

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1516
ANSWERED ON:13.12.2013
CRITERIA FOR CENTRAL ASSISTANCE
Singh Dr. Raghuvansh Prasad;Sudhakaran Shri K.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government had constituted a committee to look into the financial condition of States and prescribe criteria for providing them central assistance;
- (b) if so, the details thereof;
- (c) whether the said committee has submitted its report to the Government;
- (d) if so, the details thereof along with the main recommendations made by the committee and the follow up action taken by the Government thereon; and
- (e) if not, the time by which the said committee is likely to submit its report to the Government?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) & (b) The Government had constituted a Committee for evolving a composite development index of States, under the Chairmanship of Dr. Raghuram G. Rajan. The terms of reference of the Committee included;
 - (i) To suggest methods for identifying backward States on the basis of measures such as the distance of the State from the national average on a variety of criteria such as per capita income and other indicators of human development;
 - (ii) To suggest any other method or criteria to determine the backwardness of States;
 - (iii) To suggest the weightage to be given to each criterion;
 - (iv) To recommend how the suggested criteria may be reflected in future planning and devolution of funds from the Central Government to the States.
 - (v) To suggest ways in which the absorptive capacity of States for funds and their ability to use the funds to improve well-being can be assessed and used to influence devolution to incentivise performance.
- (c) The Committee submitted its Report in September 2013.
- (d) The recommendations of the Committee are the following:
 - (i) The framework outlined in the Report be used to allocate some of the development funds that are allocated by the Centre to the States.
 - (ii) The proposed underdevelopment index be updated on a quinquennial basis and performance be measured relative to the last update.
 - (iii) The index and the allocation formula be re-examined after 10 years and revisions proposed based on experience.
 - (iv) "Least developed" States, as identified by the index, be eligible for other forms of Central support that the Central Government may deem necessary to enhance the process of development.
 - (v) The approach recommended in the Report is not intended to replace all existing methodologies, but should be thought of as one that will channel some fund allocations based on need and performance. Other methodologies may serve different purposes and should be used in parallel to allocate other funds.

The recommendations of the Report are being examined by the Government.

- (e) Does not arise, in view of (c) above.

