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Title:Need to treat Puducherry as a State and bring it within the fold of Central Finance Commission.

PROF. M. RAMADASS (PONDICHERRY): The Union Territory of Puducherry, which is administered by the Ministry of Home Affairs is facing acute financial crisis. Among other things, the financial arrangement under the UT Act is responsible for the present financial situation. Since the Union Territories are not covered under the recommendations of the Finance Commission, UT of Puducherry is not entitled to receive revenue from Central Revenue Pool. In lieu of it, the UT is receiving only the non plan gap grant which for the last four years has remained constant at Rs. 438 cores. Although the non plan expenditure is growing leaps and bounds, the gap grant is not increasing even in proportion to the increase in price level. Earlier the Planning Commission used to give 70% grant and 30% as loan. But now the grant portion is reduced to 30% and UT is asked to raise loan from the open market forcing the UT to borrow at higher rate of interest. This is widening the debt burden of the UT. Further, the UT is not entitled to receive local bodies grant recommended by the Finance Commission or by the Finance Commission constituted by the Ministry of Home Affairs. Consequently the local bodies which have been revived after 38 years are languishing without adequate funds even to discharge normal, basic functions to the local communities. All these exert greater pressure on the UT Administration. Consequently, the UT is not able to undertake infrastructure development project or plan development programmes. The development process is substantially affected. Therefore, it is urged that since UT of Puducherry has a legislature, it should be treated as a State and should be covered by the recommendations of XIII Finance Commission. The debt of the UT of Puducherry should be waived off as a matter of development gesture. The Government of India should restore the old pattern of providing 70% plan grant and 30% loan to the UT of Puducherry. The Ministry of Home Affairs should release substantial amount to be devolved to local bodies of the UT of Puducherry. It should help to smoothen the financial position of UT of Puducherry.