

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3546
ANSWERED ON:20.08.2004
NON- PLAN EXPENDITURE OF STATE GOVERNMENTS
Singh Shri Uday

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has asked the State Governments to take steps to control their burgeoning non-plan expenditure;
- (b) if so, whether the Government have also expressed concern over deteriorating condition of State finances; and
- (c) if so, the details of the new strategies to be adopted to improve the State finances in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANEMANICKAM):

(a) & (b) In the wake of deteriorating financial situation of States, to supplement the efforts of the State Govts. in fiscal consolidation, Govt. of India has created a States Fiscal Reforms Facility (2000-01 to 2004-05) pursuant to the recommendations of the Eleventh Finance Commission. Under the Facility the State Governments are required to undertake medium term fiscal reforms programme aimed at augmentation of revenue receipts and compression of revenue expenditure including non-plan revenue expenditure.

(c) Government of India, in the Union Budget 2004-05, has announced a number of measures for further consolidation of the financial position of States, which inter-alia, include substantial increase in States' share of Central taxes and duties, extending the present debt swap scheme to allow States to raise fresh loans to repay their old high cost loans to NABARD and other agencies, reducing interest rate on loans advanced by Central Government to States, considering passing on external loan assistance on back to back basis to States, special economic packages for the States of Bihar, Jammu & Kashmir and North Eastern States and setting up a Backward States Grant Fund.,