

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:985

ANSWERED ON:19.07.2002

DIVERSION OF FUNDS FOR CENTRAL SPONSORED SCHEMES BY STATES

GADDE RAMAMOCHAN;M.V.V.S MURTHI

Will the Minister of FINANCE be pleased to state:

- (a) whether it has come to the notice of the Union Government that some State Governments have diverted the Centre's money meant for the specific schemes to meet the State Governments expenses;
- (b) if so, the details of such States;
- (c) the reasons for diverting the centrally sponsored schemes funds by the State Governments;
- (d) the action taken by the Union Government in this regard;
- (e) whether the Union Government have chalked out any plan for the State Governments so that the State Governments do not divert the funds meant for specific purposes; and
- (f) if so, the details in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE):

(a) to (f) Yes, Sir. As most States have been facing large Revenue deficits in their budgets, Plan funds including funds for Centrally Sponsored Schemes have in many cases been diverted to meet emergent nonplan needs. For shortfalls in Plan expenditure reported by State Governments, proportionate cuts are made from the Central Assistance allocated to the State Government. Releases in Centrally Sponsored Schemes are dependent on utilization certificates from State Governments. Any diversion of funds meant for these schemes result in subsequent releases to the concerned States being curtailed. The only effective cure to prevent such diversion is for the States to ensure that Revenue deficits are wiped out. Subsequent to the recommendations of the Eleventh Finance Commission, the Ministry of Finance has drawn up a scheme called the States' Fiscal Reforms facility. Under this scheme, States are being given suitable incentives to bring down their Revenue Deficits by 2004-05.