government.
- (ii) *Special needs of the police force:* The state government has requested for a grant of Rs.181.90 crore to set up new police stations and for modernising and improving the effectiveness of the police force. We have provided Rs.130 crore for this purpose.

Karnataka

- (i) *General administration:* The state has requested for an amount of Rs.250 crore for improving the general administration including state-wide WAN and for upgradation of training institutes. We have provided the amount sought by the state for these purposes.
- (ii) *Youth services and sports facilities:* An amount of Rs. 100 crore has been requested for improvement of youth services and sports facilities including construction of multi-gyms and sports complexes at Taluka levels. We have provided the amount sought by the state for this purpose.

- (iii) *Improvement of police administration*: The state has requested for a grant of Rs.100 crore to modernise police administration and improve its effectiveness. We have provided the amount sought by the state for this purpose.
- (iv) *Improvement of health services*: The state government has requested for a grant of Rs.350 crore for improving health services by providing ambulance services at local level. We have provided Rs.150 crore for the purpose.

Kerala

- (i) *Inland waterways and canals*: The state government has stated that inland water transport, which was an important part of transport system until a few decades ago, has fallen into disuse. This system of transport has attained great importance again for bulk transport of goods and for tourism. The state government has requested for a grant of Rs.237.49 crore for improving the existing main canals and feeder canals. We have provided Rs.225 crore for this purpose.
- (ii) *Coastal zone management*: The state government has asked for a grant of Rs.199.43 crore for construction, maintenance and reformation of the sea walls in the state. It has been pointed out that Kerala Coast is subject to severe erosion, which undermines the valuable coastal eco-system and affects the lives of millions of people. Nearly 100 kilometres of coastal zone, prone to severe sea

erosion, needs to be urgently protected on a long-term basis. We have provided Rs.175 crore for this purpose.

- (iii) *Improvement of quality of school education*: The state government has requested for a grant of Rs.258 crore for improving the quality of standards of education in 416 schools by constructing laboratories and libraries, and for providing computers. We have provided Rs.100 crore for this purpose.

Madhya Pradesh

- (i) *Development of tourism*: The state government has requested for a grant of Rs.90 crore for development of tourism infrastructure for promoting religious tourism, heritage tourism, wildlife and adventure tourism, development of the Jain circuit and development of new tourist destinations at Burhanpur, Asirgarh and Seoni. We have provided Rs. 67 crore for this purpose. The grant should not be used for payment of salaries, construction of tourist bungalows and purchase of vehicles.
- (ii) *Development of road infrastructure*: The state government has made a request for a grant of Rs.1000 crore to improve the road infrastructure in the state. It has been mentioned that the state has a very low density of roads and consequently very poor connectivity. We have already made a provision of Rs.586.88 crore as grants-in-aid for maintenance of roads and bridges (vide table 10.7)

and Rs.67 crore for development of tourism infrastructure in the state (sub-para (i) above). Considering the needs of the state in this sector, we recommend additional grant of Rs.208 crore for improvement of the existing roads and for extending the road network to remote areas. With this additional grant, the total allocation for the road sector for the state will be more than Rs.800 crore.

- (iii) *Development of urban areas*: A grant of Rs. 29.71 crore has been requested for improvement of the existing water supply system, construction/widening of road network and improvement of drainage facilities in Dewas, which serves as the satellite town of two important cities of Indore and Ujjain. We have provided Rs.25 crore for the purpose of development of this important urban area.

Maharashtra

- (i) *Infrastructure for women and child development programme*: The state government has requested for a grant of Rs.93 crore to improve the infrastructure for women and child development. We have provided Rs.50 crore for the purpose, with the stipulation that the grant should not be spent on manpower and vehicles.
- (ii) *Coastal and eco-tourism*: The state government has requested for a grant of Rs.1000 crore for integrated tourism development in coastal areas. We have provided Rs.250 crore for the purpose.

Manipur

- (i) *Secretariat complex*: For the construction of the fourth and fifth floors of Manipur secretariat, the state government has requested for an assistance of Rs.3.50 crore. We have provided the amount sought for by the state government for this purpose.
- (ii) *Sports complex*: In order to upgrade the facilities of its sports complex, the state government has indicated a capital expenditure requirement of Rs.16.07 crore. We have provided Rs 15 crore for this purpose.
- (iii) *Loktak lake*: For improving the water management at the lake, the state has requested an assistance of Rs.32.88 crore. We have provided Rs 11.50 crore for this purpose.

Meghalaya

- (i) *Zoological park*: For protecting endangered species, the state government has requested for an assistance of Rs.30 crore to establish a zoological park. We have provided the amount sought for by the state for this purpose.
- (ii) *Botanical garden*: In order to conserve flora, the state government has requested for a provision of Rs.5 crore for establishment of a botanical garden. We have provided the same.

Mizoram

- (i) *Bamboo flowering*: The state has sought an assistance of Rs.566 crore to meet its project cost for tackling the problem of rodents arising out

of impending bamboo flowering, which leads to large scale losses in agriculture and forestry. We have provided Rs.40 crore for this purpose to the state for commencing the project.

- (ii) *Sports complex*: The state government has requested for an assistance of Rs.50 crore for the construction of a sports complex in Aizwal. We have provided Rs.25 crore for this purpose.

Nagaland

- (i) *Health facilities*: For upgradation of its health facilities, the state government has sought an assistance of Rs.17.92 crore towards capital expenditure. An assistance of Rs. 15 crore is being provided for the same.
- (ii) *Assembly secretariat*: As against the capital expenditure requirement of Rs.34.60 crore for the construction of the assembly secretariat, a provision of Rs.30 crore is being made.

Orissa

- (i) *Consolidation and strengthening eco-restoration work in the Chilika lake*: The Eleventh Finance Commission had provided Rs.30 crore for undertaking consolidation measures for eco-restoration works in the Chilika lagoon. Given the vastness of the lagoon, the state has requested for an additional support of Rs.30 crore from the Twelfth Finance Commission for consolidating and further expanding the scope of eco-restoration works and

improving the socio-economic conditions of the fishermen dependent on the lagoon. We have provided the amount sought by the state for this purpose.

- (ii) *Sewerage system for Bhubaneswar*: The state government has made a request for Rs.150 crore during 2005-10, being 25 per cent of the estimated project cost of Rs.600 crore, for providing a comprehensive sewerage system with necessary branch sewers, trunk sewers and treatment units in the capital city of Bhubaneswar. Absence of comprehensive sewerage system has been causing pollution of major river systems and hence calls for timely action. We have provided Rs.140 crore for this purpose.

Punjab

Stagnant agriculture: Agriculture in Punjab is beset with a number of problems, which include continuous deterioration in the soil health, depletion of water table, ecological degradation, and inadequacy of post harvest infrastructure. The state government had constituted an advisory committee on agriculture which submitted its report titled 'Agriculture Production Pattern Adjustment Programme in Punjab for Productivity and Growth'. The state government has requested the Twelfth Finance Commission to provide adequate funds for implementing programmes, which aim at weaning away farmers from rice-wheat-rotation. We are providing Rs.96 crore for this purpose. The sum may be used for initiating appropriate programmes in a few districts on a pilot project basis.

Rajasthan

- (i) *Indira Gandhi Nahar Pariyojana*: The state government has stated that Indira Gandhi Nahar Pariyojana is still incomplete due to paucity of funds. The project involves transfer of surplus water of Ravi and Beas rivers to desert and border districts of the state with a view to eliminating drought, irrigating desert areas and providing drinking water. An amount of Rs. 411 crore has been requested by the state for undertaking remaining works of the project. As accelerated completion of the project will mitigate the adverse effects of desertification and hostile climatic condition, we have provided Rs.300 crore for the purpose.
- (ii) *Meeting drinking water scarcity in border and desert districts*: Rajasthan is amongst the most water deficient states in the country. The state government has drawn the attention of the Commission to the problem of drinking water, which has assumed alarming proportions in the desert and border districts. Additional funds amounting to Rs.295 crore have been requested by the state government for augmentation of water from existing sources, improving the distribution system and setting up of fluoride and salinity treatment plants in the border and desert districts. We have provided Rs. 150 crore for augmentation of water from existing sources and setting-up of fluoride and salinity treatment plants in the border and desert districts.

Sikkim

Construction of airport: The state government has sought an assistance of Rs.174 crore for this purpose. The Eleventh Finance Commission had provided Rs.50 crore. We are now providing an amount of Rs.100 crore.

Tamil Nadu

- (i) *Development of urban areas*: The state government has drawn our attention to the continuing problem of slums in some of the urban areas of the state. We have provided Rs.250 crore for this purpose, as against a request of Rs.1107 crore.
- (ii) *Sea erosion and coastal area protection works*: The state has requested for an amount of Rs.169 crore for tackling the problem of sea erosion in various parts of the state. We have provided Rs. 50 crore for this purpose.

Tripura

- (i) *Construction of capital complex*: The state government has requested assistance for the construction of capital complex which includes : (a) completion of new assembly building: Rs.4.40 crore, (b) new secretariat building: Rs. 5.13 crore, (c) state high court building: Rs. 8.65 crore, (d) state guest house at new capital complex: Rs.6.73 crore and (e) seismic retrofitting and renovation of Ujyyanta palace: Rs.4 crore. We have provided Rs 28 crore for this purpose.
- (ii) *Establishment of a 150 bedded hospital for Dhalai district at Kulai*: The state has requested

Rs.11.99 crore against which an amount of Rs.11 crore is being provided.

- (iii) *Construction of a model prison at Bishalgarh:* The state has requested Rs.11 crore, against which an amount of Rs.10 crore is being provided.

Uttar Pradesh

- (i) *Renovation of more than 100 year old collectorate buildings:* The state has requested for Rs. 180.25 crore to renovate and reconstruct 29 collectorate buildings, which are more than 100 years old and in a very bad condition. We have provided Rs.60 crore for this purpose.
- (ii) *Accelerating development of Bundelkhand and eastern regions:* The State has requested for a grant of Rs.5044.56 crore for accelerating the development of Bundelkhand and eastern regions, which are relatively underdeveloped due to lack of social and economic infrastructure facilities. With a view to bridging the regional disparities existing within the state, we have provided Rs.700 crore for the purpose. The grant may be utilised for schemes pertaining to improvement of water supply and sanitation facilities, rehabilitation of distressed dams, construction of roads and bridges and ground water recharge/ rain water harvesting.
- (iii) *Development of urban areas:* A request of Rs.52.47 crore has been made for improving the physical infrastructure of Allahabad city, which is an important pilgrimage

centre receiving lakhs of pilgrims every year. The grant is required for various developmental activities like water supply, drainage, sewerage, cattle colony, slaughter houses, parks etc. We have provided Rs.40 crore for this purpose.

Uttaranchal

- (i) *Development of the state capital:* The state government has requested for an amount of Rs.398 crore for development of the state capital. We have provided Rs.200 crore for creating state level infrastructure including construction of secretariat, assembly, public service commission and other buildings on the land to be made available by the state government.
- (ii) *Promotion of tourism:* The state government has submitted a number of proposals to promote tourism by improving physical infrastructure in tourist destinations, improving access to tourist places, and developing new tourist destinations. The cost of these proposals comes to about Rs.325 crore. We have provided Rs.35 crore for this purpose.
- (iii) *Health infrastructure:* The state government has requested for a grant of Rs.6 crore for establishment of a 50 bed speciality eye hospital at Dehradun to provide high quality tertiary eye care to people of Uttaranchal and neighbouring areas of other states. The state government has stated that the hospital would give free treatment to the poor, as presently there is no such facility in

the state. We have provided Rs.5 crore for this purpose.

West Bengal

- (i) *Arsenic contamination of ground water*: Arsenic contamination of ground water is a serious problem affecting certain areas in West Bengal. To provide arsenic free water to about 77.76 lakh population in 4,747 habitations, the state government has projected its requirement of funds at about Rs. 964 crore. Given the serious threat to the health of the community due to arsenic contamination of ground water, we have provided Rs.600 crore for this purpose.
- (ii) *Problems relating to erosion by Ganga-Padma river in Malda and Murshidabad districts*: The state government has drawn attention to the problem posed by severe bank erosion of the river Ganga-Padma in Malda and Murshidabad districts. The severity of the problem has been increasing over time. The Eleventh Finance Commission had provided Rs.60 crore for tackling this problem. The State government has requested for additional grant amounting to Rs.500 crore

for the critical anti-erosion schemes in the two districts. We have provided Rs.190 crore for this purpose.

- (iii) *Development of Sundarbans Region*: The state government has requested for a grant of Rs. 150 crore for accelerating the development of the Sundarbans region. It has stated that Sundarbans is a predominantly riverine area, which is not easily accessible. The bulk of the population in the region is dependent on agriculture. This region needs focused attention for development of agriculture, strengthening of embankments, development of communication facilities, provision of power supply etc. We have provided Rs. 100 crore for the purpose.

10.28 Table 10.11 sums up the grants-in-aid recommended by us for state-specific needs. While these grants have been phased out equally over the last four years, this phasing should be taken as indicative in nature. The states may communicate the required phasing of grants to the central government.

10.29 A statement indicating total transfers to the states is given in Table 10.12. □□

Table 10.11
Grants-in-aid for State-specific needs

<i>(Rs. in crore)</i>						
State	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10
1	2	3	4	5	6	7
Andhra Pradesh	0.00	125.00	125.00	125.00	125.00	500.00
Arunachal Pradesh	0.00	2.50	2.50	2.50	2.50	10.00
Assam	0.00	32.50	32.50	32.50	32.50	130.00
Bihar	0.00	100.00	100.00	100.00	100.00	400.00
Chattisgarh	0.00	75.00	75.00	75.00	75.00	300.00
Goa	0.00	2.50	2.50	2.50	2.50	10.00
Gujarat	0.00	50.00	50.00	50.00	50.00	200.00
Haryana	0.00	25.00	25.00	25.00	25.00	100.00
Himachal Pradesh	0.00	12.50	12.50	12.50	12.50	50.00
Jammu & Kashmir	0.00	25.00	25.00	25.00	25.00	100.00
Jharkhand	0.00	82.50	82.50	82.50	82.50	330.00
Karnataka	0.00	150.00	150.00	150.00	150.00	600.00
Kerala	0.00	125.00	125.00	125.00	125.00	500.00
Madhya Pradesh	0.00	75.00	75.00	75.00	75.00	300.00
Maharashtra	0.00	75.00	75.00	75.00	75.00	300.00
Manipur	0.00	7.50	7.50	7.50	7.50	30.00
Meghalaya	0.00	8.75	8.75	8.75	8.75	35.00
Mizoram	0.00	16.25	16.25	16.25	16.25	65.00
Nagaland	0.00	11.25	11.25	11.25	11.25	45.00
Orissa	0.00	42.50	42.50	42.50	42.50	170.00
Punjab	0.00	24.00	24.00	24.00	24.00	96.00
Rajasthan	0.00	112.50	112.50	112.50	112.50	450.00
Sikkim	0.00	25.00	25.00	25.00	25.00	100.00
Tamil Nadu	0.00	75.00	75.00	75.00	75.00	300.00
Tripura	0.00	12.25	12.25	12.25	12.25	49.00
Uttar Pradesh	0.00	200.00	200.00	200.00	200.00	800.00
Uttaranchal	0.00	60.00	60.00	60.00	60.00	240.00
West Bengal	0.00	222.50	222.50	222.50	222.50	890.00
Total States	0.00	1775.00	1775.00	1775.00	1775.00	7100.00

Table 10.12
Total Finance Commission Transfers to States

States	Share in Central Non-Plan Taxes & Revenue Duties (2005-10) (2005-10)	Grants-in-aid										Total			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
			Health Sector (2005-10)	Health Sector (2005-10)	Educa- tion (2005-10)	Mainte- nance of Roads & Buildings Bridges (2006-10) (2006-10)	Mainte- nance of Forests (2005-10)	Mainte- nance of Heritage Conservation (2006-10)	State Specific Needs (2006-10)	Local Bodies (2005-10)	Calamity Relief (2005-10)	Total (Col. 2 + Col. 13)	Total (Col. 12) Col. 13)		
Andhra Pradesh	45138.68				980.12	242.53	65.00	40.00	500.00	1961.00	1425.93	5214.58	50353.26		
Arunachal Pradesh	1767.34	1357.88	966.02	1107.37	44.36	57.42	100.00	5.00	10.00	71.00	112.56	1758.22	3525.56		
Assam	19850.69	305.67	1819.69	2683.76	330.12	230.64	40.00	20.00	130.00	581.00	767.89	4478.71	24329.40		
Bihar	67671.04				309.36	359.61	5.00	40.00	400.00	1766.00	592.37	7975.79	75646.83		
Chhattisgarh	16285.76				262.40	183.09	85.00	10.00	300.00	703.00	444.45	1987.94	18273.70		
Goa	1589.14				39.48	24.18	3.00	20.00	10.00	30.00	8.73	135.39	1724.53		
Gujarat	21900.47				895.20	203.61	20.00	25.00	200.00	1345.00	1019.47	3708.28	25608.75		
Haryana	6596.46				182.72	151.80	2.00	15.00	100.00	479.00	515.46	1445.98	8042.44		
Himachal Pradesh	3203.22	10202.38			261.64	147.60	20.00	10.00	50.00	155.00	400.52	11247.14	14450.36		
Jammu & Kashmir	7441.71	12353.46			117.68	164.54	30.00	10.00	100.00	319.00	343.89	13438.57	20880.28		
Jharkhand	20624.02		360.98	651.73	409.04	159.61	30.00	10.00	330.00	580.00	501.46	3032.82	23656.84		
Karnataka	27361.88				1458.12	205.12	55.00	50.00	600.00	1211.00	475.16	4054.40	31416.28		
Kerala	16353.21	470.37			642.32	103.50	25.00	25.00	500.00	1134.00	354.32	3254.51	19607.72		
Madhya Pradesh	41180.59		181.64	459.56	586.88	443.02	115.00	20.00	300.00	2024.00	1011.27	5141.37	46321.96		
Maharashtra	30663.19				1189.68	223.61	70.00	50.00	300.00	2774.00	923.77	5531.06	36194.25		
Manipur	2221.44	4391.98			76.96	37.71	30.00	5.00	30.00	55.00	22.11	4648.76	6870.20		
Meghalaya	2276.61	1796.86			86.40	35.02	30.00	5.00	35.00	58.00	44.88	2091.16	4367.77		
Mizoram	1466.52	2977.79			42.12	23.29	25.00	5.00	65.00	30.00	26.19	3194.39	4660.91		
Nagaland	1613.67	5536.50			120.88	46.17	25.00	5.00	45.00	46.00	15.19	5839.74	7453.41		
Orissa	31669.47	488.04	196.37	323.30	1475.08	389.14	75.00	50.00	170.00	907.00	1199.37	5273.30	36942.77		
Punjab	7971.00	3132.67			420.96	151.80	2.00	10.00	96.00	495.00	605.16	4913.59	12884.59		
Rajasthan	34418.56			100.00	633.32	213.09	25.00	50.00	450.00	1450.00	1722.50	4643.91	39062.47		
Sikkim	1392.94	188.67			18.64	32.15	8.00	5.00	100.00	14.00	69.74	436.20	1829.14		
Tamil Nadu	32552.74				1214.40	242.53	30.00	40.00	300.00	1442.00	866.46	4135.39	36688.13		
Tripura	2626.09	5494.20			61.48	50.11	15.00	5.00	49.00	65.00	51.12	5790.91	8417.00		
Uttar Pradesh	118209.45		2312.38	4454.07	2403.16	600.28	20.00	50.00	800.00	3445.00	1177.11	15262.00	133471.45		
Uttaranchal	5762.22	5114.68	50.00		324.56	97.60	35.00	5.00	240.00	196.00	369.28	6432.12	12194.34		
West Bengal	43303.91	3044.72			391.86	412.92	15.00	40.00	890.00	1664.00	933.64	7573.37	50877.28		
Total States	613112.02	56855.87	5887.08	10171.65	15000.00	5000.00	1000.00	625.00	7100.00	25000.00	16000.00	142639.60	755751.62		