

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1277  
ANSWERED ON:08.03.2002  
ELEVENTH FINANCE COMMISSION  
PATY RIPPLE KYNDIAH

**Will the Minister of FINANCE be pleased to state:**

(a) whether the 11th Finance Commission in its report suggested that financing of expenditure of special Category States need to be restructured; and

(b) if so, the steps the Government have taken on the recommendation of the EFC to restructure financing of expenditure of Special Category States?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) and (b): Yes, Sir. The Eleventh Finance Commission observed that the Non-plan gap of Special Category States had been covered by their recommendations on Revenue Deficit Grants. The Commission, therefore, felt that the then prevailing practice of diverting 20% of the Normal Central Assistance to Special Category States to meet their non-Plan gap may not be necessary. Subsequent to the EFC's award, non-Plan Revenue Deficit Grants are being released to Special Category States as per the Commission's recommendations. However, based on the actual assessment of revenue deficit, the Planning Commission still earmarks a part of Normal Central Assistance to meet the deficit. Secondly, the EFC also observed that the infrastructure needs of the North Eastern States, be assumed by the Central Government. From 1997/1998, each Central Ministry is supposed to earmark 10% of its Plan funds for the North East. Any shortfall in expenditure results in the residual amount flowing into a Non-lapsable Pool for the North East, ensuring that infrastructure projects of the North East are financed largely from Central funds. The EFC also recommended a review of the Plan assistance formula including the Gadgil formula. The National Development Council, in its meeting in September, 2001, did not accept any departure in the existing norms of Central Assistance to Special Category States or otherwise.