

## Annexure 2

# SOME EXAMPLES OF TRANSFER OF FUNDS TO THE STATE

**TABLE 2.1 SUMMARY OF THE CHARACTERISTICS OF THE THREE FORMS OF DEVOLUTION OF FUNDS TO THE STATES**

	Finance Commission	Devolution to States Through Finance Ministry/Planning Commission	
		Support to States' Plans (Central Assistance)	Support to Central Ministries (CSS)
Approx. amount in 2001/02 in billion rupees	700	400	250
Share in National Gross Domestic Product in 2001/02	2.8%	1.5%	1.0%
Whether grant or loan	All grant	30% grant, 70% loan for major states, but 90% grant, 10% loan for special category states (SCS). Some new programmes are 100% grant, such as RSVY.	Almost all grant, used for financing centrally spon- sored schemes (CSSs) and transfers to DRDAs, etc.
Discretion in fund utiliza- tion	States have full control, can be used for both plan and non-plan, but due to the growing size of non-plan expenditure and interest burden, FC grants are not being used for plan, as these are hardly sufficient for meeting the growing non-plan expenditure.	Non-SCS states can use it only for plan; SCS can divert 25% of assistance for non-plan; states decide sec- tor-wise breakup and obtain Planning Commission's approval once a year. However after 1991 the states are free to formulate new schemes without consulting the Planning Commission.	These funds are not part of state plans; schemes are for- mulated by central ministries in consultation with states and states are asked to con- tribute a part, usually 25% of the cost; though there are some new CSS that are 100% funded by central gov- ernment. Implementation of these schemes is done by state governments.
Who decides state-wise breakdown?	Finance Commission, once in five years, decides the share in taxes, evolves a formula (favorable to poor states) to distribute among the states, and also gives discretionary grants to some states for covering their non-plan deficit.	These two components are part of the annual GBS (gross budgetary support to Plan) and its size is decided by the Finance Ministry in consultation with Planning Commission. The breakdown of GBS into central assistance for states and central plan for ministries is decided by the Planning Commission. The breakdown of central assistance for states into normal Central Assistance and Additional Central Assistance (generally 50:50) is again at the discretion of Planning Commission. However, the inter-state distribu- tion of normal Central Assistance is guided by the Gadgil Formula that gives weighting to poverty, etc. The distribu- tion of Additional Central Assistance among the states is determined by the nature of the scheme, or is at the discre- tion of Planning Commission. Many central ministries, except rural development, do not have a transparent formu- la for fixing state allocations. The state's share in their bud- get depends on the nature of the scheme, past expenditure and the interest taken by the state.	

**TABLE 2.2 CENTRAL ASSISTANCE AND NON-PLAN TRANSFERS ALLOCATED AND RELEASED TO THE GOVERNMENT OF BIHAR (RS. CRORE)**

Item	2001-02		2002-03		2003-04	
	Allocation	Released	Allocation	Released	Allocation	Released as on 11.08.2003
<b>PLAN</b>						
NCA	1239	1181	1354	1253	1501	598
SDS	18	0	17	17	17	
ACA for EAPs	16	17	51	1	0	
ACA	100	100	100	104	50	
PMGY	246	141	242	242	242	
AIBP	200	3	150	14	100	
NSAP		0	62	62	62	26
BADP	7	0	7	7	7	
APDP		0	138	66	138	
REC		0	68	68	68	
DRF		0	0	0	500	0
ISUI			15		15	
NPAG					13	
<b>Total</b>	<b>1826</b>	<b>1442</b>	<b>2204</b>	<b>1835</b>	<b>2713</b>	<b>624</b>
<b>Non-Plan</b>						
CRF	53	26	55	82	58	0
Share in central taxes <sup>a</sup>	7079	6177	7150	6559	7392	2640
Small savings loan	1300	1310	1598	1575	1362	639
Degradation grant	52	59	52	45	51	5
Local bodies grant	122	109	122	197	122	0
<b>Total</b>	<b>8606</b>	<b>7681</b>	<b>8978</b>	<b>8458</b>	<b>8985</b>	<b>3284</b>

**TABLE 2.3 ALLOCATION AND RELEASES OF RD FUNDS FOR BIHAR DURING 9TH PLAN (RS. CRORE)**

Years	Central Allocation	Central Release	Difference
1997-98	829.95	729.93	100.03
1998-99	1084.84	856.32	228.53
1999-2000	1232.07	953.17	278.90
2000-01 <sup>a</sup>	721.11	442.67	278.44
2001-02	780.00	617.24	162.76
<b>Total</b>	<b>4647.97</b>	<b>3599.33</b>	<b>1048.64</b>

**TABLE 2.4 FUNDS FLOW FOR RD SCHEMES IN BIHAR FOR 2002-03**

Name of the Scheme	Opening balance	Central allocation	Central releases	State releases	Total available funds	Total expenditure	% exp to available	No. of districts getting II instalments
SGSY	109	73	38	13	160	108	68	2
SGRYI	110	189	135	64	309	238	77	23
SGRYII	81	174	132	56	270	205	76	25
IAY	167	328	197	66	430	293	68	15
Total (incl. others)	519	865	599	204	1321	898	68	

**TABLE 2.5 SCHEME-WISE DETAILS OF ALLOCATION AND RELEASE OF FUNDS TO BIHAR DURING 2002-03 AND 2003-04 FROM THE DEPARTMENT OF FAMILY WELFARE, GOI (RS. LAKH)**

Name of the centrally sponsored scheme	Allocation made during 2003-04	Amount released during 2002/03	Amount utilized in 2002/03	Remarks	
Sub-centers	7478	9403	Releases made are assumed to be fully utilized. Any excess expenditure incurred by the state is reimbursed in the form of arrears on submission of audited statement of expenditure.	No releases were made during 2002-03 because of unspent balance lying with the state govt. No allocation was made for 2003-04.	
Urban FW services	185	134			
Direction & administration	1408	1090			
Transport	96	107			
Basic training for ANM/LHVs	480	282			
Maintenance & strengthening of HFWTCS	91	69			
Sterilization beds	4	3			
Compensation for sterilization	750	631			
IEC	0	0			Not reported.
Supply of contraceptives,	No state- wise allocation is made and releases are demand driven	6625			Assumed to be utilized in full.
RCH program		4120	84		
Maternity benefit scheme		270	Not reported.		
Empowered action group		3	Not reported.		
Arrears		6042	Arrears are the expenditure of the states in excess of the releases made during the previous years and are released on the production of audited statements of expenditure by the state govt.		

**TABLE 2.6 DATES OF RECEIPT OF FUNDS AND ALLOCATION FOR 2002-03 AT THE DISTRICT LEVEL**

Name of scheme	1st installment				2nd installment			
	Central		State		Central		State	
	Date	Allocation	Date	Allocation	Date	Allocation	Date	Allocation
SGRY1	10.6.02	279.410	7.1.03	93.140	21.4.03	226.50	31.3.03	98.95
SGRY2	2.8.02	244.46	7.1.03	96.83	21.5.03	200.67	31.3.03	66.89
IAY	4.7.02	380.64	7.1.03	101.504	12.3.03	58.768	26.3.03	19.584
SGSY	20.8.02	104.75	2.12.02	34.916	Not received			
NOAPS	14.5.02	60.72	Not received		26.2.03	49.41		
SOAPS			7.2.03	87.561			21.3.03	87.561
NFBS	24.5.02	1.58	Not received		28.2.03	9.630	Not received	
					31.3.03	7.710		
NMBS	Not yet received		--		Not received			

<sup>8</sup>The difference between allocations and releases is due to poor tax collections by the central government, and has nothing to do with the State's performance.

<sup>9</sup> Both in 2000-01 and 2001-02 part of cash assistance was converted into food grants, hence the central allocation is lower than in the previous years.