

CHAPTER 12

Grants-in-Aid

Introduction

12.1 Our Terms of Reference (ToR) require us to make recommendations on the principles that should govern the grants-in-aid of the revenues of states out of the Consolidated Fund of India and the sums to be paid to 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 provisos to Clause (1) of that article.

12.2 Grants-in-aid are an important component of Finance Commission transfers. The size of the grants has varied from 7.7 per cent of total transfers under FC-VII to 26.1 per cent of total transfers under FC-VI. Grants recommended by FC-XII amounted to 18.9 per cent of total transfers. In their memoranda to us, a few states have argued that grants should be restricted to only a small portion of the states' share in FC transfers. They have argued that grants have been directed to particular sectors and with conditionalities that restrict the expenditure options of the states. In our assessment, grants-in-aid are an important instrument which enable the Commission to make its scheme of transfers more comprehensive and address various issues spelt out in the ToR. Grants also allow us to make corrections for cost disabilities faced by many states which are possible to address only to a limited extent in any devolution formula. The Commission has accordingly suggested several categories of grants-in-aid amounting in aggregate to Rs. 3,18,581 crore which constitutes 18.03 per cent of total transfers.

12.3 The first of such grants is the post-devolution Non-plan Revenue Deficit (NPRD) grant. NPRD

grants have ranged from a maximum of 100 per cent of total grants, as recommended by FC-IV and FC-V, to 33.1 per cent, as recommended by FC-IX. NPRD grants comprised 39.86 per cent of the total FC-XII grants. Our recommendations for NPRD grants, as detailed in a later section of this chapter, amount to 16.26 per cent of the total grants, the lowest ever in FC recommendations. This has been possible due to the sustained efforts of states to adhere to the fiscal reform path laid down by their respective Fiscal Responsibility and Budget Management (FRBM) legislations. Particularly gratifying has been the fact that three special category states, viz. Uttarakhand, Assam and Sikkim, have graduated from NPRD. In recognition of their successful efforts, we have recommended a performance grant for these three states with the hope that other states would be incentivised to show similar improvements in future.

12.4 The second of our grants is recommended in pursuance of the goal of universalisation of elementary education, underpinned by the constitutional right of all children, in the age group 6 to 14, to free and compulsory schooling. This targeted grant is designed to help states overcome their resource constraint in funding this sector, while the national character of the programme is sought to be underscored by ensuring that all states receive a share of this grant.

12.5 Two new 'considerations' in our ToR are the need to improve the quality of public expenditure to obtain better outputs and outcomes and the need to manage ecology, environment and climate change consistent with sustainable development. We have addressed these issues at length in

subsequent sections of this chapter and recommended the third and fourth sets of grants to enable and incentivise performance for better governance and delivery of public services and for protection of the environment respectively. In doing so, we have designed some of these grants, such as those for promotion of renewable energy, better water sector management and reduction of infant mortality, to be forward looking and linked to attainment of goals in the future.

12.6 Our fifth grant is for maintenance of roads. A proper road infrastructure is vital, not only for economic development, but also for better delivery of services such as education and health. There is evidence to show that road networks lead to, among other things, improved teacher attendance, quicker medical assistance and a greater number of institutional deliveries. We hope that the enhanced provisioning for maintenance, including the focus on the newly created Pradhan Mantri Gram Sadak Yojana (PMGSY) roads, will help in sustaining road connectivity.

12.7 Some states, in their memoranda and in their interaction with us, have raised concerns about the conditionalities attached to grants. We have been careful to adopt a non-intrusive approach in this regard. Grants, other than for NPRD, are sector-specific. However, a large portion of the forest grant, which is given in recognition of the economic disabilities imposed by forests, has been freed for use as a development resource of the states. Like previous Commissions, we have tried to ensure non-substitution so that our grants are indeed an additionality to the provisions in state budgets for the purpose for which they are earmarked wherever relevant. Further, where the grants are forward-looking, the conditionalities stipulate release of incentive amounts on attainment of benchmarked targets. States, therefore, have an incentive to improve their performance.

12.8 Grants for local bodies in line with Para 4(iii) of the ToR and for disaster management in terms of Para 8 of the ToR have been dealt with at length in chapters 10 and 11, respectively. These grants also flow to the states under Article 275 of the

Constitution. We have listed these grants in Table 12.1 of this section in order to be comprehensive. The grants-in-aid of the revenues of states, as recommended by us for the award period 2011-15, are indicated below:

Table 12.1: Grants-in-Aid to States

		(Rs. crore)
I	Local Bodies	87519
II	Disaster Relief (including for capacity building)	26373
III	Post-devolution Non-plan Revenue Deficit	51800
IV	Performance Incentive	1500
V	Elementary Education	24068
VI	Environment	15000
	(a) Protection of Forests	5000
	(b) Renewable Energy	5000
	(c) Water Sector Management	5000
VII	Improving Outcomes	14446
	(a) Reduction in Infant Mortality Rates	5000
	(b) Improvement in Supply of Justice	5000
	(c) Incentive for Issuing UIDs	2989
	(d) District Innovation Fund	616
	(e) Improvement of Statistical Systems at State and District Level	616
	(f) Employee and Pension Data base	225
VIII	Maintenance of Roads and Bridges	19930
IX	State-specific	27945
X	Implementation of model GST	50000
	Total	318581

Post-devolution Non-plan Revenue Deficit Grant

12.9 The assessment of revenues and expenditure of states, along with the norms adopted by us, has been provided in Chapter 7. On the basis of this assessment, we have worked out the pre-devolution non-plan revenue deficits for each state. In Chapter 8 we have laid down the share of each state in central taxes and projected the share of each state based on the tax revenue of the Centre, as estimated in Chapter 6. Further, based on the pre-devolution non-plan revenue deficit and share of each state in central taxes, we have projected the post-devolution non-plan revenue deficit/surplus for each state for the award period.

12.10 The normatively assessed post-devolution non-plan revenue deficit for a state signifies the existence of a vertical imbalance yet to be corrected and an assessed need still to be met. As explained in Chapter 7, we have followed a normative approach in assessing the revenues and expenditure of states, which ensures that the assessed deficit is not due to inadequate revenue effort or excessive expenditure by any state. We have, therefore, decided to provide grants-in-aid to those states that have a post-devolution non-plan revenue deficit to meet this assessed deficit.

12.11 Table 12.2 shows the pre-devolution non-plan revenue deficit of each state as assessed on a normative basis in Chapter 7. Eight states, viz.

Table 12.2: Pre-Devolution Non-plan Revenue Deficit/Surplus (-)

(Rs. crore)					
State	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	-8651	-11839	-6745	-11137	-16143
Arunachal Pradesh	1203	1262	1548	1608	1651
Assam	7149	7211	9248	9298	9225
Bihar	14890	15399	18940	19659	20277
Chhattisgarh	-2129	-2480	-439	-762	-1160
Goa	-536	-763	-762	-1085	-1457
Gujarat	-8363	-12149	-12638	-18245	-24837
Haryana	-13814	-16394	-17774	-21235	-25235
Himachal Pradesh	3825	3923	4086	3912	3471
Jammu & Kashmir	6777	6993	7280	7511	7558
Jharkhand	1013	683	2075	1615	1111
Karnataka	-11099	-14404	-14597	-19139	-24652
Kerala	4705	3967	4210	2826	1134
Madhya Pradesh	2646	2331	4755	4353	3728
Maharashtra	-14325	-19147	-19617	-26665	-34702
Manipur	2106	2184	2651	2773	2884
Meghalaya	1225	1295	1970	2067	2173
Mizoram	1263	1327	1667	1777	1859
Nagaland	2239	2319	2604	2710	2827
Orissa	4718	4617	6495	6364	6088
Punjab	1204	546	372	-739	-2065
Rajasthan	3990	1480	1796	334	-864
Sikkim	422	448	624	596	555
Tamil Nadu	-6528	-8452	-7275	-10135	-13479
Tripura	2096	2156	2472	2535	2606
Uttar Pradesh	14903	14126	19758	18343	16485
Uttarakhand	2129	2179	2940	2922	2703
West Bengal	14360	12687	13280	9908	5738
Gross Deficit	92864	87137	108771	101108	92071
Gross Surplus	-65446	-85630	-79847	-109140	-144593
Net Deficit	27417	1507	28924	-8032	-52522

Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Haryana, Karnataka, Maharashtra and Tamil Nadu, have pre-devolution surpluses for all five years, while Punjab and Rajasthan have a surplus for the last two years and one year respectively.

12.12 The post-devolution deficits, obtained by adding the respective states' share in central taxes to the pre-devolution deficit, are shown in Table 12.3. It can be seen from the table that all general category states have surplus over the entire award period. Amongst the special category states, three states, viz. Assam, Sikkim and Uttarakhand, have post-devolution surplus for the entire award period. The remaining eight special category states have deficits for all five years during the award period.

Table 12.3: Post-Devolution Non-plan Revenue Deficit/Surplus (-)

(Rs. crore)					
State	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	-22796	-28430	-26314	-34221	-43371
Arunachal Pradesh	534	478	623	517	364
Assam	-248	-1466	-986	-2774	-5015
Bihar	-7370	-10710	-11857	-16668	-22572
Chhattisgarh	-7166	-8387	-7407	-8981	-10855
Goa	-1079	-1399	-1513	-1970	-2501
Gujarat	-14564	-19422	-21216	-28364	-36773
Haryana	-15951	-18900	-20731	-24722	-29348
Himachal Pradesh	2232	2055	1883	1313	406
Jammu & Kashmir	3940	3665	3355	2881	2096
Jharkhand	-4700	-6015	-5830	-7709	-9886
Karnataka	-19924	-24755	-26806	-33540	-41640
Kerala	-69	-1632	-2394	-4963	-8055
Madhya Pradesh	-11872	-14697	-15330	-19339	-24218
Maharashtra	-24926	-31581	-34283	-43964	-55108
Manipur	1186	1105	1379	1272	1114
Meghalaya	393	319	819	709	571
Mizoram	715	684	908	882	804
Nagaland	1599	1568	1719	1666	1595
Orissa	-5026	-6812	-6986	-9538	-12670
Punjab	-1628	-2776	-3546	-5361	-7517
Rajasthan	-7945	-12518	-14715	-19142	-23837
Sikkim	-65	-124	-50	-200	-383
Tamil Nadu	-16660	-20336	-21292	-26669	-32982
Tripura	1054	934	1030	835	600
Uttar Pradesh	-25219	-32933	-35751	-47132	-60747
Uttarakhand	-155	-500	-220	-805	-1693
West Bengal	-452	-4685	-7212	-14263	-22773
Gross Deficit	11653	10808	11716	10074	7550
Gross Surplus	-187814	-248079	-264441	-350326	-451942
Net Deficit	-176161	-237271	-252726	-340252	-444392

Table 12.4: Non- plan Revenue Deficit Grant

(Rs. crore)

State	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Arunachal Pradesh	534	478	623	517	364	2516
Himachal Pradesh	2232	2055	1883	1313	406	7889
Jammu & Kashmir	3940	3665	3355	2881	2096	15936
Manipur	1186	1105	1379	1272	1114	6057
Meghalaya	393	319	819	709	571	2811
Mizoram	715	684	908	882	804	3991
Nagaland	1599	1568	1719	1666	1595	8146
Tripura	1054	934	1030	835	600	4453
Total	11653	10808	11716	10074	7550	51800

Note: Totals may not tally due to rounding off

For these states, in order to meet the post-devolution non-plan revenue deficit, we recommend a total grant of Rs. 51,800 crore for the award period. The state-wise, year-wise details are given in Table 12.4.

Performance Incentive

12.13 Three special category states, Uttarakhand, Assam and Sikkim, received NPRD grants from FC-XII to make up for their assessed deficits. Of these, Uttarakhand, as a newly created state, received the NPRD grants for the first time during the period of FC-XII. Assam has benefited from the NPRD grants under all the Finance Commissions since FC-I, except under FC-VII. Sikkim became a state of the Indian Union in 1975 and has received NPRD grants since FC-VII onwards. After normatively assessing the revenues and expenditure of these three states, as indicated in Chapter 7 and taking into account the devolution, as given in Chapter 8, these states are not found to be in need of NPRD grants any longer. In our view, this marks major progress by these three states, particularly in view of the known cost disabilities and other fiscal challenges that special category states face. In recognition of their efforts, we recommend a performance grant as an incentive for them to continue on their path of fiscal prudence, as indicated below:

(Rs. crore)

State	2010-11	2011-12	2012-13	Total
Assam	150	150		300
Sikkim	80	60	60	200
Uttarakhand	400	300	300	1000

Grant for Elementary Education

12.14 The Twelfth Finance Commission had provided grants for the education sector based on the rationale of equalising expenditure on this sector across states. The grants were fixed on the basis of a two-stage normative measure of equalisation. In the first stage, states with low expenditure preferences (i.e., those states which had a lower expenditure on education as a proportion of total revenue expenditure) were identified and benchmarked to the average expenditure on education (as a proportion of adjusted total revenue expenditure) incurred by the respective groups, i.e., special and general category states. In the second stage, states which had lower per capita expenditure than the group average, even after the adjustment made in the first stage, were identified and grants to the extent of 15 per cent of the difference between per capita expenditure of the state on this sector and average per capita expenditure of the group were provided. Under this approach eight states, viz. Assam, Bihar, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal, qualified for this grant.

12.15 The Ministry of Human Resource Development (MHRD), in its Memorandum dated 16 March 2009, has urged the Commission to provide grants, specifically for elementary education, on the basis of actual estimation of resource requirements and gaps in each state, rather than in accordance with the earlier methodology of equalisation. The ministry has suggested that the gaps may be worked out against a set of nationally

accepted norms, in a manner such that all states may be able to access this grant.

12.16 We agree with the views of MHRD that this Commission should focus on the elementary education sector. We do so because the right of children in the age group 6 to 14 years to elementary education is a fundamental right under Article 21A of the Constitution as amended in 2002. The Right of Children to Free and Compulsory Education (RTE) Act provides the legislative framework as envisaged in Article 21A of the Constitution. The universalisation of quality elementary education is a critical foundation for secondary education and employment skills which have a significant impact on economic development.

12.17 In its memorandum of March 2009, MHRD presented its estimates of state-wise requirements of resources for elementary education using the alternative norms of the Sarva Shiksha Abhiyan (SSA) and the RTE Act. When MHRD estimates were provided, the RTE had not been enacted. The Bill underwent some modifications during its passage in Parliament and was subsequently legislated in August 2009. Section 7(iv) of the RTE Act contains a provision whereby the Central Government may request the President to make a reference to the Finance Commission under sub-Clause (d) of Clause 3 of Article 280 to examine the need for additional resources to be provided to any State Government in order to enable payment of the state's share of funds to carry out the provisions of the Act. While we received a fresh set of estimates from MHRD on the requirement of states for implementing the provisions of the RTE Act, we have not received any formal reference on this issue. We also find that there is no unanimity on the financial estimates for the implementation of RTE Act. The MHRD has projected a requirement of Rs. 1,73,946 crore for the period 2010-15. The Planning Commission, on the other hand, in their note dated 10 November 2009, has estimated the cost at Rs. 1,44,871 crore and has further observed that state-wise estimates need to be worked out. The Ministry of Finance has not given us any estimates on this account. Consultations are yet to be held with the states on details of MHRD projections. Since

there is lack of clarity on the basis of which projections of expenditure on account of the RTE Act are to be made as also a lack of agreement on the funds required, we are unable to use these projections in making our recommendations. We do, however, recognise that the implementation of RTE Act would require considerable increase in the funding requirements for elementary education, which is likely to put state resources under severe strain.

12.18 The SSA, the national programme for universalisation of elementary education, through its various components takes a holistic view of the gaps and needs in terms of access, infrastructure, human resources and outcomes, of the elementary education sector. Besides providing for basic items like teachers' salaries and school maintenance grants, it also includes items aimed at improving quality with equity such as teachers' training, remedial teaching, innovation funds, inclusive education for the differently-abled and intervention for out-of-school children. The scheme addresses the investment needs of districts by making allocations under Annual Work Plans and Budgets (AWP&B) through its normative framework. Reviews show that the SSA has had an 'equalising' effect as the disadvantaged and more needy states and districts receive proportionately more funds than the relatively better-placed states and districts.

12.19 In view of the above, we have adopted the SSA norms and the estimates of annual funding requirements, state-wise, as given by MHRD on the basis of these norms. In providing these estimates, the MHRD has focused only on the recurrent items of expenditure on the grounds that they eventually need to become part of the state non-plan budgets. Our projections, therefore, exclude the requirements of civil works. We have made certain modifications to maintain consistency with assumptions made in other parts of our report where we have assessed the non-plan expenditure requirements of the Centre and the states, as explained below. The MHRD estimations have assumed a minimum salary of Rs. 5000 per month for primary teachers and Rs. 7000 per month for upper primary teachers. There is no uniform pattern

in the manner of appointment and pay scales of SSA teachers across states. In some states such teachers are appointed by the State Government on regular pay scales, whereas in many others, such teachers are appointed by local governments on local body pay scales or on contract. The implementation of the Sixth Central Pay Commission (CPC) would, in any event, create an upward pressure on teachers' salaries, whatever the mode of appointment. We have, therefore, assumed an increase of 30 per cent over the base year, in view of the fact that the bulk of these teachers are located in rural areas. We have also provided for an annual increase of 6 per cent on these salaries, in conformity with our assumption of the post-CPC yearly increase in salaries of government servants. Similarly, while SSA does not provide for any annual increase in the quantum of funds on account of inflation, we have provided for an annual increase of 5 per cent across all non-salary components of the scheme.

12.20 The SSA began with a matching fund requirement of 15 per cent from states in 2001-02. Till 2006-07, the matching fund requirement was 25 per cent. It has increased progressively to 35 per cent in 2007-08 and 2008-09 and to 40 per cent in 2009-10. It is expected to go up to 45 per cent in 2010-11 and to 50 per cent in 2011-12, the terminal year of the Eleventh Five Year-Plan. We assume that the same ratio will continue in the remaining years of the award period. Various states have expressed difficulties in providing this matching share, especially since the size of their annual plans has increased over the years.

12.21 We are of the view that, in the given circumstances augmenting the resources of the states to cater to this need will be the most appropriate way to provide grants for the elementary education sector. This will also provide some fiscal space to the states to meet a part of the additional resources required to implement the RTE Act. We have also considered the fact that given the resource scarcity faced by the states as a result of the economic slowdown, several states have not been able to provide for their share of 40 per cent in 2009-10. In fact, we estimate that, due to the adverse fallout of the economic downturn, the states

may not be able to provide more than 35 per cent from their resources over the current year and the next year. Hence, we recommend for the award period, a grant of 15 per cent of the estimated SSA expenditure of each state. This amount will cover the difference between the targeted state share of 50 per cent by the terminal year of the Eleventh Plan and the contribution required to be made in 2008-09, i.e., 35 per cent of the individual states' SSA share.

12.22 The north-eastern states are required to provide only 10 per cent from their resources as their share for SSA. However, as the MHRD has pointed out in a supplementary memorandum, several of these states have not been able to provide even this amount, leading to slowdown in implementation of SSA. In order to alleviate the fiscal constraints of these states we recommend a grant amounting to the difference between the average amount contributed by each state in the years 2007-08 and 2008-09 and the amount they need to contribute (on the basis of a 10 per cent share) in each of the five years of the award period, subject to a minimum of Rs. 5 crore per year. The requirement of the north-eastern states, calculated on this basis, is Rs. 367 crore over a period of five years.

12.23 The recommended grant for elementary education for all states, in aggregate, works out to Rs. 24,068 crore. The state-wise and year-wise allocations are given in Annex 12.1. In order to ensure that these grants do not substitute for the current expenditure of states, we stipulate that the expenditure (plan + non plan) under elementary education, i.e., major head 2202, sub-major head - 01, exclusive of the grants recommended herein, should grow by at least 8 per cent, the assumed growth rate in our projections of the non-salary component of the social sector during the award period, annually, during 2010-15.

Environment Related Grants

12.24 In making its core recommendations, this Commission is charged with having to keep in mind a set of ten considerations. The eighth in that list reads: 'The need to manage ecology, environment

and climate change consistent with sustainable development.’

12.25 The National Action Plan on Climate Change 2008 estimates the per capita emissions of carbon dioxide in India at 1.02 metric tons per capita which is well below the world average of 4.25 and that for China at 3.60. The energy intensity of the economy is also demonstrated in this document as having declined very considerably since the 1980s, to a present level comparing favourably with that of the least energy-intensive developed countries.

12.26 There are, nevertheless, considerable environmental risks facing the Indian economy, which are structurally underpinned by the location of the territory of India among those areas identified as the most vulnerable to climate change, the high population density and the economic dependence of more than half the labour force on the natural resource base. These risks need to be identified and call for immediate preventive and remedial attention. To assist in these tasks we commissioned two studies, one on environment, ecology and climate change and the other on forestry-related issues, by The Energy Research Institute (TERI) and the Indian Institute of Forestry Management (IIFM) respectively.

12.27 The risks are of three types. Growth-related risks resulting from uncontrolled release of industrial pollutants into the air and into water bodies, exacerbate poverty-related risks resulting from inadequate access to potable water, absence of adequate sanitation and indoor air pollution from burning freely collected biomass for cooking. These have been further added to by policy-induced environmental risks, several of which fall within the decision sphere of states. The widespread practice in states of zero-pricing electricity for farmers, has resulted in an alarming fall in ground water levels in many zones in the country, accompanied by soil salinity due to the conjunction of over-application of underpriced groundwater and poor drainage. In many states, surface irrigation water has a crop-specific rate structure, which is not crop-neutral and frequently carries an adverse incentive in terms of encouraging cultivation of

water-intensive crops, even in regions that are water-scarce. There are also Government of India (GoI) policies which have added to the environmental risks facing the country. Perhaps the most egregious example is the national fertiliser subsidy scheme. Uneven price interventions across nutrients have led to a decline in soil quality due to application of a distorted nutrient mix. These impacts have been alluded to earlier in the discussion on the fiscal bite of the subsidy (Para 4.23).

12.28 The forests of India constitute the first line of defence against pollution resulting from economic activity, whether of agricultural or industrial origin. Recognising this, FC-XII provided a grant of Rs. 1000 crore to states, distributed between them in accordance with the share accounted for by each in the total forested acreage in the country. Clearly, there is a paramount need to carry that grant forward. Forests provide a wide variety of services. These encompass, first and foremost, the class of regulatory services such as carbon sequestration; sediment control and soil conservation; ground water recharge; protection from extreme weather events and preservation of bio-diversity. These services, by their very nature, accrue beyond the boundaries of the state in which the forest lies. Although there are benefits that do accrue exclusively to the state, from forest produce and recreational services yielded by standing forests, there are national restrictions on timber felling which impose the costs of having land under forests exclusively on the state in whose jurisdiction it lies. The Forest (Conservation) Act, 1980 restricted the diversion of forest lands for non-forestry purposes without prior approval from GoI. The Supreme Court, in its order of 12 December 1996, restricted irregular felling of forests and mandated management of forests according to a scientifically prepared working plan, approved by GoI. Harvesting of forests was allowed only within the prescriptions of the working plan, with additional restrictions on felling in high altitude regions. The combination of benefit externalities and internalised costs clearly calls for federal compensation. Accordingly, a grant calibrated to the share of the national forested area falling in a state,

as well as to economic disability on the basis of the percentage of forested area in each state, is the first of the three environmental grants provided for. These factors go into calculating the share of each state in the total grant specified for forests which, in its total quantum, is determined within the overall fiscal constraint governing transfers to states over the projection horizon.

12.29 As a consequence of the Forest (Conservation) Act, 1980 and following a Supreme Court judgement in 2002, there is already in place a national provision for compensatory afforestation and Net Present Value (NPV) payments when land under forests is diverted to non-forest uses for industrial or other purposes. These payments were to flow into a Compensatory Afforestation Fund Management and Planning Authority (CAMPA). There is, presently in place, an *ad hoc* CAMPA with which the funds deposited by way of compensatory afforestation and NPV now lie. This body has been authorised to release about Rs. 100 crore annually to the respective states' CAMPA for the next five years. The principle of allocation to states of the funds so collected is in accordance with the jurisdiction in which the diversion of forest land took place. In contrast to CAMPA flows to states, which are in the nature of compensation to states for diversion of forest land, the forest grant envisaged here is calibrated to the extent of standing forest in each state. It is hoped that states will thereby see the advantages of retaining land under forest cover and will efficiently and effectively direct CAMPA funding towards afforestation, so as to reap the advantages of future provisions of the kind started by the present Commission.

12.30 The benefit externalities yielded by forests are a function of a host of factors, including, but not confined to, the density of the forest and the biodiversity contained within it. Ideally, the entitlement of each state should have factored these in, in the form of data on the growing stock and its composition by species, rather than, as we have done, by area under dense, moderate and open forests, as reported by the Forest Survey of India (FSI) in the latest India State of Forest Report (SFR-2009). Though the SFR-2009 does provide data on state-wise growing stock,

these have been estimated using the 'small area estimation technique', whereby small-sampling area results are used to generate the estimates for growing stock at the state level. A sample of 10 per cent of districts has been used for estimating the detailed inventory of forest at the national level. On the other hand, data for categorisation of forest cover by density is quite elaborate, and is mapped on a 1:50,000 scale using Geographic Information System (GIS) and remote sensing across all forest types of the country. We have, therefore, decided to use the categorisation by density of area under forest cover for calibrating the incentive grant.

12.31 The forest grant is based on data at a point in time. The formula used is essentially a reward for the present stock. It is hoped that the size of the grant will provide the wherewithal for preservation, going forward, so as to halt and hopefully reverse past declines in the quantum and quality of area under forests. Further, the grant is so configured that, subject to a mandated floor, the funds are not tied to any further expenditure on forests. Beyond the mandated floor, the intent is to provide fiscal resources by which the state can enable alternative economic activities as a substitute for the economic disability imposed by forest cover. The only conditionality is that states develop working plans for each of the several forest zones into which they are divided. The initial grant provision will provide funding to develop the working plans within a stipulated period of two years. This conditionality is intended as an enabler of governance capacity within the state, so that subsequent use of the grant, coming on-stream two years into the projection horizon, is based on a detailed plan of action. Even more importantly, from the point of view of the prospective ravages that climate change is feared to bring, these working plans will provide a benchmark data base to assess changes in forest cover over time. Each working plan will have the customary horizon of ten years. Such an approach, when sustained, will provide incentives to better manage the existing forests and also to increase forest cover.

12.32 Next to preservation of the forest wealth of the country, there is a paramount need to address

environmentally adverse policies currently in place. Where these originate at the level of national government, such as the fertiliser subsidy, correction can only happen at the national level. There is every expectation that the Government of India will move to a nutrient-based subsidy configuration, which will have a salutary impact, not only in terms of preventing further decline in soil quality, but also on the quantum of fiscal resources expended on the subsidy. The normative projection of Union finances in Chapter 6 accordingly phases down the fertiliser subsidy to a level in 2014-15 which is approximately one-fifth of that budgeted for 2009-10.

12.33 Several of the policy-related risks, however, fall within the decision sphere of states in the Indian federal structure. Although this permits variation, in principle, in the degree of risk across states, there are surprisingly robust tendencies in place across all states. In the paras following, each of the major categories of policy risk at state level is examined in turn, for amenability to incentivised correction. Where there is already an incentive-configured scheme in place, among the centrally sponsored or Central Plan Schemes (CPS), there is no add-on incentive introduced by us. This is merely in order to avoid duplication and quite emphatically, not to de-emphasise the need for policy correction in that sphere.

12.34 In the pricing of electricity, over which states have full decisional latitude, political compulsions have led to disregard, in many states, of the pricing structure recommended by state electricity regulators. Some states have not revised their tariff structures for as many as seven years. In recognition of the burden imposed by unrevised tariffs on state power utilities, which, in most states, are state-owned public sector undertakings with accounts independent of the state budget, states are required under the Electricity Act of 2003 to compensate the utilities if tariffs imposed fall below those set by the regulator, for any category of consumers. We have dealt in detail with the losses and funding requirements of the power sector in Chapter 7. The Restructured Accelerated Power Development and Reform Programme (R-APDRP) carries an incentive

for the reduction of Aggregate Transmission and Commercial (AT&C) losses. Given this incentive scheme in place for correction of both technical and commercial inefficiencies within the system, albeit confined to urban centres, no further explicit incentives for enhancing power sector supply efficiency are included in our package of environmental grants.

12.35 Apart from mispricing of electricity, with the several environmental risks attendant upon it, reliance on coal-based thermal generation to the extent of 60 per cent of the total, is a major contributor to carbon dioxide emissions. Additionally, Indian coal has a high ash content and studies have estimated the land required for disposal of extracted ash at about one acre per mega watt (MW) of installed capacity. There are some tax incentives to private sector entrants for power generation from renewable sources, but no system of incentives in place for states to encourage clean power generation from renewable sources.

12.36 Thus, the second of our three environmental grants is a forward looking incentive for generation of grid electricity from renewable sources. The grant is so structured as to reward states for renewable generating capacity that comes on stream into the grid during the first four years of our projection horizon. The reward falls due in fiscal year 2014-15, after having allowed enough time to states to respond to the incentive hereby recommended.

12.37 The perilous situation in terms of ground water is, in part, a consequence of underpricing of electricity for agriculture, resulting in inefficient overuse of a scarce natural resource. Additionally, industrial output per cubic metre of water usage is very low in comparison to international standards. There is no way by which prevention of further deterioration in ground water levels can be directly incentivised, except in the form of a forward incentive, based on data pertaining to groundwater levels coming on stream during the projection horizon. Our discussions with the relevant authorities led us to conclude that data of this kind do not become available with the regular periodicity required for effective design of such a grant. There

is, however, an urgent need to correct such deterioration as has already occurred, in terms of watershed development to enhance groundwater recharge. Since there are a number of central and Centrally Sponsored Schemes (CSS) in place to address these issues, no additional corrective measure is built into our grant provisions.

12.38 Surface water irrigation is also in urgent need of policy correction. The problems here stem from poor maintenance of irrigation networks, poor recovery of user charges from farmers which then feeds back into poor maintenance, and overstuffed irrigation administration departments such that expenditure on irrigation does not deliver commensurate benefits in terms of services delivered. This then feeds back into poor collection compliance. The perverse incentive in the crop-specific rate structure has already been alluded to, in terms of encouraging cultivation of water-intensive crops in water scarce regions.

12.39 Thus, the third of our grant provisions is for the purpose of incentivising states to establish an independent regulatory mechanism for the water sector and improved maintenance of irrigation networks. With improved maintenance and delivery, simultaneous enhancement of recovery is necessary for an input which is publicly provided, but is excludable and rival, and therefore, amenable to user charges that cover (normatively assessed) maintenance. Since so many of the problems in this sector stem from lack of systematic attention by technically qualified people to the issue of the structure and level of user charges, the grant provision is conditional on setting up by states of an independent Water Regulatory Authority by 2011-12. The Maharashtra Water Resources Regulatory Authority set up in August 2005 serves as a possible model for consideration by other states. It is expected that an independent body of this kind would incentivise water user associations that would self-regulate the use of water among members and decentralise maintenance of water bodies, with funding locally recovered from users, so improving compliance with cost recovery. In recommending these user communities we are in line with the work of Elinor

Ostrom, the Nobel laureate for Economics in 2009.

12.40 India has an elaborate legal framework of national laws for control of environmental pollution. The overarching legislation in this context is the Environment Protection Act of 1986, which was a response to the Bhopal gas tragedy of 1984, the worst such industrial disaster in the world. The network of national laws is enforced and monitored by State Pollution Control Boards (SPCBs), but they have, unfortunately, been unable to deliver enforcement in the manner and to the degree expected of them. Over the years, a number of national committees and study groups have investigated the functioning of SPCBs. They have identified a number of disabilities facing SPCBs, one of them being that their ambit in many states excludes vehicular pollution. There is also the major issue of inter-state pollution externalities, of which one example is untreated sewage deposited upstream in a river from a municipality falling in the jurisdiction of another state. On balance, the issue of pollution control, with its national legal structure, which requires inter-state as much as intra-state enforcement, is one which is best left to the national government to co-ordinate and fund. Our meetings with industry bodies in the states suggest that Indian industry has yet to absorb the 'polluter pays' principle. Unless this message is internalised by Indian industry, pollution control will be seen as a needlessly obstructive, even unfair, element of the cost of doing business in India. SPCBs have to be seen as facilitative of the rights of the ordinary citizen and not as obstructive of the rights of industrialists.

12.41 Policy risk to the environment is not typically found at the local level, although there are a few instances of this as well, as for example where municipal zoning laws are flouted and buildings constructed on drainage channels, bringing disastrous consequences in the form of urban flooding during monsoons. With these exceptions, local bodies are not themselves responsible for policy-enhancing environmental risk, although the neglect at the local level of sanitation, sewerage and solid waste removal and processing carries grave environmental risks in the

form of pollution of ground water, in addition to public health risks.

12.42 We have recommended a substantial increase in the grants to local bodies, linking these grants to a share of the previous year's divisible pool (Chapter 10). One of the reasons for this enhanced level of funding is to enable local bodies to address mitigation of environmental risks. There are no usage conditionalities attached to local grants in that chapter, since certification of usage has been found to act as an obstruction to the regular flow to local bodies of funding provisions made by previous Commissions. Although there are no strictures imposed on usage, it is hoped that the considerably enhanced funding for local bodies will address the woefully inadequate sanitary conditions that prevail over the majority of human habitations in the country.

12.43 Finally, although our grant for renewable energy generation is targeted at state-level on-grid capacity, local bodies have a variety of small-scale technological options for off-grid generation of renewable energy. These could even feed into the grid. There is the oft-cited example of the 350-kilowatt windmill established by the Odanthurai Village Panchayat in Coimbatore district of Tamil Nadu. The windmill generates 7.5 lakh units of power annually, of which the panchayat uses 4.5 lakh units, while the rest is sold to the State Electricity Board (SEB) grid for an annual income of Rs. 19 lakh to the panchayat. These conditions, however, may not be replicable everywhere. What this example demonstrates is that the several funding provisions made by this Commission enable states, in partnership with local governments, to manage their ecology and environment in a manner consistent with sustainable and inclusive development.

12.44 The following section deals with the specific grants recommended by us in the three critical areas highlighted in the preceding paras.

Forest Grants

12.45 The forest formula has been designed to take into consideration three factors. The share of the

total forest area in the country falling in any particular state is clearly the first of the three. This has been further enhanced for those states where the share of forested area in the total area of the state is greater than the national average. The enhancement serves to add a further compensation for the economic disability posed by forest cover. The entitlement of each state, so obtained, has been further weighted by the third factor, which is the quality of the forest in each state, as measured by density. The weights are progressively higher for area under moderately dense and dense forest cover. All data on forested area and on density, are as defined and quantified in SFR-2009 (data pertaining to 2007). Thus, the *inter se* allocation of forest grants within all states is given by the following formula:

$$G_i = \frac{\left[\left(\frac{F_i}{\sum F_i} + R_i \right) \times \left\{ 1 + \left(\frac{M_i + 2H_i}{A_i} \right) \right\} \right]}{\sum_{i=1}^n \left[\left(\frac{F_i}{\sum F_i} + R_i \right) \times \left\{ 1 + \left(\frac{M_i + 2H_i}{A_i} \right) \right\} \right]}$$

Where

- G_i : Share for state i
- A_i : Geographical area of state i
- F_i : Total forest area of state i
- M_i : Moderately dense forest area of state i
- H_i : Highly dense forest area of state i

$$R_i = \max \left[0, \left\{ \frac{F_i}{A_i} - \frac{\sum F_i}{\sum A_i} \right\} / 100 \right]$$

12.46 We have allocated a grant of Rs. 5000 crore for this purpose. The year-wise allocation and state shares in the total are given in Annex 12.2.

12.47 Grants for the first two years are untied. However, priority should be given to preparation of working plans for all forest divisions in the state. For the remaining three years of the award period, the release of the grant within a state's entitlement is linked to the number of approved working plans. Of the total released, 75 per cent can be used by states for development purposes. The remaining 25 per cent of the grants in these three years is for preservation of forest wealth and is meant to be an additionality to the states' budget for development of forestry and wildlife. Release of grants in the last

three years of the award period shall be subject to the following release and monitoring mechanism:

- i) The grants shall be linked to progress on approval of working plans. The entire amount should be released after approval of more than 80 per cent of the working plans of the state. Till this is achieved, releases shall be in the ratio of number of working plans approved to 80 per cent of the number of working plans for the state.
- ii) Twenty-five per cent of the grants shall be over and above the non-plan revenue expenditure (NPRE) projected in Annex 12.3 and the same shall be monitored as explained therein.

12.48 The Ministry of Environment and Forests (MoEF) shall assign to the Forest Survey of India the task of developing a uniform inventory design for information on growing stock and related parameters like bio-diversity and Non Timber Forest Produce (NTFP) as well. This would help bring clarity to the role of the country's forest wealth in climate change mitigation and also help to base fiscal transfers on more robust parameters in future.

12.49 Large forest areas in many of the north-eastern states are privately/community owned. The respective State Governments should play the role of facilitator in the management of these forests through the working plans.

Incentive for Grid Connected Renewable Energy

12.50 The power sector has great potential for reduction of greenhouse gases. There is, hence, a need to incentivise states to promote clean energy. With this objective, we recommend an incentive grant for generation of grid electricity from renewable sources. We have allocated Rs. 5000 crore for this purpose.

12.51 The grant is configured after taking into consideration the following issues:

- i) Renewable resources are limited to certain states. Often the states achieve a certain threshold of capacity and are, thereafter,

reluctant to encourage more development. This is particularly true in the case of wind.

- ii) Several states have small or negligible potential.
- iii) The consuming states are located far from the generating states. Access to markets in the consuming states is an issue.
- iv) Even as the law requires setting of Renewable Purchase Obligations (Section 86 of Electricity Act, 2003), there is no national level target that has been set. However, at the state level, some State Electricity Regulatory Commissions (SERCs) have initiated action in this regard and these Renewable Energy Obligation targets are being set at the state level.
- v) The costs of renewable energy sources are often higher than those of conventional sources. This results in reluctance of cash-strapped state utilities to procure from these sources.

12.52 To overcome these difficulties, we have proposed the following guidelines for implementation of the incentive scheme, with the objective of broad-based development of renewable energy sources across states.

- i) The incentive is to be based on states' achievement in renewable energy capacity addition in MW from 1 April 2010 to 31 March 2014.
- ii) The incentive component will comprise of two sub-components:

- a) Incentive for achievement in installed capacity addition (over a four-year period) relative to unachieved potential. This will be accorded a weightage of 25 per cent. This factor has been considered in view of the fact that renewable energy potential is unevenly distributed. The following formula has been used:

$$\frac{CA_i}{\sum_{i=1}^{28} CA_i}$$

$$\text{where } CA_i = \frac{X_i}{Y_i - A_i}$$

and for the *ith* state

CA_i = Capacity addition achieved as a percentage of unachieved capacity as on 31 March 2009

X_i = Installed capacity addition during 2010-14

A_i = Total achievement in installed capacity as on 31st March 2009

Y_i = Total renewable energy potential as assessed by MNRE

For a particular state whose total achievement in installed capacity of renewable energy as on 31 March 2009 equals or exceeds its total potential of renewable energy, we assign the same figure as that of the state which will achieve the highest capacity addition as percentage of total unachieved capacity between 1 April 2010 and 31 March 2014.

- b) Incentive for achievement in installed capacity addition (over a four year period) relative to the aggregate of installed capacity addition across all states. This will be accorded a weight of 75 per cent, in order to ensure accelerated capacity addition. The following formula has been used:

$$\frac{X_i}{\sum_{i=1}^{28} X_i}$$

- iii) We recommend a cap on the incentive reward in the following manner:

- a) A cap of Rs. 1.25 crore/MW of X_i for general category states.
- b) A cap of Rs. 1.50 crore/MW of X_i for special category states, to account for factors related to access and consequent cost disability.
- iv) The performance review will be based on data published by the Government of India on capacity addition by states.
- v) The achievement in installed capacity addition may be on account of any/all renewable energy sources of electricity generation (namely, wind, biomass, small

hydro, bagasse based cogeneration, geothermal energy and any other resource as defined as 'renewable energy' by the Ministry of New and Renewable Energy (MNRE).

- vi) The state should permit renewable energy developers/projects access to competitive power markets. Charges for such access in any form should not exceed the levels specified by the Central Electricity Regulatory Commission (CERC) as guidance for such market access.
- vii) Transmission charges and losses applicable for renewable energy targets are not to exceed a level of Rs. 0.25/kwh and 5 per cent, or, the state transmission utility should have implemented rational alternate transmission pricing frameworks (including point of connection tariffs) if so recommended by the CERC, within 12 months of such recommendation.

12.53 Upon submission of the details on achievement of results by the states to the Ministry of Finance, GoI, the ministry may seek validation of the data from MNRE before the incentives are disbursed. Validation would be based on publicly available information on achievements and adequate proof of the policy measures required to be implemented.

12.54 The incentives proposed by us for grid-connected renewable energy generation will be over and above the existing incentives by the Central and State Governments. A sample of calculations for assumed levels of X_i is given in Annex 12.4.

Grants for Water Sector Management

12.55 Injudicious inter-sectoral and intra-sectoral distribution of water amongst various categories of water users, low water use efficiency, fragmented approach to water resources planning and development, low water user charges and meagre recovery are some of the major problems associated with the management of water resources in the country. A statutory autonomous institution at the state level could help in addressing these issues.

12.56 We recommend setting up of a Water Regulatory Authority in each state and specification of a minimum level of recovery of water charges. The proposed regulatory authority may be given the following functions:

- i) To fix and regulate the water tariff system and charges for surface and sub-surface water used for domestic, agriculture, industrial and other purposes.
- ii) To determine and regulate the distribution of entitlement for various categories of uses as well as within each category of use.
- iii) To periodically review and monitor the water sector costs and revenues.

12.57 An incentive grant of Rs. 5000 crore is recommended for this purpose. The *inter se* allocation of this incentive grant to the states will be in proportion to their respective share in the total NPRE across all states of expenditure on irrigation (under major heads 2700/2701 and 2702) and their respective share in all-states Irrigation Potential Utilised (IPU) at the end of the Tenth Plan. Equal weights are assigned to each of these two shares. This amount shall be released in two equal instalments over the four year period 2011-12 to 2014-15. States are given one year to make the necessary preparations to absorb these funds. State-wise amounts recommended as incentive grants-in-aid for the water sector are indicated in Annex 12.5.

12.58 Release of grants would be subject to the following conditionalities:

- i) States should set up the Water Regulatory Authority by 2011-12, to be notified latest by 31 March 2012. However, due to the small size of the irrigation sector, this condition would not be applicable to the north-eastern states, except Assam.
- ii) We have calculated the recovery rates for irrigation, separately for special category and general category states, on the basis of revenue receipts (major heads 0700, 0701 and 0702) as per cent of NPRE (major heads 2700, 2701 and 2702) for 2009-10 (BE)

(Annex 12.6). Based on these rates, state-specific recovery rates for the period 2011-12 to 2014-15 have been normatively projected. States are required to achieve the projected recovery rates to become eligible for grants.

- iii) The incentive grants for water sector are an addition to normal maintenance expenditure to be incurred by the states. These grants should be released and spent in accordance with the conditionalities detailed in annexes 12.7 and 12.8.
- iv) Where the State Water Regulatory Authority mandates recovery rates, those would replace the recovery rates prescribed by us for that particular state for the purpose of eligibility and release of grants. A state shall be eligible for grants if it recovers at least 50 per cent of the water charges mandated by the Authority.

Grants for Improving Outcomes

12.59 The Commission is required to consider, while making its recommendations, the 'need to improve the quality of public expenditure to obtain better outputs and outcomes'.

12.60 The scope of this mandate is vast. All government expenditure is rooted in policy decisions. The transformation from policy to plan, programme, expenditure, output and outcome takes place over a number of successive steps. Policy decisions, by themselves, have a significant bearing on outcomes. We have reviewed the merits of policy decisions which have significant fiscal impact as part of our normalisation exercise while discussing central and state finances in earlier chapters. We, therefore, do not examine them here. For the purpose of evaluating outcomes, we confine ourselves to an analysis of the modalities through which public expenditures are converted to the desired outcomes. We identify three issues which need to be addressed: (i) how to ensure that intended expenditure reaches the target group; (ii) how to ensure that expenditure contains the right mix of inputs and (iii) how to ensure that the

service provider has the required capacity and is fully incentivised to provide the service at the desired standard. The first issue is vital as eliminating untargeted groups from the scope of benefits improves the focus of the programme and reduces expenditure without diluting its intended impact. The second issue is crucial as a service can be provided at an acceptable level only if all its required components are in place and situations like 'hospitals with doctors but no medicines' are overcome. The third issue is important as it deals with the capacity of the service provider to provide the service and his willingness to do so at the desired standard. Delays in project implementation, inability to exploit Information Technology for improving operational efficiencies, extension officers not providing relevant training and doctors not providing quality services, are some of the many symptoms of this problem. Lack of frameworks for monitoring, training, incentivisation and accountability characterise such situations.

12.61 We are conscious that the task of enhancing outputs and outcomes by addressing all the three issues identified above cannot be comprehensively undertaken by the Commission. The Government of India has recently announced its intention to create an Independent Evaluation Office (IEO) to concurrently evaluate the impact of its flagship programmes. The reports of the IEO are proposed to be put on the public domain. This is an excellent initiative aimed at putting in place a monitoring and feedback loop. This Commission, on its part, has attempted to incentivise proper composition of public expenditure through our maintenance and environmental grants discussed elsewhere in this chapter. We, therefore, propose to restrict ourselves in this section to three areas where the issues identified earlier are addressed in a limited fashion. These areas are: (i) putting in place an incentive framework to target public expenditure; (ii) promoting innovation to improve outcomes in public policy and district governance and (iii) improving transparency in government accounts to better reflect and measure outputs and outcomes and concomitantly improve accountability.

Incentive Grants

12.62 The citizens' primary interface is with the state and local governments. It is, therefore, necessary to improve these interfaces if service levels are to improve. For putting in place a suitable incentive structure to do so, suitable parameters need to be identified and credible data used to measure relevant outputs. Such data should have an acceptable lag, must be available at a reasonable frequency and must be published by a reliable source. These constraints impose significant limitations on our choice of parameters and data to represent them.

Better Targeting of Subsidies Through the UID

12.63 Government of India's expenditure on subsidies is expected to be about Rs. 1,11,000 crore in 2009-10, or nearly 18 per cent of the non-plan revenue expenditure. State level subsidies for power, irrigation and food, as shown in their respective budgets for 2009-10 aggregate to about Rs. 34,000 crore. This figure is conservative as it does not include losses incurred in the power sector. Containment of subsidies has been discussed while assessing the revenue and expenditure of the Union and states. We consider here the issue of improving the targeting of subsidies and related social safety net programmes. The data base of eligible persons presently maintained has both Type I (exclusion) and Type II (inclusion) errors. The first error arises from the difficulty faced by the poor in establishing their identity in order to be eligible for government subsidies and social safety net programmes. The second error arises because of the inability to cross-verify lists of eligible persons across district-level and state-level data bases to eliminate duplicate and ghost entries. We need to ensure that only eligible persons are provided subsidies and benefits and that all eligible persons are covered.

12.64 Creation of a biometric-based unique identity for all residents in the country has the potential to address both these dimensions simultaneously. It will provide the basis for focusing subsidies to target groups. Possession of such an

identity will also enable the poor and underprivileged to leverage other resources like bank accounts, cell phones, which can empower them and catalyse their income growth. These benefits cannot be accessed by them presently due to their inability to provide acceptable identification. The initiative to provide unique IDs has the potential to significantly improve the governance and delivery framework of public services while substantially reducing transaction costs, leakages and frauds.

12.65 We believe that support to the initiative for creation of unique, biometric-based identities will trigger significant improvement in outputs and outcomes. The Unique Identification Authority of India (UIDAI) plans to issue identities to at least 600 million residents of India by 2014. Their aim is to co-opt central and state governments and other agencies like banks as registrars, who would process the UID applications, connect to the Central ID Data Repository (CIDDR) to be managed by the UIDAI, confirm the uniqueness of each applicant and receive a UID number from UIDAI, which they would then allot to the applicant.

12.66 There will be two categories of registrars. One category will comprise banks, insurance companies, income tax departments and passport offices, with whom prospective clients will have a strong incentive to register, because of the benefits that will accrue to them. The identity seekers, in such cases, will largely be above the poverty line and willing to seek a UID and bear its costs.

12.67 The second category of registrars will be the State Government departments implementing programmes like the Public Distribution System (PDS) and the Rashtriya Swasthya Bima Yojana (RSBY). These programmes cater to people below the poverty line. Such people may already be availing the benefit of these schemes and may see no immediate benefits for them or for their family members in registering for a UID. Further, there would be some cost involved in terms of all the members of a family travelling to the place of registration, as well as the opportunity cost of their time. This may be a disincentive and may hinder

their inclusion into the UID programme. Additionally, State Governments will be required to make significant investments in infrastructure and logistics to collect the biometric data, verify it with the CIDR and issue the respective ID cards incorporating the biometric features.

12.68 We believe that there is a strong case for incentivising states to enrol such of their residents who participate in welfare schemes within the UID programme. Such support could be utilised by the state, either to directly subsidise residents who participate, or to provide better facilities for enrolment to residents such that their cost of participation is lowered.

12.69 We propose to incentivise issue of UIDs only to those people below the poverty line who are beneficiaries of public welfare schemes like the National Rural Employment Guarantee Scheme (NREGS) and PDS. The state-wise list of number of persons below the poverty line (Uniform Recall Period : 2004-05) as published by the Planning Commission is placed in Annex 12.9.

12.70 We propose that an incentive of Rs. 100 per person (effectively Rs. 400-500 per family) would be adequate for incentivising citizens below the poverty line to register for the UID. We recommend a grant of Rs. 2989.10 crore to be given to State Governments in this regard.

12.71 The UID grant for State Governments as indicated in Annex 12.9 would be disbursed subject to the following scheme:

- 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 of beneficiaries is minimal.
- 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. The first tranche, amounting to one-tenth of the state's allocation shown in Annex 12.9 will be released on 1 July 2010 without any conditions. All subsequent instalments will be released on a reimbursement basis as per the following procedure. The UIDA will certify the number of persons from those mentioned in (ii) above who have been registered in that state and included in the CIDDR. 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. The amount paid earlier will be deducted from the entitlement so computed and the balance will be released as that tranche.

Incentive for Reducing Infant Mortality

12.72 A major challenge for this Commission has been the possibility of inducing change through the use of forward looking criteria. Traditionally, Finance Commissions have used historical data for measuring devolution criteria, resulting in the creation of a system of rewards and punishment for past behaviour, which locks a state's entitlements for the next five years, irrespective of its future performance. FC-XII, through its recommendations, incentivised fiscal reform. We recognise that the area where change is sought to be promoted and the data used to measure it must find acceptance with all stakeholders. In our view, incentivising states to improve their Human Development Indicators (HDIs) is desirable. Within the HDIs, we propose to focus on improvement in the Infant Mortality Rate (IMR). Unfortunately, the proposed Census in 2011 cannot be used as a data source. This is because the record date for the Census will be 1 March 2011, providing little lead time to the states. We, therefore, propose to use results of the survey under the Sample Registration System (SRS) conducted annually by the Registrar General of India (RGI).

12.73 The SRS measuring IMR for 2009 will be the base line from which improvement of each state will be measured. The annual improvement in these

indicators, as determined from the SRS bulletin/statistical report for the succeeding years will be measured from the base line.

12.74 The states are at different levels of achievement in respect of these parameters. The Administrative Staff College of India (ASCI) Hyderabad, in its study on improving outcomes sponsored by this Commission, pointed out that bringing about improvement from a higher base is often more difficult and requires more effort than bringing about improvement at from a lower base. Keeping this in mind, ASCI suggested that reward for performance in such cases should be based upon a formula with two components: the first component is to reward positive movement in the value of the parameter and the second component is to provide a premium if such change is made above the median value of the parameter for all states. Thus, states are rewarded both for improvement in the parameter as well as the level at which the improvement is made. The Commission has accepted the formula proposed by ASCI, details of which are placed in Annex 12.10. Each state's eligibility will be determined annually, based upon improvement in the IMR index. We recommend an amount of Rs. 5000 crore for this grant over a three year period between 2012 and 2015. Details of scheduling of this grant are placed at Table 12.5 below.

Table 12.5: Scheduling of IMR Incentive Grant

Year	Amount (Rs. crore)	Calendar Year of Measurement	Year of Release of SRS report
2010-11	Base Line	2009	2010
2012-13	1500	2011	2012
2013-14	1500	2012	2013
2014-15	2000	2013	2014

12.75 Data pertaining to 2009-10, which will be available in 2010 will be the base line for computing eligibility for all the succeeding years. Disbursal of grants will commence from 2012-13. This will give the states a period of two years to make improvements. During 2012-13, the cumulative change in IMR between the years 2009, 2010 and 2011 for each state will be applied to the formula in Annex 12.10. For 2013-14, the cumulative change

between 2009 and 2012 will be applied to the formula. The same procedure will be followed for succeeding year. A simulated calculation applying this formula is placed in Annex 12.11. The grant will be released in three annual instalments between 2012-13 and 2014-15 after the publication of the annual SRS bulletin/report incorporating state-wise IMR statistics for the relevant year as shown in Annex 12.11.

Improving Justice Delivery

12.76 The improvement of justice delivery is a critical component of the initiative to ensure better outputs and outcomes. This can be done by supporting the judiciary, while simultaneously strengthening the capacity of the law enforcement arm. We discuss here the support required to improve judicial outcomes. There are over 3 crore cases pending in various courts in the country today. At the very least, current filings need to be disposed off, to prevent accumulation of arrears. The enormous delay in disposal of cases results not only in immense hardship, including those borne by the large number of under-trials, but also hinders economic development.

12.77 The Department of Justice has identified a number of initiatives which are part of this action plan and need support. The first is increasing the number of court working hours using the existing infrastructure by holding morning/evening/shift courts. The second entails enhancing support to Lok Adalats to reduce the pressure on regular courts. The third initiative involves providing additional funding to State Legal Services Authorities to enable them to enhance legal aid to the marginalised and empower them to access justice. The fourth is promoting the Alternate Dispute Resolution (ADR) mechanism to resolve part of the disputes outside the court system. The fifth is enhancing capacity of judicial officers and public prosecutors through training programmes. The sixth relates to supporting creation of a judicial academy in every state to facilitate such training.

12.78 The department has also proposed creation of the post of Court Managers in every judicial district to assist the judiciary in their administrative

functions. A number of courts in each state are housed in heritage buildings, which reflect the cultural heritage of the areas. It is proposed that a grant be provided for maintaining these buildings.

12.79 The Commission, after careful consideration has agreed to support the proposals made by the Department of Justice by approving a grant of Rs. 5000 crore to be allocated as describe below. These allocations may be released in two annual instalments subject to accounts being maintained and Utilisation Certificates (UCs)/Statements of Expenditure (SOEs) provided as per General Financial Rules (GFR 2005).

12.80 *Operation of morning/evening/special judicial-metropolitan magistrate/shift courts:* The present 14,000 district and subordinate courts in the country are disposing off both important as well as petty cases. The pressure on judicial time on account of the petty cases can be relieved by allotting them to morning/evening courts/courts of special judicial/metropolitan magistrates. These courts will be staffed either by the regular judiciary on payment of additional compensation, or by retired officers. The morning courts in Andhra Pradesh and the evening courts in Gujarat have demonstrated the feasibility of such models. It is expected that about 14,825 such courts can dispose off 225 lakh pending as well as freshly filed cases of a minor nature within a year. This aggregates to 1125 lakh cases over the period 2010-15. An amount of Rs. 2500 crore is being provided to facilitate setting up of such courts, which has been allocated to each state in accordance with the number of sanctioned courts.

12.81 *Establishing ADR centres and training of mediators/conciliators:* Section 89 of the Civil Procedure Code provides for settlement of disputes outside courts through mediation, conciliation, arbitration or through Lok Adalats. We feel that the scope of this section needs to be tapped fully to reduce the pressure on the courts system. At present, mediation and conciliation centres are being set up at the High Court level, but there are few centres at the district level. Apart from investment in physical infrastructure, judges and advocates need to be trained as mediators/

conciliators in each judicial district. The Justice Department has proposed that one ADR Centre be set up in each judicial district of the country at an estimated cost of Rs. 1 crore per district. It has also proposed that 100 judicial officers and advocates be trained in each district over a period of five years to act as mediators/conciliators to provide the necessary services to the litigants at an estimated cost of Rs. 0.25 lakh per person. This scheme would require an estimated amount of Rs. 600 crore for setting up of ADR centres and Rs. 150 crore for providing training over a period of five years. These amounts have been allocated to the states in proportion to the number of judicial districts within their jurisdiction.

12.82 *Lok Adalats*: We are providing a grant of Rs. 20 crore per year as support to hold about 10 mega Lok Adalats per High Court per year and about five Lok Adalats for each of the 1500 court locations per year. It is expected that this would enable about 15 lakh cases to be disposed off per year – a total of 75 lakh cases for the five-year period 2010-15. The total grant of Rs. 100 crore has been allocated amongst State Governments based upon the number of courts.

12.83 *Legal aid*: Provision of legal aid is an important measure to assist the marginalised sections of the populace in accessing the justice system. The National Legal Services Authority (NALSA) and State Legal Services Authorities (SALSAs) have the responsibility to provide legal services to eligible persons. However, their present resources do not match up to the requirements. To strengthen their efforts, we propose that Rs. 200 crore may be earmarked for providing legal aid over five years. The amount has been allocated to the states in proportion to the number of courts in their jurisdiction. With this, we expect a decline in the number of under-trials in the courts.

12.84 *Training of judicial officers*: Capacity building in the judiciary is a critical need. At present, judicial officers are trained in the State Judicial Academies for one year after their induction and thereafter, in-service training programmes are organised to further build their capacity. Such programmes need to be accelerated through

provision of additional support for these initiatives. A provision of Rs. 250 crore for the period 2010-15 has been made and allocated to states in proportion to the number of courts in their jurisdiction.

12.85 *State Judicial Academies*: The main vehicle for training judges is the State Judicial Academy. While some state judicial academies are well equipped, most have little infrastructure and few facilities. It is necessary to support the state judicial academies to enable them to operate programmes throughout the year to promptly complete the training of judges and reduce vacancies. We propose an amount of Rs. 15 crore per High Court for the 20 High Courts, which works out to Rs. 300 crore. These funds may be utilised for creation of new academies in states where they do not exist, or for providing additional facilities where they do exist. Three High Courts cover more than one state. The release for Guwahati Judicial Academy (which covers the North-East) is proposed to be made through the Government of Assam. The release for Mumbai Judicial Academy (which covers Maharashtra and Goa) is proposed to be made through the Government of Maharashtra. The release for Chandigarh Judicial Academy (which covers Punjab and Haryana) is proposed to be made through the Government of Punjab.

12.86 *Training of public prosecutors*: Given the fact that the government is a major litigant, poor quality of prosecution is often one of the main reasons for delay in disposal of court cases where the Government is a party. Presently there are inadequate facilities for training of Public Prosecutors. A provision for training of 2000 Public Prosecutors in the country at an estimated cost of Rs. 1.5 lakh per Prosecutor has been made. An amount of Rs. 150 crore for the period 2010-15 has been sanctioned for this purpose, which has been allocated to states in proportion to the number of courts in their jurisdiction.

12.87 *Creation of posts of court managers*: Enhancing the efficiency of court management would result in improving case disposal. Providing support to judges for performing their administrative duties would allow them more time for their judicial functions. Adopting an innovative

approach, the Department of Justice has proposed that professionally qualified Court Managers, with MBA degrees, be employed to assist judges. These Court Managers will also be useful in feeding the proposed National Arrears Grid that would be set up to monitor disposal of cases in all the courts. We support this innovation, the impact of which may be evaluated after 2015. The post of a Court Manager would be created in each judicial district to assist the Principal, District and Sessions judges in the administrative functioning of the courts. Similarly, posts of two Court Managers may be created for each High Court and one for each bench of the High Court. This is estimated to require Rs. 60 crore per year and works out to Rs. 300 crore for the period 2010-15. These amounts have been allocated to the states in proportion to the number of judicial districts in their jurisdiction.

12.88 Maintenance of heritage court buildings: A number of court buildings in the country have been declared as heritage buildings under the appropriate national, state, or local laws. It is proposed that 150 such buildings may be taken up for restoration and conservation, in collaboration with the Archaeological Survey of India (ASI)/ Indian National Trust for Art and Cultural Heritage (INTACH) during the five year period at an estimated cost of Rs. 450 crore. We expect that preference will be accorded to larger and older buildings. Due to lack of data on heritage structures, we have allocated these funds to all states as per the number of courts in their jurisdiction.

12.89 Conditionality: The government is the single largest litigant in the country today. There are a very large number of pending cases where either a State Government or the Central Government is a party, which significantly add to the burden of arrears. It is necessary that all State Governments frame state litigation policies aimed at responsible litigation. The Central Government is planning to put in place a National Litigation Policy shortly. It is proposed that this policy will include steps for: (i) reviewing the existing cases and wherever necessary, withdrawing cases identified as frivolous and vexatious; (ii) formulating norms for defending cases as well as for filing appeals and (iii) setting

up of Empowered Committees to eliminate unnecessary litigation. States could formulate their State Litigation Policy based upon the National Litigation Policy. The grants indicated in Para 12.91 onward will be provided in five equal annual instalments. The details of state-wise eligibility for these grants are placed in Annex 12.12. A state will be eligible to draw down instalments only if it puts in place a State Litigation Policy. Such a policy must be put in place by the State Government before the end of a fiscal year to be eligible to draw down the instalment for the succeeding fiscal years. This condition will not apply to the first annual instalment (2010-11) which can be drawn down without the policy in place. A state will thereafter be entitled to the grants only prospectively after framing its policy.

Police Training

12.90 Training of police personnel has been accorded low priority by most state governments for two reasons: (i) the available staff are so stretched that there is no time for police personnel to be sent for training and (ii) lack of training infrastructure in most states. As per the Home Ministry, a police official, on an average, undergoes training only once in 15 years. Given the present security environment as well as rapid changes in technology, this priority needs to be reordered if outcomes in the supply of justice are to be improved. We, therefore, propose to support State Governments in training their police personnel in the manner proposed by them. We have made suitable allocations for this, as part of the state specific grants discussed later in this Chapter . Our grant provisions for police upgradation and training are shaped to the requests made by states, but we require and expect that the contents of police training include gender sensitization so that the police are seen by all segments of the population as protectors.

Promoting Innovation

12.91 The President of India, in her address to Parliament in June 2009, committed the nation to a path of promoting innovation and unleashing the creativity of a billion people. She announced that the next ten years would be dedicated as the 'Decade

of Innovation'. Innovation can play an important role in providing better alternatives, reducing costs, improving service levels and filling in availability deficits. The task is, therefore, not only to foster innovation, but also to promote it zealously. A number of appropriate, low cost and people oriented innovations already introduced in various states have been documented by the National Innovation Foundation (NIF) and are being disseminated by them. These innovations relate mostly to individual initiatives in the private sector. The Commission feels that a number of equally relevant innovations exist in the government sector which need to be recognised, documented and promoted amongst all State Governments. We note that a number of national programmes, like the mid-day meal scheme, were rooted in innovative schemes initially adopted at the state level. We, therefore, obtained from State Governments a description of the major innovations they have introduced in different sectors to improve service levels and reduce costs. These innovations are in a variety of sectors like health, education, tourism and natural resource management and are aimed at improving service delivery. They also cover improvement of governance and supply of justice. Based upon an analysis of the data received and suggestions of NIF, we have recommended a two-pronged initiative.

Centre for Innovations in Public Systems (CIPS)

12.92 The first initiative is embodied in the request of the Andhra Pradesh Government for assistance to set up the Centre for Innovations in Public Systems (CIPS) at ASCI, Hyderabad. The CIPS will actively promote and disseminate among states practices which have enhanced service delivery, increased efficiency and led to cost reduction in public systems. It will also continuously scan the environment for new practices which it will add to its data base, which will then be made available across states. It will conduct training programmes and enable experience sharing.

12.93 The functioning of CIPS will be guided by an advisory council with all the chief secretaries of State Governments as its members, apart from

Central Government representatives and independent experts. The grant of Rs. 20 crore will be utilised for running the CIPS for a five-year period, after which it is expected to become self-sufficient. The grant will be released in one instalment during 2010-11. The modalities of the grant are further detailed in Annex 12.13. This provision is included under the state specific grants for Andhra Pradesh (Para 12.127).

District Innovation Fund (DIF)

12.94 The second initiative is the creation of a District Innovation Fund (DIF) aimed at making cutting edge levels of governance responsive to felt needs and innovations. This fund of Rs. 1 crore, to be made available to every district in the country, aims at increasing the efficiency of capital assets already created. This investment will be used to fill in vital gaps in public infrastructure already available in the district, which is not being fully utilised for want of a relatively small investment. Examples include a government hospital with non-functional diagnostic equipment; a minor irrigation tank with sizeable command and leaking sluice gates; an area with poor agricultural productivity without soil testing facilities. The object will be to renew or better utilise an existing capital asset and provide immediate benefits. We accept that the examples listed above can and, ideally should, be funded by the states' budget. However, with the increasing pressure on establishment costs, we also recognise that a number of critical gaps in public infrastructure are yet to be filled and it may take time before all such needs are recognised and addressed at the state level. Such projects with immediate welfare returns for comparatively low investment are best identified at the district level. There is also tremendous scope to innovate at the district level and even a relatively small allocation per district can be effectively leveraged as a force multiplier.

12.95 Projects undertaken under the scheme should be demand driven rather than supply driven. The scheme should be also conducive to triggering innovative measures in order to make government accessible and accountable to all sections of society.

We recommend that at the district level, only 90 per cent of the cost be met from the District Innovation Fund and the balance 10 per cent from non-governmental contributions – from either the public or NGOs. This amount must be collected and deposited with the district agency before the scheme is sanctioned. State Governments could prepare guidelines for the scheme using the basic template indicated above, while allowing freedom of choice to the districts. We propose to allot a sum of Rs. 1 crore to every district in the country to be used in the manner stated above. Each State Government will be entitled to its eligible amount as per Annex 12.14 in two instalments. The first instalment will be released in 2011-12 after the State Government finalises detailed guidelines for implementation of the scheme and notifies the authority at the district level which would sanction the projects under the scheme. The second instalment would be released after the State Government submits a report on the end use of the first instalment detailing the benefits created. The districts in the state could be covered in two phases if the State Government so desires. To generate competition, if some districts come up with more innovative projects for support, then unutilised funds from the remaining districts can be reallocated to them.

12.96 We propose a grant of Rs. 616 crore for this scheme. The state-wise allocation based upon the number of districts in each state is placed in Annex 12.14.

Improving Transparency in Government Accounts

12.97 Transparency in government accounts improves the feedback loop, reflects the fiscal impact of all policy initiatives and enhances accountability, thus ensuring greater productivity. We discuss separately various initiatives to aid transparency in Central and State Government accounts, including accrual accounting, maintaining consistency in financial accounts across states and improving audit mechanism. In the following paragraphs, we discuss two specific initiatives for enhancing the quality of data—strengthening statistical systems at the state and

district level and setting up a data base for State Government employees and pensioners.

Improving Statistical Systems in State Governments

12.98 A number of steps have been taken to strengthen the statistical system in the country. The National Commission on Statistics (NCS) was set up to comprehensively steer the growth of the statistical system in the country and oversee all initiatives for its growth. The National Strategic Statistical Plan (NSSP) 2008 sets out the medium term strategy for empowering the existing statistical framework to produce comprehensive good quality relevant economic and social data for policy and decision making. The India Statistical Project (ISP) focuses on strengthening the statistical capacity of all states and Union Territories. In particular, they are being encouraged to effectively meet the national minimum standards with regard to twenty key statistical activities.

12.99 Despite these impressive achievements, a number of important issues remain to be addressed. These are outlined below:

- i) FC-XII noted the need to measure Gross State Domestic Product (GSDP) at market prices consistent with national estimates, instead of at factor cost, as is presently being done. This is still not available. Further, the measurement of GSDP across states should be standardised such that use of comparable GSDP series by the Finance Commission and other bodies is made redundant.
- ii) This Commission has elsewhere made recommendations on the need to incorporate environmental considerations into government policy. As part of this effort the estimation of Green GDP/GSDP would be very valuable. Such an estimate would account for depreciation of natural assets and consider loss of income due to environmental degradation.
- iii) Comparable estimates of district income are extremely relevant for measuring intra-state income disparities. This will enable State

Governments to effectively plan policy and programme interventions. They could also be used as a parameter for horizontal distribution of fiscal transfers. As many as 23 states have generated district income statistics for the period 1999-2000 to 2005-06. For these to be usable, all states should generate this data in accordance with the guidelines of the Central Statistical Organization (CSO). They also need to be validated at the national level to ensure comparability.

- iv) For equitable horizontal distribution, the measurement of cost disabilities is important. The cost of services varies across states due to a large number of factors such as geographic location, population size and distribution and demographic characteristics. Further, to estimate cost disabilities of states, two types of data are required: (a) quantifiable measure of the level of various services available in different states and (b) the corresponding unit cost. As of now, such data are not available.
- v) Measurement of inter-regional trade data would be useful to provide insights in an inter-regional framework.

12.100 We recommend that the Ministry of Statistics take steps to fill in the statistical gaps outlined above. To ensure that the National Strategic Plan is implemented effectively, this Commission recommends grant assistance to State Governments, which should be utilised by them to fill in infrastructure gaps.

12.101 At least 75 per cent of the grant will be utilised for strengthening statistical infrastructure at the district level not covered by the India Statistical Project and the proposed CSS pertaining to Basic Statistics for Local Level Development. A maximum of 25 per cent of the grant can be used for improving statistical infrastructure at state headquarters. States will be eligible for Rs. 616 crore in the aggregate, with Rs. 1 crore being provided to every district. State-wise eligibility for this grant is placed in Annex 12.14.

12.102 The grant will be drawn down in five annual instalments. The first instalment will be drawn down only after the state submits an expenditure plan for the entire grant. All subsequent instalments will be drawn down after submission of UCs/SOEs for the previous instalments. States are provided the flexibility to modify their expenditure plan at any time.

Setting up a Data Base for Government Employees and Pensioners

12.103 Though direct and indirect employees of State Governments form less than 6 per cent of the paid workforce and roughly 2 per cent of the country's population, aggregate payments towards salaries, lump sum terminal benefits (commutation, gratuity, leave encashment) and monthly pensions amount to about 32 per cent of the states' total revenue expenditure and 67 per cent of the states' own tax revenue for 2008-09 (BE). Between 1990-91 and 2008-09, these costs grew at a compounded annual growth rate of 17 per cent across states. The impact of the implementation of the recommendations of the Sixth CPC has been estimated by us in Chapter 7, as 35 per cent. However, accurate assessment of the impact of such shocks can be made only if data on the number of employees and pensioners, their salary and pension payable and their demographic profile is available. Only if the state can estimate and project its liability on account of salary and pensions into the future can it effectively plan to restrain it and commit expenditure towards development outlays. This exercise cannot be undertaken without the state creating and regularly maintaining an accurate employee and pensioner data base. The Commission sponsored a study on 'Building Employee and Pension Data Bases and MIS for Effective Fiscal Planning by State Governments' which analyzed this issue. The preliminary recommendations of the study were discussed at a State Finance Secretaries' conference held in New Delhi on 30 July 2009. The study report has been published on the Commission's website.

12.104 The study recommends that all states set up employee and pensioner data bases and put in place

frameworks which enable their accurate maintenance on a continuous basis. It points to the need for the data base to be constructed in a format which enables aggregation at state level as well as at the national level. This would require that all states adopt a reasonably similar definition of an employee and use a standard minimum content for the data base. We recommend that states adopt a data base which will enable capture of this data at the minimum. Two data bases need to be built for pensioners, one for those drawing pension under the defined benefit scheme and the other for those who have enrolled under the new defined contribution scheme. This New Pension Scheme (NPS) data base will contain not only employees' data, but will also include details of contributions and accumulations accounting, as well as a facility for providing information to the account holder on balances in the account.

12.105 The challenges facing the implementation of the NPS have been outlined in Para 7.122. The proposed data base will enable speedier implementation of the NPS as it will provide the basis for payroll linked deduction and transfer of contributions to the service providers.

12.106 A data base for employees, pensioners and family pensioners will be prepared, along with a central Management Information System (MIS) and data management system. Ideally, this should be integrated with an electronic payroll and pension payment system to facilitate error-free and real time updates.

12.107 These data bases should be built on a common foundation across all states, viz. a minimum number of uniform financial and demographic data fields for comparability of expenditure data. A suggested template is placed in Annex 12.15. States are, however, free to include additional data fields to meet their specific requirements while creating their data bases. States may like to keep in mind the suggested model for data base creation provided in Chapter 5 of the study report published on the Commission's website.

12.108 All employees, pensioners and family pensioners who are eligible for a defined benefit

pension from the consolidated fund, either directly or indirectly through grants, should be included in such a data base. Employees of local governments should be distinctly identified. We recommend that a grant of Rs. 10 crore be provided to each general category state and Rs. 5 crore to each special category state to set up an employee and pensioners data base.

12.109 The data base should be designed to allow for subsequent extension to include other financial benefits (including GPF, insurance and health benefits) to employees as well as payment of defined benefit pensions and family pensions

12.110 All states who wish to set up this data base will be able to draw down Rs. 2.50 crore during 2010-11 without any precondition to commence work. We expect the work to be completed in three years. The balance, Rs. 7.50 crore, will be released after the state certifies that it has created a data base which provides at least the data mentioned in Annex 12.15 and that this has been functionally integrated with the treasury on a transactional basis. The states should also confirm that they will be able to provide to the Fourteenth Finance Commission projections for salary and pension expenditure based upon such a data base. States who have already taken such steps can be provided their entire allocation (Rs. 10 crore or Rs. 5 crore, as the case may be) as soon as they declare their eligibility in the manner prescribed above. We also urge the Government of India to initiate a parallel effort for preparation of a data base for its employees and pensioners.

Grants for Maintenance of Roads and Bridges

12.111 Till FC-XI, the Commissions assessed the needs of the states for maintenance of roads as part of their non-plan revenue expenditures. FC-XII, recognising the importance of proper maintenance of roads, recommended a specific grant for this purpose. Many states, in their memoranda to us, have requested for continuance of this grant. We have noted the increased expenditure undertaken by the states for the maintenance of roads and bridges post-grants and recognise the fact that a vital infrastructure such as roads should not suffer due to poor maintenance. We have, therefore,

decided to provide grants for maintenance of roads and bridges in addition to the normal maintenance expenditure as assessed within the overall non-plan revenue expenditure of the states.

12.112 We obtained road length data from the states under various categories, viz. State Highways, Major District Roads, Other District Roads and Local Body/Village roads, for each type of road, viz. Black Top (BT)/Cement Concrete (BT), Water Bound Macadam (WBM) and Earthen Roads (ER). For WBM and ER, we have added 50 per cent of the reported road length to BT roads in our assessment of overall expenditure requirement. We obtained the norms for maintenance of roads from the Ministry of Road Transport and Highways and used them to arrive at the annual requirement for maintenance. We have decided to give grants only for ordinary repairs. Norms for ordinary repairs for each category of roads were applied to the road length in that category in a state, separately for hill and plain area roads. Recognising the inherent cost disabilities of special category states, the assessment of annual requirement of maintenance in their case has been increased by 20 per cent.

12.113 We have assessed separately the maintenance requirement for the PMGSY roads that would come out of the initial five-year maintenance contracts during our award period. This has been done for two reasons. First, many states, during their discussions with the Commission, represented that PMGSY roads have been excluded while providing road length data to the Commission and second, PMGSY roads are high priority rural roads where quality has been prime focus and, thus, need special attention.

12.114 We have decided to provide grants-in-aid for roads maintenance to the extent of 50 per cent of the requirement assessed for non-PMGSY roads and 90 per cent of the requirement assessed for PMGSY roads for four years starting 2011-12. The total amount of grants works out to Rs. 19,930 crore. The state-wise year-wise breakup of these is given in Annex 12.16. The grants shall be over and above the states' budget and shall be subject to conditionalities given in Annex 12.17.

State-specific Grants

12.115 During our visits to the states as well as in their respective memoranda, State Governments have highlighted the need for grants to address specific issues and local problems. Some of the central ministries, in their communications to the Commission, have also drawn our attention to issues which arise across states, but are required to be addressed locally. For instance, the Ministry of Home Affairs has drawn our attention to the enormous gaps in training capabilities for the police force across states, while the Ministry of Culture has indicated the states' continued need for assistance, by means of grants, to protect monuments and heritage buildings. We reviewed the outcomes of state-specific grants recommended by FC-XII during our visits to the states. We have also witnessed some of these problems first hand in the course of our field visits and some of our studies, such as the ones undertaken with regard to the problems of border areas, come up with specific suggestions in this context. Subsequently, the Commission had further intensive interactions with the states to ascertain their views and their priorities. These have shaped our recommendations.

12.116 On this basis, we find that priority should be accorded to state-specific grants to address the following issues:

- i) The specific needs of marginal areas and marginal groups within states.
- ii) Provision of infrastructure to alleviate some of the problems faced by the local population in blocks and tehsils along the international borders.
- iii) Protection of historical monuments, archaeological sites and heritage buildings which are not with the Archaeological Survey of India (ASI).
- iv) Provision of safe drinking water, especially in regions afflicted with arsenic, salinity and fluoride related problems.
- v) Gaps in critical infrastructure for health, including care for children.

vi) Setting up and strengthening of skill-building institutions to help provide employable skills.

vii) Meeting the training requirements of police personnel at various levels.

12.117 The state-wise details of grants-in-aid recommended for needs that are specific to each state are given below:

Andhra Pradesh

Providing Drinking Water in Rural Areas

12.118 The Government of Andhra Pradesh requested grants for provision of drinking water in rural areas on two counts:

- i) The State Government has highlighted problems of water quality in the fluoride affected areas of Andhra Pradesh. Several schemes have been undertaken for improvement of water quality using grants from FC-XII and the state's own resources. The government has now sought additional funds to improve water quality in saline affected areas. We recommend an amount of Rs. 350 crore in this regard.
- ii) Funds have also been requested for provision of drinking water in inaccessible tribal areas. We recommend an amount of Rs. 200 crore for this purpose, with the proviso that this grant may be utilised only for new schemes.

Seed Bank Scheme

12.119 The state has sought an allocation to increase production of seeds by replacing old machinery, providing new processing and storage facilities and upgradation of seed testing laboratories. We recommend an amount of Rs. 100 crore for this purpose.

Police Training

12.120 Grants for police training in the state have been requested as follows:

- i) The Greyhounds Regional Training Centre imparts specialised training to the police

forces of Left Wing extremist-affected states. The Government of AP has requested funds to strengthen the training facilities at Premavathipet, Hyderabad and at the regional headquarters in Vishakapatnam. We recommend an amount of Rs. 13 crore for this purpose.

- ii) The state has also requested funds for upgradation of the Police Training College at Warangal, shifting of the old Police Training College from Amberpat to Medak and establishing a new Police Training College at Karimnagar. We recommend an amount of Rs. 100 crore for this purpose.

Construction of Prisons

12.121 The state has sought a grant for construction of prisons owing to shortage of capacity. We recommend Rs. 90 crore for this purpose.

Development of Culture

12.122 Grants requested by the State Government for development of culture are as follows:

- i) The state has sought funds to preserve, protect and propagate the composite culture of India. We recommend an amount of Rs. 40 crore for this.
- ii) We further recommend an amount of Rs. 20 crore for the establishment of 'Shilparamam' at Vijayawada, Nellore, Anantpur and Warangal.

Fire and Emergency Services

12.123 The state has represented for an allocation to strengthen Fire and Emergency Services by providing essential equipment to convert the service into a multi-hazard response unit. We recommend a grant of Rs. 17 crore on this account.

Heritage Conservation

12.124 The state has requested a grant for works related to conservation, restoration and preservation of 560 protected ancient sites and

historical monuments as well as for improvement and modernisation of its museums. We recommend an amount of Rs. 100 crore for this purpose.

Establishment of Primary Health Centres

12.125 The memorandum from AP indicates a gap in the number of primary health centres (PHCs) and the imperative to create the necessary facilities for improved provision of rapid, qualitative health and medical services, especially in rural areas. We recommend a grant of Rs. 200 crore to set up new PHCs.

Strengthening the Pollution Control Board

12.126 The state has requested a grant of Rs. 20 crore to strengthen the Andhra Pradesh Pollution Control Board by providing air and water monitoring equipment and the capital cost of establishing monitoring systems. We support this request.

Establishment of a Centre for Innovations in Public Systems

12.127 In order to create a climate for accelerating and diffusing innovation in public systems through sharing of experiences across states and to facilitate the establishment of institutional and human capacities for innovation through knowledge sharing and mobilisation of practical help, we recommend an amount of Rs. 20 crore to establish a Centre for Innovations in Public System (CIPS) at the Administrative Staff College of India (ASCI), Hyderabad. The Centre will be governed through an advisory council, with representation from all states. A Steering Committee will assist states to transform creative ideas into sustainable practices. (refer to Para 12.92)

Arunachal Pradesh

Infrastructure Creation for Newly Created Districts and ADC Headquarters

12.128 The state has asked for a grant towards creation of infrastructure facilities for three newly created districts and 16 new ADC headquarters in

remote and border areas, stating that new centres are currently functioning out of temporary office accommodation. Keeping in view the need to extend and improve the reach of administration in remote and border areas, we recommend an amount of Rs. 75 crore for this purpose.

Strengthening of Law Enforcement and Public Security in Remote Areas

12.129 It has been stated in a supplementary memorandum that lack of infrastructure in remote administrative headquarters hampers the quality of security and maintenance of law and order. The state has sought a grant for construction of police stations with lock-ups, Type-II buildings and bachelor barracks in 67 remote administrative headquarters. We recommend an amount of Rs. 70 crore for these works.

Repair of Suspension Bridges

12.130 The memorandum from Arunachal Pradesh has highlighted the importance of suspension bridges for connectivity in hilly and remote areas of the state. The State Government has requested a grant for renovation of 81 identified suspension bridges which require immediate attention. We recommend an amount of Rs. 30 crore for this purpose, as requested by the State Government.

Construction of PDS Godowns

12.131 As requested by the State Government, we recommend Rs. 15 crore for construction of Public Distribution System (PDS) godowns at vulnerable locations, viz. Santipur (Kangkong), Longding, Daporijo, Kalaktang, Thrizino, Zemithang, Boleng and Kibitho to ensure transportation and storage of essential commodities for the PDS.

Preservation of Archaeological and Historical Sites in the State

12.132 The state has sought funds for preservation and development of various archaeological and historical sites, for which we recommend a grant of Rs. 10 crore.

Development of Prisons

12.133 The State Government has requested a grant for development of prison infrastructure. We recommend a grant of Rs. 10.00 crore to cover the requirement of water supply for the district jail, construction of additional male and female wards of 50 inmates capacity and residential accommodation for staff at Itanagar and Tezu.

Health Sector

12.134 The state has projected a requirement of strengthening and adding to its health infrastructure. We recommend an amount of Rs. 50 crore for improving the physical infrastructure in Community Health Centres (CHCs), Public Health Centres (PHCs) and sub-centres in the state.

Construction and Renovation of Community Hall, Kebang Ghar, etc.

12.135 As requested by the State Government, we recommend Rs. 15 crore for construction/maintenance/renovation of community halls, *kebang ghars*, etc.

Infrastructure Development in Tawang District

12.136 The state has highlighted that the border blocks of Jang-Thingbu, Mukto and Lumla Tawang District do not have the desired infrastructure due to difficult conditions. The district is fast emerging as a tourist destination and the State Government has sought a grant to improve sanitation, drainage system, porter tracks, roads and housing in remote blocks of the district situated along the international border. We recommend an amount of Rs. 25 crore for this purpose.

Assam

Border Area Development

12.137 The state memorandum mentions that the areas along the international borders are largely forested and extremely underdeveloped in terms of basic facilities such as water supply, roads, bridges and electrification. Substantial funds have been requested

in order to provide these facilities. We recommend an amount of Rs. 230 crore for this purpose.

Improvement of Buildings, Infrastructure, etc. of Cotton College, Guwahati

12.138 The State Government has stated that Cotton College, Guwahati, established in 1901, is not only a premier educational institution, but also a heritage site which attracts students from all over the North-East as well as other parts of the country. We recommend an amount of Rs. 50 crore for improvement, upgradation and development works to cope with the increasing number of students and academic disciplines.

Heritage Conservation

12.139 The state has sought funds for construction, as well as protection and maintenance of archaeological sites and monuments in the state. We recommend an amount of Rs. 40 crore for this purpose, including Rs. 5 crore for protection, preservation and promotion of the Satras of Majuli Island.

Promotion of Tourism

12.140 The State Government has requested a grant for improvement of tourism infrastructure and for implementation of the state tourism policy. We recommend an amount of Rs. 50 crore for this purpose.

Police Housing

12.141 The State Government has highlighted the shortage of police housing in the state and requested funds for adding to the housing stock. For the civil works/infrastructure development the State Government has sought an amount of Rs. 971.13 crore. We recommend an amount of Rs. 15 crore for construction of junior staff quarters in hills/remote areas and Rs. 35 crore for construction of junior staff quarters in other areas.

Police Training

12.142 In order to make up the shortfall in training facilities, the State Government has sought funds

to expand and strengthen the Training and Armed Police Wing of Assam Police. We recommend an amount of Rs. 25 crore for construction of the Police Academy and Rs. 25 crore for setting up the Counter Insurgency and Jungle Warfare School.

Infrastructure Development of VI Schedule Areas

12.143 As per the state memorandum, 31 per cent of the total geographical area and 14 per cent population of the state fall under Schedule VI areas. The State Government has requested funds for infrastructure developments in these areas. We recommend an amount of Rs. 130 crore (Rs. 40 crore each for Karbi Anglong District and N.C. Hills District and Rs. 50 crore for Bodoland Territorial Council) for this purpose.

Bihar

Construction of Panchayat Sarkar Bhawans:

12.144 In order to enable and empower gram panchayats, the State Government has proposed building of panchayat offices to cater to multiple administrative needs. These Bhawans are also expected to be used as temporary shelters in the event of disasters. We recommend a grant of Rs. 1000 crore for construction of the Panchayat Sarkar Bhawans.

Police Training

12.145 In their memorandum the State Government has explained that as a consequence of bifurcation of the state, Bihar no longer has a police academy. It proposes to set up such an academy at Rajgir for which land has been allotted. The State Government has requested funds to set up this academy which will cater to Deputy Superintendents of Police, Sub-Inspectors and other ranks. We recommend a grant of Rs. 206 crore which has been sought for this purpose.

Police Housing

12.146 The State Government has requested a grant for the construction of lower subordinate quarters, barrack accommodation for constables and model police stations. We recommend a grant of Rs. 106 crore for this purpose.

Heritage

12.147 The State Government has sought grants as follows for heritage development:

- i) *Nalanda Heritage Development Plan:* The State Government proposes to create a Nalanda Heritage Zone, involving Buddhist institutions and establishing linkages with other prominent locations lying along the Buddhist trail in Bihar. The Nalanda Heritage Development Plan also includes improvement of infrastructural facilities for tourism. In order to execute this plan, we recommend a grant of Rs. 50 crore as requested by the State Government.
- ii) *Development and Conservation of Archaeological Sites:* We also recommend a grant of Rs. 50 crore for the development and conservation of 29 sites which have been identified by the State Government.

Establishment of New ITIs

12.148 In a supplementary memorandum, the State Government has apprised the Commission that Bihar needs 105 new Industrial Training Institutes (ITIs) to foster skills amongst its youth and has requested a grant of Rs. 100 crore to create 10 new ITIs, including the recurring cost for the award period. We recommend this grant.

Interlinking of Rivers for Prevention of Floods

12.149 The State Government has requested funds for Burhi Gandak-None-Baya-Ganga link. This link envisages diversion of 300 cumecs of flood water (i.e., partial quantity of flood discharge) of Burhi Gandak river to the Ganga through linking the None and the Baya rivers so that flood damages in the lower reaches of the Burhi Gandak basin area falling under Samastipur, Begusarai and Khagaria districts may be reduced to a great extent. We recommend an amount of Rs. 333 crore for these works which will be carried out after obtaining the necessary clearances.

Chhattisgarh

Development of the New Capital City

12.150 The Government of Chhattisgarh has

represented for funding to develop its new capital city of Naya Raipur. FC-XII had provided a grant of Rs. 200 crore for this purpose. The State Government has requested a grant amounting to Rs. 450 crore from this Commission, for office complexes and housing for government employees and Rs. 100 crore for eco-friendly development projects such as conservation of water bodies, development of city parks and use of non-conventional sources of energy. Keeping in view the requirement of the new state, we recommend Rs. 550 crore as grant for the development of Naya Raipur.

Academy of Administration

12.151 Upon the creation of Chhattisgarh, the Academy of Administration was established in 2004, but has been housed in temporary premises ever since. The state has allotted land for the academy and has sought a grant to build the campus. We propose a grant of Rs. 28 crore for this purpose.

Construction of Anganwadi Centres

12.152 The state has over 17,000 Anganwadis without their own buildings. While the State Government is also using other sources of funding to construct these buildings, it has requested a grant for construction of Anganwadi Bhawans. We recommend an allocation of Rs. 150 crore for this purpose.

Strengthening of Health Infrastructure

12.153 The Chhattisgarh government has indicated a huge gap in basic health infrastructure in the state. As per their request, we recommend a grant of Rs. 66 crore for construction of 500 sub-health centres, 25 Primary Health Centres (PHCs), 5 Community Health Centres (CHCs) and 100 Ayush Dispensaries, with the proviso that priority would be given to remote tribal areas.

Police Training

12.154 In order to increase the training capacity of police training schools and strengthening the upcoming Police Academy at Chandkhuri and Counter Terrorism and Jungle Warfare (CTJW) at

Kanker, we recommend a grant of Rs. 42 crore, as sought by the State Government.

Strengthening of Prison Infrastructure

12.155 The State Government has stated that the prisons in the state are extremely overcrowded. In order to construct two new prisons, strengthen central prisons and upgrade other existing prisons, we recommend a grant of Rs. 150 crore.

Construction of Residential Accommodation for Police Personnel

12.156 The state has reported an acute shortage of accommodation for policemen, a problem which has become more acute with creation of new battalions. We recommend a grant of Rs. 250 crore for construction of accommodation for police personnel, especially constables, head-constables and non-gazetted officers.

Conservation of Heritage

12.157 The State Government has sought a grant for conservation works in monuments as well as related activities such as training and publications. We recommend a grant of Rs. 45 crore for heritage conservation.

Goa

Sea Barricades

12.158 Given the importance of beaches in Goa, the memorandum of the State Government has presented a case for installation of sea barricades to enhance tourist safety. We recommend a grant of Rs. 100 crore for this purpose.

Construction of New International Airport at MOPA

12.159 The state has argued that being a major tourist destination, it urgently needs a new airport as the existing airport at Dabolim is under the overall operational control of the Indian Navy. The state has proposed construction of a new international airport at MOPA on Build-Own-Operate-Transfer (BOOT) basis with an expected initial expense of be Rs. 200 crore. The government

has sought Rs. 100 crore as grant, which this Commission recommends in view of the importance of a new airport for the state.

Gujarat

Ingress of Salinity

12.160 In its memorandum, the Government has noted that 10.69 lakh hectares of land in more than 600 coastal villages have been affected due to the ingress of salinity. We propose an amount of Rs. 150 crore to address this problem.

Coastal Erosions

12.161 The State Government has sought support to tackle the menace of coastal erosion faced by about 450 fishing villages. We propose that Rs. 150 crore be allocated for this purpose.

Ground Water Recharge

12.162 Depletion has been observed in ground water levels of North Gujarat and Saurashtra. The state has requested support for measures to recharge ground water, such as construction of check dams, cleaning and restoration of step wells, deepening of wells and rain water harvesting. A grant of Rs. 200 crore may be provided for this purpose.

Police Training

12.163 Support has been sought for strengthening infrastructure in the four police training establishments in the state. This will enable the state to expand and modernise its training functions effectively. We recommend an amount of Rs. 215 crore for this purpose.

Tribal Area Development

12.164 The State Government has sought support for development of tribal areas in education, agriculture and animal husbandry sectors, as well as in terms of improved administration. We propose an amount of Rs. 200 crore on this account.

Public Health

12.165 The State Government has requested

support for providing integrated quality services through public health schemes. We propose an amount of Rs. 237 crore for this purpose.

Construction of Border Roads

12.166 The Government of Gujarat has sought support for construction of roads in the areas along the international border. We recommend an amount of Rs. 100 crore for this purpose.

Gir Lion Project

12.167 The State Government has requested support for development of the Bruhad Gir area, including support for protection of the Gir lions, maintenance of eco-tourism facilities and environment protection. We support the State Government's request for allocation of an amount of Rs. 48 crore for this purpose.

Haryana

Development of Mewat Region

12.168 State Government has sought support for multi-sectoral development of Mewat District. We recommend a grant of Rs. 300 crore to this backward district as under:

- i) Augmentation of drinking water supply—Rs. 100 crore.
- ii) Infrastructure for industrial training Institutes—Rs. 100 crore.
- iii) Strengthening health infrastructure, including the setting up of medical college—Rs. 100 crore.

Police Training

12.169 The State Government has sought support for strengthening the infrastructure of the police department to enable them to conduct more effective training programmes. We recommend an amount of Rs. 100 crore for this purpose.

Drinking Water

12.170 The state has sought support to improve drinking water supply facilities in southern Haryana and Shivalik areas of the state, including setting up

of reverse osmosis plants. We recommend a grant of Rs. 300 crore for this.

Fire and Emergency Services

12.171 With rapid industrialisation of many parts of Haryana, the fire service department has to be upgraded and adequately equipped to face emergencies. We allocate an amount of Rs. 100 crore for this.

Health Infrastructure

12.172 The State Government has sought support to strengthen its health infrastructure, including additional PHCs, CHCs, Sub Division and district hospital, to fill gaps not covered under other ongoing programmes. We recommend an amount of Rs. 200 crore for this.

Himachal Pradesh

Augmentation of Water Supply Schemes

12.173 The Government of Himachal Pradesh has sought a grant for rehabilitation and source-level augmentation of water supply in chronically dry and arid mid-Himalayan regions of Dehra/Jaswan/Bilaspur/Palampur from Beas and Sutlej rivers/Kol Dama, as a long term solution to the domestic water needs of the people of the region. Given that these regions are chronically water scarce, we recommend a grant of Rs. 150 crore.

Installation of Steel Crash Barriers and Strengthening of Parapets at Chronic Accident Prone Sites

12.174 In a supplementary memorandum, the State Government has requested a grant of Rs. 250 crore for installation of steel crash barriers and strengthening of parapets at about 536 identified chronic accident prone sites, asserting that this is essential to reduce human fatalities and accidents, as well as to enhance comfort level on important national and state highways and other roads located at commanding heights. Given the importance of road safety in the state, we recommend a grant of Rs. 100 crore.

Development of New Parking Lots, Sewage, Drainage and Solid Waste Disposal Schemes

12.175 In view of heavy tourist inflow to the state, the government has requested a grant for development of parking lots, sewerage, drainage and solid waste disposal facilities in 13 important tourist towns and district headquarters in order to improve the environment of these tourist destinations. We recommend a grant of Rs. 50 crore for this purpose.

Border Area Development

12.176 Grants for development of border areas have been sought as per the following:

- i) The state has sought grants for construction and improvement of roads and bridges in the three border blocks of Kalpa, Pooh and Spiti. The state has highlighted the importance of these projects, which would provide alternative road links in these areas, even in times of heavy snowfall. We recommend an amount of Rs. 25 crore, in line with the State Government's petition.
- ii) The state has also requested a grant towards strengthening of electricity infrastructure in the border areas of Kinnaur and Lahaul-Spiti districts. The four projects identified in these districts will improve the quality of power supply and reduce dependence of the populace on scarce fuel woods and sparse tree cover. We recommend a grant of Rs. 25 crore for this purpose.

Jammu & Kashmir

Fiscal Reform

12.177 The Government of Jammu & Kashmir, in its memorandum and supplementary communications to the Commission, has highlighted its fiscal burden under the existing mode of financing temporary mismatches in its receipts and expenditure. Currently this gap is met by overdraft facilities from Jammu & Kashmir Bank, at an average interest rate of 14 per cent. Over the years this has assumed the character of a structural deficit, rather

than a temporary facility to bridge the short-term mismatch in receipt and expenditure. The State Government has proposed a fiscal reform path wherein it would move towards ways and means regime of the Reserve Bank of India (RBI) and has requested the Commission to provide a revenue gap grant of Rs. 2300 crore to liquidate the existing overdraft with Jammu & Kashmir Bank. We have considered the proposal of the State Government and recommend a fiscal reform grant of Rs. 1000 crore with following mechanism for operationalisation of the proposed fiscal reform path:

- i) The balance amount of the existing overdraft shall be met through market borrowings raised by the State Government, for which Ministry of Finance would give permission, over and above the annual borrowing ceiling of the State Government. While this would mean that the state's allowable fiscal deficit would be greater than the fiscal deficit consistent with the FRL path, as set out in Chapter 9, this is a one-off incentivisation measure which will have long term benefits for fiscal consolidation. Hence, we would recommend that this amount not be taken into account when calculating the state's FRL-consistent fiscal deficit.
- ii) A Committee with representatives from Ministry of Finance, RBI and Government of Jammu & Kashmir shall be set up by the MoF to operationalise the alternate ways and means arrangements.
- iii) This mechanism should be operationalised, preferably within 2010-11. However it may be extended by one year, i.e., till 2011-12, beyond which the grant would not be available.
- iv) Ways and Means facility of RBI, as modified from time to time, shall be applicable to the State Government in terms of limits, interest rate, over-drafts etc. RBI may supervise and monitor the scheme for compliance with the provisions.
- v) The state shall raise market borrowings and liquidate 50 per cent of the outstanding

overdraft and inform the Ministry of Finance. The Ministry shall then release the grant of Rs. 1000 crore provided for this purpose. In case the market borrowing is raised in tranches, the grant shall be released in equal proportions.

- vi) If at any stage the State Government violates the WMA/OD (Ways and Means Advance/Overdraft) limits as applicable, the fiscal reform grant to that extent shall be considered as NPRD grant. Consequently, the NPRD grants to the state will decrease by that amount.

Legislative Complex, Jammu

12.178 The Government of Jammu & Kashmir has, in its memorandum, stated that the existing State Legislative building is located within the Civil Secretariat complex in Jammu and that there is pressing need for a new, modern legislative complex at Jammu. The government has requested a grant of Rs. 50 crore for its construction. We recommend this grant.

Mubarak Mandi, Jammu

12.179 During the visit of the Commission to Jammu, the State Government highlighted the importance of the cultural heritage of Mubarak Mandi and the heritage tourism potential of the site. We recommend a grant of Rs. 50 crore for conservation and restoration of these heritage buildings.

Protection and Reinforcement of Tawi River, Jammu

12.180 The State Government has requested funds for protection and reinforcement of the Tawi front to protect the river from pollution, improve drinking water supply and prevent damage to property during floods. We recommend a grant of Rs. 25 crore in this regard.

Construction of PSC Building, Srinagar

12.181 The Public Service Commission (PSC) has a building at Jammu but is housed in temporary

accommodation in Srinagar. As requested by the State Government, we recommend Rs. 15 crore for construction of the PSC building at Srinagar.

Wullar Lake, Kashmir

12.182 In its memorandum the Government of Jammu & Kashmir has stated that Wullar Lake is the biggest fresh water lake in Asia and the first 'Ramsar' site declared in the state. Funds have thus been sought for management of intervention measures for the lake. We recommend an amount of Rs. 120 crore for this purpose.

Road Connectivity in Kargil District, Ladakh

12.183 Funds have been requested for upgradation of existing roads and new road connectivity in the remote areas of Kargil District. We recommend a grant of Rs. 20 crore to meet this requirement

Upgradation of Power Distribution Network in Leh District

12.184 The power distribution network in Leh District was laid more than three decades ago and since then no renovation/modernisation has been carried out. It was reported that the region has not had access to Accelerated Power Development and Reforms Program (APDRP) funds. For the purpose of renovation and modernisation of transmission and distribution system in Leh District, we recommend an amount of Rs. 15 crore, as sought by the State Government.

Sports Complex and Youth Hostel, Leh

12.185 The state has sought funds for construction of an ice hockey rink and other sports facilities for overall development of the youth. We recommend an amount of Rs. 20 crore for the ice hockey rink, including its roofing and other associated works and for an archery stadium, as well as a multipurpose hall for other sports.

Cold Storages and Marketing Facilities for Agricultural and Horticultural Products in Leh

12.186 The State Government has highlighted that the agriculture season is very short, with most of

the agricultural produce flooding the market between June and August, but that there are no storage facilities and modern markets to ensure optimal utilisation of the produce. The state has sought funds for setting up of cold storage units at Leh, Khamti and Nubra, as well as construction of godowns for storage of grains, setting up of vegetable cellars and promoting vegetable processing units. We recommend an amount of Rs. 15 crore for this purpose.

Bridges in Leh District

12.187 Road connectivity is one of the major issues in this region due to its harsh terrain and there is pressing need for some bridges. We recommend a grant of Rs. 15 crore for construction of bridges.

Tourism

12.188 We recommend a grant of Rs. 5 crore for development of eco-tourism in the Leh to benefit the local people, meet their economic needs and guarantee long term conservation of wildlife .

Jharkhand

Construction of Anganwadi Centres

12.189 The supplementary memorandum from the Government of Jharkhand indicates that 20,000 Anganwadi centres in the state do not have proper buildings, which adversely affects the delivery of services at these centres. While the state is utilising its available funds, including those from Backward Regions Development Fund (BRGF) and Rural Infrastructure Development Fund (RIDF), it has requested Rs. 432 crore for construction of 10,000 centres. Given the importance of early childhood care, we recommend the amount sought for this purpose.

Police Training

12.190 In view of the importance of adequate training for police personnel, especially in the context of extremist problems, the State Government has requested grants for establishment of a Jharkhand Police Academy, upgradation of the Jungle Warfare School and for

enhancing capacity of the Constable Training School at Padma. We support these initiatives of the State Government and recommend grants as follows:

		(Rs. crore)
a) Jharkhand Police Academy	:	14
b) Upgradation of Jungle Warfare School	:	29
c) Constable Training School	:	30
Total	:	73

Police Housing

12.191 The State Government has proposed integrated police colonies to provide family accommodation to the police force posted in extremist-affected areas. We recommend a grant of Rs. 225 crore for this purpose.

Construction of ITIs

12.192 The state currently has 20 ITIs, including six for women. It has requested funds for establishing additional ITIs. We recommend a grant of Rs. 200 crore to set up 20 new ITIs. Preference may be given to the 10 districts of the state affected by Left Wing extremism.

Heritage Conservation

12.193 The state has identified 18 sites to conserve and develop monuments and antiquarian remains. It has also proposed to construct heritage galleries for the benefit of tourists as well as the local people. We recommend a grant of Rs. 100 crore for this purpose.

Upgradation of Block Level Infrastructure

12.194 The state's supplementary memorandum has pointed out the gap in infrastructure in 260 blocks where there is shortage of proper office buildings and staff quarters. We recommend a grant of Rs. 270 crore for construction of these buildings.

Development Scheme for PTGs

12.195 The state memorandum has mentioned that there are nine Primitive Tribal Groups (PTGs) in the state. Among other things, the State Government has projected a requirement of

additional hostels and vocational institutes for students from the PTGs. We recommend a grant of Rs. 125 crore for this purpose.

Karnataka

Restoration of Tanks and Traditional Water Bodies

12.196 The State Government has sought assistance to rehabilitate more than 30,000 minor irrigation tanks which are not covered under the existing rehabilitation projects. This initiative will support irrigation and drinking water, while also improving ground water levels. We recommend an amount of Rs. 350 crore for this purpose.

Drinking Water

12.197 The State Government has sought assistance for addressing water quality problems in more than 5800 localities with fluoride-affected water supply and over 300 habitations with arsenic contaminated water supply. The State Government has requested for support, supplementary to the regular funding under the Accelerated Rural Water Supply Programme. We recommend an amount of Rs. 300 crore for this purpose.

Infrastructure in Bengaluru

12.198 Bengaluru is one of India's fastest growing cities and is consequently experiencing immense pressure on its civic infrastructure. Substantial investments are required for water supply, sewerage, solid waste management, roads, storm water drainage, roads, street lighting, etc. As proposed by the State Government, we recommend support for the following initiatives:

- i) Upgrading and investment in solid waste management infrastructure - Rs. 200 crore.
- ii) Upgrading and investment in traffic management infrastructure for developing parking areas and junctions improvements - Rs. 200 crore.

Heritage

12.199 We support the State Government's request

for grants to protect the large number of monuments and buildings reflecting the state's heritage and recommend an amount of Rs. 100 crore on this account.

Police Training

12.200 The State Government has requested support for setting up range-level and district-level police training schools all over the state to create additional capacity for training its police personnel. We recommend Rs. 150 crore for this purpose.

Kerala

Upgradation of the Police Department

12.201 To enhance the efficiency and effectiveness of the Police Department, the State Government has sought support for providing Community Police Resource Centres, Tourist Protection and Police Assistance Centres, Senior Citizens Protection Schemes, Foreigner Facilitation Centres and construction of dormitories for policemen. We recommend an amount of Rs. 100 crore in this regard.

Inland Waterways

12.202 The State Government has sought assistance for development of inland waterways and coastal zone management, including reformation and construction of sea walls. We propose an amount of Rs. 200 crore for this purpose.

Primitive Tribal Groups

12.203 An amount of Rs. 148 crore has been requested for development of primitive tribal groups in Kerala through additional interventions in the health, soil conservation, primary education, drinking water and nutrition sectors. We recommend the allotment of this amount.

Health Infrastructure

12.204 In order to enhance infrastructure in government hospitals, the State Government has requested an amount of Rs. 198 crore for setting up Trauma Care units, strengthening diagnostic

facilities, providing geriatric care and for disposal of bio-medical waste. We recommend this amount for the purpose of improving the health infrastructure in the state.

Fisheries

12.205 The State Government has sought support for development of the fisheries sector, including construction of model fishing villages, provision of drinking water, setting up fish marketing centres, constructing fishing schools, etc. We recommend an amount of Rs. 200 crore for this.

Upgradation of Prisons

12.206 The State Government has sought support for improving facilities in prisons and providing vocational training to prisoners. Installation of solar lighting systems in the prisons is also proposed. We recommend a grant of Rs. 154 crore for this purpose.

Animal Husbandry

12.207 Support has been sought to strengthen the animal husbandry sector, including constitution of hi-tech dairy complexes, a commercial layer farm and setting up of a pharmaceutical production unit. We recommend an amount of Rs. 150 crore for this.

Water Bodies

12.208 The State Government has sought support for restoration of tanks through desilting, repairing sluices and constructing retaining structures. We recommend a grant of Rs. 50 crore on this account.

Kuttanad Development

12.209 State Government has sought support for implementing the Kuttanad Development package which aims at strengthening the ecological security of the Kuttanad wetland eco-system. We recommend a grant of Rs. 300 crore for this purpose.

Madhya Pradesh

Construction of Anganwadi Centres

12.210 The Government of Madhya Pradesh has

drawn attention to the large number of Anganwadi Centres without their own buildings in the state. In view of the importance of these centres for tackling malnutrition and the problems of adolescent girls and mothers, we recommend a grant of Rs. 400 crore for Anganwadi buildings. Priority may be given to areas with high proportion of tribal and SC population as well as other areas with high rates of malnutrition.

Development of Tourism

12.211 The state memorandum has submitted details of requirements of the Government of MP in view of the recent growth in tourism in the state. We are, however, not inclined to support items involving recurring costs, such as publicity and promotion and the Statistical Cell, included in the proposal. We, therefore, recommend a grant of Rs. 180 crore for the tourism sector.

Police Training

12.212 Given the large number of untrained police personnel, the State Government has asked for grants in order to upgrade five police training centres in the state and to establish a new basic constable school at Sagar in line with the standards and norms of the Bureau of Police Research and Development. We recommend a grant of Rs. 180 crore for this purpose.

Conservation of Heritage

12.213 Madhya Pradesh has a large number of heritage sites, including three world heritage sites. The State Government has requested a grant for conservation, development and management of heritage. We recommend a grant of Rs. 175 crore for this purpose. Priority may be given to the large number of monuments which have not received any funds so far.

Health Infrastructure

12.214 The State Government has represented for a grant for critical health infrastructure in the state. In order to improve the delivery of health care

system in the state, we recommend a grant of Rs. 250 crore as follows:

(Rs. crore)	
Details of Activity	Amount
Pediatric Intensive Care Unit for District Hospitals @ Rs. 40 lakh each	20.00
100 Nutritional Rehabilitation Centres (NRCs) for block level institutions, including cost of construction for a 20-bed Children's Ward @ Rs. 15 lakh each	15.00
Casualty wing including trauma unit for district hospitals @ Rs. 125 lakh each	125.00
Microbiology Laboratory for district hospitals @ Rs. 15 lakh each	15.00
Maternity wings in district hospitals @ Rs. 15 lakh each	75.00

Establishment of Virology Laboratory at Gandhi Medical College, Bhopal

12.215 In its supplementary memorandum the Government of Madhya Pradesh has presented a proposal for setting up a Virology Laboratory in the state to identify causative viruses and plan appropriate lines of treatment. We recommend a grant of Rs. 24 crore to establish such a laboratory.

Upgradation of MTH Hospital, Indore

12.216 Funds have been requested to upgrade the hundred year-old MTH Hospital in Indore, which provides safe motherhood and institutional child birth. We recommend a grant of Rs. 22 crore to increase the number of beds from 65 to 300.

Maharashtra

Construction of Anganwadi Centres

12.217 The State Government has noted that about 35,000 Anganwadis do not have buildings of their own, which affects the quality of services. We recommend an amount of Rs. 300 crore for construction of new buildings.

Anti-Sea Erosion Measures

12.218 The State Government has sought support for taking up 110 anti-sea erosion bund works in six districts. We recommend an allocation of Rs. 205 crore for this purpose.

Development of Roads in Difficult Areas

12.219 The State Government has sought support for construction of roads in remote areas in their districts which are not being covered by the Border Roads Organisation. We recommend an amount of Rs. 200 crore on this account.

Police Training

12.220 State Government has sought assistance for enhancing police training facilities through upgradation of its various police training schools as well as the police academy and detective training schools in the state. We recommend a grant of Rs. 223 crore as proposed in this regard.

Heritage Conservation

12.221 To protect and conserve various sites, including forts and monuments which are under the care of the State Government, an amount of Rs. 100 crore has been sought. We recommend that this amount be provided.

Prison Department

12.222 Funds have been sought by the State Government for upgradation of facilities in prisons and improvement in prison security. We propose a grant of Rs. 60 crore for this purpose.

Food Testing Labs

12.223 As requested by the State Government, an amount of Rs. 32 crore is allocated for setting up of food testing laboratories at six divisional headquarters.

Strengthening Industrial Training Institutions

12.224 There are 407 ITIs in the state, many of which were established more than 40 years ago. A number of them have not been modernised since then. We recommend a sum of Rs. 115 crore for strengthening these ITIs through additional infrastructure and replacement of machinery.

Manipur

Development and Maintenance of Kangla Fort

12.225 In its memorandum submitted to the

Commission, the Government of Manipur has highlighted the importance of Kangla Fort, Imphal as the epicentre of the history and culture of the state. In response to this request, we recommend a grant of Rs. 8 crore for the development of Kangla Fort.

Renovation and Maintenance of Raj Bhavan

12.226 The state has drawn our attention to the fact that the present Raj Bhavan Complex was constructed in 1898. In view of its structural design, maintenance of the building is a difficult task. The State Government has sought an amount of Rs. 10 crore for renovation to ensure that the heritage building is maintained for future generations. We recommend this grant.

Upgradation of Manipur Police Training School (Pangei) to Manipur Police Training College (MPTC)

12.227 It has been stated in a supplementary memorandum received from the state that Manipur State Police has only a police training school catering to basic training of constable/riflemen recruits and that there is no capacity to impart basic training or in-service training to other police personnel. The State Government has sought funds to improve training capability for the police force in the state. Given the security scenario in the state and the importance of police training, we recommend a grant of Rs. 84.00 crore for this purpose.

Infrastructure for Police Stations in Rural and Remote Areas

12.228 The State Government has sought funds to strengthen police infrastructure in remote and rural areas, the State Government has proposed nine new police stations. We recommend a grant of Rs. 23 crore for this purpose.

Border Area Development

12.229 The State Government has sought funds for improvement and upgradation of internal roads, sewerage and drainage, water, street lighting and basic urban amenities at Moreh, a small urban

pocket in the hill district of Chandel along the international border. We recommend a grant of Rs. 25 crore for this purpose.

Special Upgradation Grants for Sports

12.230 In the supplementary memorandum submitted by the state, attention has been drawn to the consistently outstanding performance by sportspersons from Manipur at the national/international level. The State Government has received grants from both FC-XI and FC-XII for upgradation of the main sports complex at Imphal. The state has sought a further amount of Rs. 100 crore for maintenance of its ten year-old infrastructure in line with international standards. We recommend this grant, keeping in view the contribution of the state to national achievements in sports.

Infrastructure for Autonomous District Councils

12.231 The State Government has indicated that the delimitation exercise for the district councils has been completed and that preparations for elections in the state are underway. Once the autonomous district councils (ADCs) are constituted, there would emerge huge demand for administrative infrastructure. The state has sought an amount of Rs. 51 crore for construction of this infrastructure. Keeping in view that the Manipur (Hill Areas) District Councils (Third Amendment) Act, 2008 has been passed by the Manipur Legislative Assembly, in October 2008, with the objective of strengthening the councils, we recommend the amount sought by the state.

Meghalaya

Setting up of the Meghalaya Police Academy

12.232 The Government of Meghalaya has sought funds to strengthen its infrastructure for training of police personnel by setting up the Meghalaya Police Academy. We recommend an amount of Rs. 50 crore for this purpose.

Augmentation of Tura Phase I & II Water Supply Schemes

12.233 The state has submitted that Tura Phase I

and II Water Supply schemes were formulated in 1970 and 1980 respectively and that the sources for these have been depleted over the years. In view of the rapid expansion of towns in Tura district, the State Government has proposed an augmentation scheme to provide safe and adequate water supply to all households. We recommend an amount of Rs. 50 crore for the scheme.

Heritage and Tourism

12.234 The state has sought an amount of Rs. 25 crore for protection, preservation and development of heritage sites, museums and buildings, including survey, research and documentation activities. The state has some of the longest and deepest caves in the subcontinent and has requested Rs. 5 crore for development of cave tourism. We recommend an amount of Rs. 30 crore for preservation of heritage as well as cave tourism.

Infrastructure for Horticulture

12.235 The state has petitioned for funds for upgradation of its existing infrastructure to promote expansion in horticulture, including traditional horticulture and plantation crops. We recommend an amount Rs. 38 crore in this regard.

Warehousing Facilities

12.236 As requested by the State Government, we recommend Rs. 2 crore for construction of warehouses at Tura and Baghmara of West Garo Hills and South Garo Hills District, respectively, for storage of essential commodities.

Construction of Bridges

12.237 The State Government has highlighted that there are a large number of semi-permanent timber bridges (SPTs) which often collapse during monsoon season and require frequent maintenance. The state has sought a grant for the purpose of converting 4.22 kilometres of SPTs into two-lane reinforced cement concrete bridges. We recommend an amount of Rs. 80 crore for this purpose.

Mizoram

Sainik School

12.238 The Government of Mizoram has highlighted the importance of a Sainik School for Mizoram to enhance the scope of students from the state joining the Defence Services. Currently, the state shares a Sainik School with Manipur, located in Imphal. We recommend an amount of Rs. 50 crore for a Sainik School in Mizoram.

Construction of Raj Bhavan

12.239 Based on a request from the state, we recommend a grant of Rs. 30 crore for construction of a new Raj Bhavan.

Construction of Jails

12.240 The state has highlighted lack of capacity to accommodate inmates in its prisons and has requested assistance for completion of three new district jails and two sub-jails. We recommend an amount of Rs. 30 crore for this purpose.

Infrastructure Schemes for the Three Autonomous District Councils

12.241 The state has sought amounts of Rs. 5.80 crore, Rs. 7.91 crore and Rs. 11 crore for construction of the respective secretariat/office buildings for Mara ADC, Lai ADC and Chakma ADC. We recommend a grant of Rs. 25 crore for these upgradation works.

Construction of Playground in Khatla Village, Aizawl

12.242 The state has submitted a proposal for construction of a playground in Khatla Village for the promotion of sports and culture among the youth, as well as for social purposes and has sought funds for this purpose. We recommend an amount of Rs. 2 crore for the playground.

Construction of Police Station Buildings in Border Areas

12.243 The State Government has sought funds for construction of 24 police stations, along with

residential quarters and 15 police outposts in the border areas. We recommend a grant of Rs. 31 crore for this purpose.

Construction of Primary Health Centres and Health Sub-Centres

12.244 The State Government has highlighted the need to construct proper buildings for PHCs and SCs. We recommend an amount of Rs. 30 crore for construction of 15 PHCs and 150 sub-centres along with staff quarters.

Fire and Emergency Services

12.245 In response to the State Government's memorandum, we recommend an amount of Rs. 20 crore for building new fire stations to revamp the fire and emergency services in the state.

Construction of Additional Building for Civil Secretariat

12.246 In view of the need for increased office space in the new Capital complex, we recommend a grant of Rs. 20 crore for construction of additional buildings for the Civil Secretariat.

Heritage Conservation

12.247 The State Government has sought an amount of Rs. 7 crore for transforming the residence of the late chief of Hliappui village, handed over to the government, into a heritage centre by construction of an auditorium and public library in the vicinity of the building. Further, the state has requested funds for improving connectivity to the existing heritage places which are located at some distance from the villages or main roads. We recommend a grant of Rs. 12 crore for these works.

Nagaland

Social Welfare

12.248 The state has sought funds for establishment of Blind Schools and Vocational Training Centres for differently-abled persons. We recommend a grant of Rs. 30 crore on this account.

Police Infrastructure

12.249 In view of the shortage of police housing pointed out by the State Government, we recommend an amount of Rs. 100 crore for construction of Type-I units for lower functionaries of the police department in remote areas.

Health

12.250 The state has sought an amount of Rs. 72.20 crore for construction of staff quarters for PHCs, CHCs and SCs in rural areas. We recommend an amount of Rs. 30 crore for construction of staff quarters for PHCs and SCs.

Tourism

12.251 We recommend an amount of Rs. 35 crore against the state's request for a grant for development of rural tourism across 30 destinations.

Development of Horticulture

12.252 As requested by the State Government, we recommend Rs. 20 crore for construction of warehouses for storage as well as development of horticulture markets in the state.

Development of Border Areas

12.253 The state has highlighted that the villages along the international boundary have fallen behind the rest of the state in terms of connectivity, basic health care facilities, potable water supply and other infrastructural facilities and has sought funds to bridge these gaps. We recommend an amount of Rs. 35 crore to develop roads and to provide clean drinking water in the border areas.

Orissa*Consolidation and Strengthening: Echo Restoration of Chilika Lake*

12.254 Chilika Lake in Orissa is the largest brackish water lagoon in Asia. Past Commissions, including FC-XII, have provided grants for undertaking various works related to the lake. The Government of Orissa has requested funds for various works,

including participatory watershed management, bio-diversity conservation and an outreach programme. Given the importance of the lake eco-system, we recommend an amount of Rs. 50 crore for works related to Chilika Lake.

Construction of Anganwadi Centres

12.255 The Government of Orissa has reported that over 24,000 Anganwadi centres in the state do not have their own buildings. Given the critical role of Anganwadis in improvement of nutrition, child health and reproductive services, we recommend that an amount of Rs. 400 crore be provided for construction of the centres, with priority to the tribal areas of the state.

Upgradation of Health Infrastructure

12.256 The State Government has requested funds for upgradation of health infrastructure as follows:

- i) The state memorandum draws attention to large gaps in provision of buildings and staff quarters for sub-centres and PHCs and has requested a grant for this purpose. We recommend a grant of Rs. 275 crore with the proviso that the state makes a concerted effort to fill all gaps in the tribal districts of the state.
- ii) The State Government has also requested funds for additional buildings in the three existing medical colleges. We recommend a grant of Rs. 75 crore for this purpose.

Incentive Grant for Development and Upgradation of the Distribution System

12.257 The state has represented that it had not received adequate support in its pioneering effort in terms of a radical reform programme involving private sector participation in power distribution. Agricultural power consumption in Orissa is extremely low at only 2 per cent of the total power consumption in the state. The State Government has proposed an investment plan of Rs. 1000 crore to strengthen its power distribution, to be shared between the State Government (Rs. 200 crore), Gridco (Rs. 147 crore) and the various Discoms (Rs.

153 crore) and has requested a Finance Commission grant of Rs. 500 crore towards this programme. Given the need to strengthen the distribution system in the state, we recommend the grant as sought by the State Government, on the condition that the remaining Rs. 500 crore is contributed by the State Government, Gridco and the Discoms in equal proportion.

Police Training

12.258 Based on proposals from the State Government, we recommend the following amounts for police training in the state:

i) Establishment of a basic training school for civil police at Byree, Jagpur District	Rs. 20 crore
ii) Establishment of a basic training school for armed police at Burla, Sambalpur District	Rs. 30 crore
iii) Establishment of a new anti-extremist training school at Koraput/Rourkela	Rs. 20 crore
Total	Rs. 70 crore

Upgradation of Jails

12.259 The State Government has drawn the Commission's attention to overcrowding in jails and the need for upgradation of security of jails in view of the extremist problem in the state. We recommend that Rs. 100 crore be given for this purpose. Besides additional fortifications and security measures, the state should also use this amount to ensure better amenities to prisoners, such as improvement in sanitation, water-supply and medical care.

Preservation of Monuments and Buddhist Heritage

12.260 The state has a large number of ancient heritage structures which require conservation. These include a large number of Buddhists heritage sites. Previous Commissions have provided grants for conservation work which the State Government has found useful. We recommend Rs. 65 crore for this purpose.

Fire Services

12.261 The state memorandum has highlighted the enormous gap in provision of fire services in the state, based on which, we recommend an amount of Rs. 150 crore for this purpose. The state should ensure that part of this fund is utilised to upgrade the fire service training institution and to provide training to fire service personnel.

Establishment of Market Yards at the Block Level

12.262 The state has requested a grant for construction of 150 market yards to provide an efficient marketing structure at the block level. We find this a useful intervention and recommend a grant of Rs. 60 crore for this purpose.

Punjab

Measures to Improve Adverse Sex Ratio

12.263 The Government of Punjab has requested support for various programmes to improve the adverse sex ratio in the state. We consider this as an extremely critical intervention and recommend a grant of Rs. 250 crore.

Development of Kandi Areas

12.264 The state has requested support for development of Kandi areas, including funds for maintenance of infrastructure constructed earlier and measures for soil conservation and water harvesting. We propose an amount of Rs. 250 crore for this.

Border Areas

12.265 The state has sought support for upgradation and maintenance of infrastructure in areas along the international border. It has sought assistance to upgrade power and road connectivity and health infrastructure, as well as to provide water supply and sanitation. We recommend an amount of Rs. 250 crore for this purpose.

Irrigation

12.266 The State Government has requested support to strengthen the irrigation infrastructure

in the state, in terms of maintenance and repairs, flood control works and measures to address the problem of water logging in the south-west districts of the state. We recommend an amount of Rs. 200 crore to upgrade the irrigation infrastructure and another Rs. 200 crore to address the problems in water-logged areas.

Police Training

12.267 The state has sought support for upgrading training facilities for police personnel. We propose an amount of Rs. 200 crore for this purpose.

Heritage

12.268 The State Government has sought support for protection and maintenance of historical monuments and archaeological sites. We propose an amount of Rs. 100 crore for this purpose.

Support to EC's Initiative towards Capacity Building

12.269 The Empowered Committee of State Finance Ministers (EC), in its letter to the Commission on 16 December 2009, has requested support for research capacity building and establishment costs, to be routed through the Government of Punjab on behalf of all states. The EC is playing a pivotal role in the introduction of the Goods and Service Tax and requires all possible assistance. We recommend a grant of Rs. 30 crore to the Punjab Government which would be earmarked for support to the Empowered Committee of the State Finance Ministers for the activities stated above.

Rajasthan

Drinking Water

12.270 The Commission has sanctioned grants for strengthening the drinking water infrastructure in the state through:

- i) Rehabilitation and expansion of the water distribution system.
- ii) Replacement of old machinery.
- iii) Addressing fluoride nitrate, salinity and iron-affected areas.

Given the criticality of this requirement, we propose that an amount of Rs. 500 crore be allocated for these projects, of which Rs. 100 crore be allocated to border districts.

Irrigation

12.271 The state has sought support for the 60 pending irrigation projects which could be completed within the next three years. Given the substantial area which will thus be brought under irrigation, we propose an amount of Rs. 300 crore for this purpose.

Public Health Infrastructure:

12.272 The state has sought support for strengthening infrastructure in public hospitals, including diagnostic equipment and generators. We recommend an amount of Rs. 150 crore for this purpose.

Highways

12.273 The State Government has requested support for upgrading and improvement of those state highways and minor district roads which are not being taken up by other programmes. We recommend an amount of Rs. 150 crore for this.

Training of Police, Prison Personnel and Home Guards

12.274 The State Government has sought assistance for strengthening training infrastructure for various departments such as police, jails, home guards and civil defence. We propose an amount of Rs. 100 crore for this purpose.

Sikkim

Development of Tourism

12.275 In view of the importance of tourism for the state's economy, the Government of Sikkim has sought grants for promotion of tourism as follows:

- i) The state has highlighted their project for the construction of a 'sky walk' at Bhaley Dung, South Sikkim. It has been argued that this will be the first of its kind in the country. It

is expected to be a major tourist attraction as it would be exciting to walk over transparent glass overlooking the skies below, at a height of almost 5000 ft. The project would, thus, have a major impact on infrastructure development and enhance commercial activities in the state. We recommend a grant of Rs. 200 crore, while urging the State Government to ensure that the fragile ecosystem in the region is not disturbed in the course of implementation of the project.

- ii) The second project highlighted by the state relates to development of village tourism and requires funds for improvement of village surroundings, connectivity and the natural attractions in rural areas. We recommend an amount of Rs. 80 crore for this purpose.

Repair/ Renovation of Suspension Foot Bridges under North District of Sikkim

12.276 The state memorandum has highlighted the need for replacement of old and dilapidated timber bridges by steel members as well as replacement of old cables and suspenders. Since, these bridges ensure connectivity of villages in remote and backward areas, we recommend a grant of Rs. 35 crore, as sought by the State Government.

Water Security and Public Health Engineering

12.277 The state has requested funds for upgradation of the Namchi Water Supply Scheme, overhauling of the Lower Changay Source for Gyalshing Water Supply and Rabdentse Water Supply Scheme. It has stated that these schemes will take care of drinking water supply in two districts of South and West Sikkim. We recommend Rs. 20 crore for this purpose.

Police Training and Infrastructure

12.278 Grants have been sought by the State Government for police training and infrastructure as follows:

- i) The state has sought funds to set up a police training centre at Yangang in order to

augment this training capacity, including additional residential accommodation and equipments. We recommend a grant of Rs. 10 crore for this purpose.

- ii) The State Government has also represented shortage of both residential and non-residential buildings for the police force. We recommend a grant of Rs. 15 crore for this purpose.

Border Area Development

12.279 For development of its border areas, the State Government has requested funds as per the following requirements:

- i) The state has sought grants of Rs. 6 crore to create additional storage facilities for essential commodities since the transportation of these commodities has often been disrupted upon closure of the National Highway due to unavoidable circumstances. We recommend the amount sought by the State Government.
- ii) The state has emphasised the need to reinforce the existing security infrastructure along both domestic and international borders by creating new monitoring checkpoints, improving road transport links, strengthening security equipments, etc. We recommend that a grant of Rs. 15 crore be given to the state towards this end.

Establishment of State Capacity Building Institute

12.280 For the purpose of imparting training, facilitating transfer of knowledge and building and developing the potential capacities of unemployed youth, the state has proposed setting up of a Capacity Building Institute at Burtuk. In order to enable the state to help the youth gain knowledge and skills for various career options, we recommend a grant of Rs. 10 crore as sought by the State Government.

Conservation of Heritage and Culture of Sikkim

12.281 The State Government has stated that a number of monuments have been conserved with the grant provided by FC-XII and has sought grants

for conservation of the remaining monuments in the state. We recommend a grant of Rs. 9 crore in this regard.

Tamil Nadu

Slum Improvement

12.282 Tamil Nadu is the most urbanised state in the country. The State Government has requested support for its effort to progressively cover the entire slum population in the state in terms of housing, drinking water, nutrition and education. We recommend an amount of Rs. 300 crore towards this end.

Coastal protection

12.283 To protect the long coastline of the state from sea erosion, the State Government has proposed to take up anti-sea erosion measures in nine districts. These include construction of groyne fields, rubble mound sea walls and training walls on river mouths. We recommend a grant of Rs. 200 crore for this purpose.

Marine Discharge Project

12.284 The State Government has sought support to implement the Marine Discharge Project as a permanent solution to effluent discharge from the bleaching, dyeing and processing units of the state. We allocate an amount of Rs. 200 crore for this project. It is expected that the textile industry and the State Government will also share the costs of the project.

Traditional Water Bodies

12.285 The government has sought support to take up works for restoring 525 water bodies in the state, which are not covered by other programmes. These tanks require desilting and strengthening of bunds and sluices. They will contribute to drinking water security, while also raising the ground water level. We recommend an amount of Rs. 200 crore for works related to these water bodies.

Heritage Conservation

12.286 The State Government has sought support for renovation and maintenance of ancient temples

of historical importance, which reflect the state's heritage. We recommend a grant of Rs. 100 crore in this regard.

Health Infrastructure

12.287 The State Government has sought support for provision of health and infrastructure in public hospitals, including construction of health centres and water analysis laboratories and purchase of diagnostic equipments. We allocate an amount of Rs. 200 crore for this.

Police Training

12.288 The State Government has requested support for strengthening infrastructure facilities to provide training to its police personnel. We recommend an amount of Rs. 100 crore for this purpose.

Tripura

Police Training

12.289 The Government of Tripura has sought funds to establish a police academy to meet the training needs of police personnel in the state, including training needs for counter-insurgency. At present the State Government has to send large numbers of its police personnel for training to other states at considerable cost. Given the importance of police training, we recommend a grant of Rs. 10 crore to establish a police academy in the state.

Construction of Battalion Headquarters for Tripura State Rifles

12.290 The Memorandum indicates that the state has raised 13 Battalions of Tripura State Rifles (TSR) to strengthen the police force, as well as to tackle the insurgency problem. Five of these battalions do not have proper headquarters. The State Government has requested a grant to construct headquarters comprising an administrative block, barracks, staff quarters and other buildings for these battalions. In order to strengthen the security forces in the state, we recommend a grant of Rs. 75 crore.

Development of Infrastructure for Zonal Offices under Autonomous District Council

12.291 The Tripura Tribal Autonomous District Council (TTADC) is spread over all four districts of the state, with zonal headquarters in each of the districts. The State Government has requested a grant to develop zonal offices for the TTADC. In view of the need to provide proper outreach for the Council in all four districts, we recommend Rs. 20 crore for development of infrastructure in its four zonal offices.

Construction of Drainage System in Agartala

12.292 It has been stated in a supplementary memorandum received from the state that the city of Agartala suffers from periodic floods due to lack of a storm water drainage system. Several areas of the city are situated such that gravity discharge into the surrounding rivers is severely hindered. The State Government has requested funds for construction of about 3 lakh metres of drains and pumping stations. In our view, this would be a worthwhile investment to improve health and sanitation in the city and we therefore recommend a grant of Rs. 200 crore. However, the cost of electricity for pumping may not be borne by this grant.

Technical Education

12.293 The State Government has sought a grant for setting up of four polytechnic institutions in the Schedule VI Areas at Khumulwng, Ambassa, Bagbassa and Fulkumari. The MHRD has already provided certain grants for the polytechnic at Fulkumari and we see no merit in providing another source of funds for it. In order to promote technical education in TTADC areas, we recommend a grant of Rs. 75 crore for the three polytechnics.

Development of Kok-Borok Language and Culture

12.294 The main language of the inhabitants of the TTADC area is Kok-Borok. The State Government has sought a grant for development of the language to preserve the linguistic identity of the Tripura tribes. We recommend a grant of Rs. 10 crore for this purpose.

Development of Maharaja Bir Bikram College (MBBC) Complex at Agartala

12.295 The State Government has stated that the Maharaja Bir Bikram College (MBBC) at Agartala is not only a premier educational institution of the state, but also an important heritage site. In response to the request from the State Government, we recommend a grant of Rs. 30 crore for conservation and development of MBBC.

Modernisation of Churaibari Checkpost Complex

12.296 The State Government has emphasised the need for a modern checkpost on the only National Highway (NH-44) connecting the state at Churaibari. This is expected to have a favourable impact on state revenues. The Commission recommends a grant of Rs. 20 crore for modernising this check post.

Construction of the New Raj Bhawan

12.297 The present Raj Bhawan is located in a building constructed more than a century ago. Many parts of this heritage building have now become unfit for use, whereas a portion of this complex has been converted into a public park. The Government of Tripura has identified a site for the new Raj Bhawan at the new capital complex and has requested Rs. 30 crore for its construction. We recommend this amount.

Improvement of the Prison System

12.298 The Twelfth Finance Commission had provided Rs. 30 crore in the first phase of the 'prison system improvement project' for construction of a central jail with modern amenities at Bishalgarh. The State Government has requested funds to complete the second phase of this project comprising construction of staff quarters, additional wards and a playground. We recommend Rs. 15 crore, as sought by the state, to ensure that these works are completed.

Construction of Fire Service Headquarters

12.299 As requested by the State Government, we recommend Rs. 15 crore for construction of the headquarters of fire services in the state.

Uttar Pradesh

Border Roads

12.300 The State Government has requested assistance to develop roads along the international border for improvement in connectivity and rapid development. We recommend that an amount of Rs. 250 crore be provided for this.

Infrastructure Support to Varanasi

12.301 The city of Varanasi is a centre of national and international importance for pilgrims and tourists and thus, needs support to improve its infrastructure.

- i) The State Government has sought support for development of ghats and kunds. We recommend a grant of Rs. 45 crore for this purpose.
- ii) The State Government has also requested funds for laying of branch sewer lines to complement the works being undertaken through a JICA (Japan International Cooperation Agency) assisted project in District III of CIS Varuna area of the city. We allocate an amount of Rs. 60 crore for this work.
- iii) Funds have been requested separately to strengthen fire services in the state. We propose a grant of Rs. 20 crore to upgrade the fire and emergency services in Varanasi.

Development of Backward Areas

12.302 Grants have been sought by the State Government for development of backward areas as follows:

- i) *Drought proofing:* The State Government has sought support for drought proofing and strengthening of irrigation facilities in the Bundelkhand region. It proposes to strengthen and restore tanks, build check dams and refurbish tube wells. We recommend an allocation of Rs. 200 crore for this purpose.

- ii) *Improving connectivity:* (a) Support has been requested for improving road connectivity between tehsil and block headquarters and with district headquarters in Bundelkhand region. We propose to allocate an amount of Rs. 150 crore for this purpose. (b) Another proposal has been presented, for connectivity between the block headquarters, tehsil headquarters and district headquarters in the 12 districts of Poorvanchal region. We propose a grant of Rs. 150 crore for construction of these roads.

Police Department

12.303 To enhance the functioning of the police department and strengthen training infrastructure, the State Government sought support for a number of initiatives. We recommend allocations as under:

- i) Support for construction of residential buildings for non-gazetted police officers—Rs. 200 crore.
- ii) Support for strengthening of the present training infrastructure and setting up of new police training centres – Rs. 132 crore.

Development of Agricultural Market Yards

12.304 Given the criticality of agriculture to the state, the State Government has requested support for setting up 2101 agriculture marketing hubs, each of which would provide grain storage, farmer service centres, banks and primary processing units. We support this request and recommend a grant of Rs. 354 crore.

Heritage

12.305 The State Government has requested support for development of museums, conservation of monuments, as well as strengthening of roads connecting important heritage sites. We propose an amount of Rs. 100 crore for this purpose.

Upgradation of Civil Service Training Facilities

12.306 The State Government has proposed to enhance its training facilities by strengthening the

UP Academy of Administration and Management. This includes setting up of a Disaster Management Cell, a centre for good governance and a cell for WTO (World Trade Organization) matters. We propose an amount of Rs. 18 crore for construction of academic, administrative and hostel blocks.

Uttarakhand

Sewerage Scheme for Dehradun:

12.307 The memorandum from the Government of Uttarakhand has highlighted the population pressure on the city of Dehradun after creation of the new state. At present, only a part of the town is covered by the sewerage system. The State Government has sought a grant to cover the entire city. We recommend a grant of Rs. 150 crore for this purpose.

Police Training and Upgradation of Police Infrastructure

12.308 The State Government has sought a grant for construction of a Police Training Centre and construction of administrative buildings for police stations and police outposts. Uttarakhand, being a new state, requires upgradation of police training and infrastructure. We recommend Rs. 20 crore for construction of the Police Training Centre and Rs. 50 crore for construction of police stations and police outposts.

Development of Tourism

12.309 The state has sought funds for construction works for basic facilities like drinking water, accommodation and electrification at various tourist destinations. To improve the facilities for tourists, we recommend Rs. 100 crore for this purpose.

Establishment of Five Nursing Training Colleges

12.310 The State Government has requested Rs. 100 crore for establishing five nursing training colleges in Pithoragarh, Almora, Tehri, Chamoli and Pauri Districts of the state to address the issue of acute shortage of nursing staff in the state, particularly in remote areas. We recommend this grant.

Construction of a New Legislative Assembly Building

12.311 Since Uttarakhand is a new state, it has no Assembly building and the state legislature is functioning from one of the existing office buildings. The State Government has requested a grant of Rs. 88 crore for construction of a new Assembly building. We recommend the amount sought by the state.

Development of Culture

12.312 While highlighting the rich culture and availability of large quantities of artifacts and antiquities in the state, the State Government has proposed the construction of a state level museum at a cost of Rs. 25 crore. It has also requested a grant of Rs. 20 crore for construction of an auditorium for various cultural activities. We recommend a total grant of Rs. 45 crore to meet these requirements.

Creation of International Level Sports Complex at Haldwani (Nainital)

12.313 The state has proposed the construction of an international level sports complex at Haldwani at a cost of Rs. 25 crore, since there is no such facility in the state at present. We recommend the amount sought for this purpose.

Upgradation of Uttarakhand Board of Technical Education, Roorkee

12.314 The state has sought an amount of Rs. 17 crore for construction of a building for establishment of a separate cell for Joint Entrance Examination, Institute of Research, Development and the Training and Board of Technical Education. We recommend the amount sought by the State Government.

Border Area Development

12.315 The state has highlighted the acute shortage of infrastructure for rural development in remote and border areas of the state and has requested a grant for community development-cum-marketing

centres and residential buildings for the Gram Vikas Adhikari and Agriculture Assistant in each Naya Panchayat of the five border districts. We recommend an amount of Rs. 105 crore for this purpose.

West Bengal

Police Training

12.316 The Government of West Bengal has requested grants for police training as follows:

- i) The State Government has requested a grant for augmentation of training capacity for the West Bengal Police, involving creation of training schools for 1600 additional personnel annually. We recommend a grant of Rs. 91 crore, as sought by the state.
- ii) The State Government has also sought a grant for Subsidiary Police Training Schools for the Kolkata Police to ramp up training facilities for 1500 additional personnel annually. We recommend a grant of Rs. 72 crore for these training schools.

Police Housing

12.317 The state memorandum has drawn the Commission's attention to the acute shortage of residential accommodation for West Bengal and Kolkata police. We recommend a grant of Rs. 90 crore, as requested, for the construction of 2000 housing units.

Strengthening of River Embankments

12.318 The State Government has emphasised that strengthening, along with armouring of the riverside slope of embankments of the most vulnerable portions in the Sunderban region, is essential to prevent damage from tidal floods. During our field visits, the Commission witnessed the damage done to many of the embankments. We recommend a grant of Rs. 450 crore for strengthening of embankments, as well as construction and renovation of drainage structures in the Sunderban region.

Upgradation of Fire and Emergency Services

12.319 Having converted the West Bengal Fire Service Department into the West Bengal Fire and Emergency Department in view of new challenges, the State Government has requested a grant for its upgradation and strengthening. We recommend a grant of Rs. 150 crore to fill the infrastructure and equipment gaps in the Department.

Strengthening of Public Health Infrastructure

12.320 In response to the State Government's request, we recommend a grant of Rs. 300 crore for construction of sub-centres, primary health centres and additions to the sub-divisional and district hospitals in the state.

Construction of Anganwadi Centres

12.321 The State Government has pointed out that over 74,000 Anganwadi Centres in the state do not have their own buildings. We recommend a grant of Rs. 300 crore for construction of Anganwadi Centres.

Improvement of Road Infrastructure in Border Areas

12.322 In a supplementary memorandum, the State Government has drawn our attention to the critical need for better connectivity in blocks on the international border. We recommend a grant of Rs. 150 crore for construction of roads for this purpose.

Heritage Conservation

12.323 It has been indicated to the Commission by the State Government that although the state has numerous historical monuments, museums, archives and archaeological sites, their maintenance needs to be improved. We recommend an amount of Rs. 100 crore on this account.

General Conditionalities

12.324 In addition to the stipulations prescribed in paras 5.52 and 9.82, the following conditionalities

shall apply with regard to the state-specific grants recommended above:

- i) No funds from any of the state-specific grants may be used for land acquisition by the states. Wherever land is required for the project/construction, such land may be made available by the State Government.
- ii) The phasing of the state-specific grants given in Table 12.6 is only indicative; states may communicate their required phasing to the Central Government. The grant may be released in a maximum of two instalments in a year. However, no grants would be released in 2010-11 except the three grants indicated in the Table.
- iii) Accounts shall be maintained and Utilisation

Certificates (UCs)/Statements of Expenditure (SOE) provided as per General Finance Rules (GFR 2005).

12.325 A statement indicating total transfers to the states is given in Table 12.7.

Monitoring

12.326 The Twelfth Finance Commission had recommended that a High Level Monitoring Committee headed by the Chief Secretary should review the utilisation of grants on a quarterly basis and take corrective actions as required to ensure proper utilisation of these funds. In our view this committee has served a useful purpose and should be continued in the future to monitor the grants recommended by us.

Table 12.6: Grants-in-Aid for State-specific Needs

(Rs. crore)

State	2010-11	2011-12	2012-13	2013-14	2014-15	2010-15
1	2	3	4	5	6	7
Andhra Pradesh	20.00	312.50	312.50	312.50	312.50	1270.00
Arunachal Pradesh	0.00	75.00	75.00	75.00	75.00	300.00
Assam	0.00	150.00	150.00	150.00	150.00	600.00
Bihar	0.00	461.25	461.25	461.25	461.25	1845.00
Chhattisgarh	0.00	320.25	320.25	320.25	320.25	1281.00
Goa	0.00	50.00	50.00	50.00	50.00	200.00
Gujarat	0.00	325.00	325.00	325.00	325.00	1300.00
Haryana	0.00	250.00	250.00	250.00	250.00	1000.00
Himachal Pradesh	0.00	87.50	87.50	87.50	87.50	350.00
Jammu & Kashmir	1000.00	87.50	87.50	87.50	87.50	1350.00
Jharkhand	0.00	356.25	356.25	356.25	356.25	1425.00
Karnataka	0.00	325.00	325.00	325.00	325.00	1300.00
Kerala	0.00	375.00	375.00	375.00	375.00	1500.00
Madhya Pradesh	0.00	307.75	307.75	307.75	307.75	1231.00
Maharashtra	0.00	308.75	308.75	308.75	308.75	1235.00
Manipur	0.00	75.25	75.25	75.25	75.25	301.00
Meghalaya	0.00	62.50	62.50	62.50	62.50	250.00
Mizoram	0.00	62.50	62.50	62.50	62.50	250.00
Nagaland	0.00	62.50	62.50	62.50	62.50	250.00
Orissa	0.00	436.25	436.25	436.25	436.25	1745.00
Punjab	30.00	362.50	362.50	362.50	362.50	1480.00
Rajasthan	0.00	300.00	300.00	300.00	300.00	1200.00
Sikkim	0.00	100.00	100.00	100.00	100.00	400.00
Tamil Nadu	0.00	325.00	325.00	325.00	325.00	1300.00
Tripura	0.00	125.00	125.00	125.00	125.00	500.00
Uttar Pradesh	0.00	419.75	419.75	419.75	419.75	1679.00
Uttarakhand	0.00	175.00	175.00	175.00	175.00	700.00
West Bengal	0.00	425.75	425.75	425.75	425.75	1703.00
Total States	1050.00	6723.75	6723.75	6723.75	6723.75	27945.00

Table 12.7: Total Finance Commission Transfers to States (2010-15)

(Rs. crore)

States	Share in Central Taxes & Duties	Post De-volution NPRD	Performance Incentive	Local Bodies	Disaster Relief (including capacity building)	Grants-in-aid (2010-15)										Total Transfers (col.2 + col.17)	
						Improving Outcomes					Environment re-lated Grants						State of Specific
						Elementary Education	Im-prove-ment in Justice Delivery	Incen-tive for Issuing UIDs	District Innovation Fund	Im-prove-ment of Statisti-cal Sy-tems at State & District Level	Em-ployee and Pension base	Forests Water Sector and Manage-ment	Roads and Bridges	of Specific	In-aid [sum of col.3 to col.16]		
1 Andhra Pradesh	100616.0	0.0	0.0	7195.1	2138.7	942.0	270.7	126.1	23.0	23.0	10.0	268.6	284.0	981.0	1270.0	13532.3	114148.3
2 Arunachal Pradesh	4755.6	2516.2	0.0	305.7	187.7	24.0	77.6	2.0	16.0	16.0	5.0	727.8	8.0	162.0	300.0	4348.2	9103.8
3 Assam	52620.6	0.0	300.0	1892.8	1336.8	238.0	121.1	55.8	27.0	27.0	5.0	184.6	88.0	336.0	600.0	5212.1	57832.7
4 Bihar	158341.2	0.0	0.0	5682.1	1411.2	4018.0	385.0	369.2	38.0	38.0	10.0	38.4	304.0	464.0	1845.0	14602.8	172944.1
5 Chhattisgarh	35825.2	0.0	0.0	2267.2	647.1	857.0	125.1	91.0	18.0	18.0	10.0	411.1	88.0	362.0	1281.0	6175.5	42000.7
6 Goa	3857.8	0.0	0.0	172.0	17.3	11.0	15.0	2.0	2.0	2.0	10.0	36.9	8.0	40.0	200.0	516.2	4374.0
7 Gujarat	44107.1	0.0	0.0	3757.6	2110.9	483.0	299.8	90.7	26.0	26.0	10.0	81.9	236.0	1261.0	1300.0	9682.9	53789.9
8 Haryana	15199.5	0.0	0.0	1521.3	824.4	229.0	124.2	32.1	21.0	21.0	10.0	8.8	212.0	267.0	1000.0	4270.8	19470.3
9 Himachal Pradesh	11327.3	7888.8	0.0	641.5	670.3	113.0	64.8	6.4	12.0	12.0	5.0	100.6	64.0	436.0	350.0	10364.4	21691.6
10 Jammu & Kashmir	20182.7	15936.3	0.0	1122.6	877.6	449.0	104.5	5.9	22.0	22.0	5.0	133.0	88.0	140.0	1350.0	20255.9	40438.7
11 Jharkhand	40640.3	0.0	0.0	2239.8	1100.2	1528.0	177.5	116.4	24.0	24.0	10.0	151.4	108.0	334.0	1425.0	7238.4	47878.6
12 Karnataka	62774.9	0.0	0.0	6496.7	687.1	667.0	269.8	138.9	29.0	29.0	10.0	221.0	128.0	1625.0	1300.0	11601.4	74376.3
13 Kerala	33954.3	0.0	0.0	2676.1	563.2	140.0	140.1	49.6	14.0	14.0	10.0	135.5	176.0	953.0	1500.0	6371.5	40325.8
14 Madhya Pradesh	103268.9	0.0	0.0	5833.5	1652.7	2216.0	407.4	249.7	50.0	50.0	10.0	490.3	148.0	986.0	1231.0	13324.5	116593.4
15 Maharashtra	75406.9	0.0	0.0	8743.6	1859.6	744.0	542.7	317.4	35.0	35.0	10.0	309.6	368.0	2103.0	1235.0	16302.8	91709.8
16 Manipur	6541.2	6056.6	0.0	315.9	40.9	15.0	11.6	4.0	9.0	9.0	5.0	150.3	8.0	100.0	301.0	7026.3	13567.5
17 Meghalaya	5918.5	2810.9	0.0	432.4	77.9	52.0	4.2	4.5	7.0	7.0	5.0	168.1	4.0	101.0	250.0	3923.9	9842.4
18 Mizoram	3901.3	3991.4	0.0	310.7	47.5	5.0	13.0	1.2	8.0	8.0	5.0	171.2	4.0	89.0	250.0	4904.0	8805.3
19 Nagaland	4552.9	8146.1	0.0	415.7	29.7	7.0	6.2	4.0	11.0	11.0	5.0	138.6	8.0	159.0	250.0	9191.3	13744.2
20 Orissa	69316.1	0.0	0.0	3270.9	1647.8	1016.0	193.6	178.5	30.0	30.0	10.0	331.0	184.0	1022.0	1745.0	9658.8	78974.9
21 Punjab	20146.4	0.0	0.0	1753.8	948.8	224.0	120.8	21.6	20.0	20.0	10.0	9.2	320.0	612.0	1480.0	5540.3	25686.6
22 Rajasthan	84892.2	0.0	0.0	5163.8	2519.3	1766.0	268.5	134.9	33.0	33.0	10.0	88.3	224.0	1509.0	1200.0	12949.8	97842.0
23 Sikkim	3466.8	0.0	200.0	187.2	118.1	5.0	21.8	1.1	4.0	4.0	5.0	40.6	4.0	68.0	400.0	1058.8	4525.7
24 Tamil Nadu	72070.4	0.0	0.0	5455.9	1241.4	700.0	252.4	145.6	31.0	31.0	10.0	142.5	192.0	1865.0	1300.0	11366.9	83437.3
25 Tripura	7411.5	4453.3	0.0	369.8	101.0	23.0	24.0	6.4	4.0	4.0	5.0	95.5	8.0	122.0	500.0	5716.1	13127.6
26 Uttar Pradesh	285397.1	0.0	0.0	12740.5	1622.1	5040.0	645.8	590.0	70.0	70.0	10.0	80.5	1364.0	2831.0	1679.0	26742.9	312140.0
27 Uttarakhand	16245.1	0.0	1000.0	781.3	605.1	197.0	102.2	36.0	13.0	13.0	5.0	205.4	76.0	329.0	700.0	4063.0	20308.1
28 West Bengal	105358.6	0.0	0.0	5773.1	1288.3	2359.0	210.9	208.4	19.0	19.0	10.0	79.0	296.0	673.0	1703.0	12638.7	117997.2
Total	1448096.0	51800.0	1500.0	87519.0	26373.0	24068.0	5000.0	2989.0	616.0	616.0	225.0	5000.0	5000.0	19930.0	27945.0	258581.0	1706676.0

Note: 1. An amount of Rs. 60,000 crore is not included in the total Grants-in-aid figure in column 17. This comprises three grants (a) GST Compensation grants (Rs. 50,000 crores),

(b) Grants for reduction in IMR (Rs. 5000 crores) and (c) Renewable energy grant (Rs. 5000 crores). The state-wise allocation of these grants is not possible at this stage as this is dependent on their future performance. Adding these forward looking grants to the total grants figure in column 17, the aggregate Grants-in-aid figure works out to Rs. 318581 crores and the total transfers work out to Rs. 1766676 crores.

2. Total may not tally due to rounding off.