# PRESENTATION
# ON THE ROLE AND FUNCTIONS OF THE FINANCE COMMISSION

# Budget at a glance

| # | Items | BE 2021-22 |
|---|---|---|
| **A** | **Revenue Receipts (I+II+III)** | **15231.79** |
| 1 | State's Own Tax Revenue | 2679.23 |
| 2 | State's Own Non Tax Revenue | 694.03 |
| **I** | **Total State's Own Revenue Receipts (1+2)** | **3373.26** |
| 3 | Share in Central Taxes | 5104.88 |
| 4 | Revenue Deficit Grant | 1279.00 |
| **II** | **Total Devolution from Finance Commission (3+4)** | **6383.88** |
| **III** | **Other Tied Grants from Centre (CSS/CS, 15th FCetc)** | **5474.65** |
| **B** | **Capital Receipts (5)** | **30.17** |
| 5 | Non-Debt capital Receipts | 30.17 |
| **C** | **Total Receipts (A+B)** | **15261.96** |

| # | Items | BE 2021-22 |
|---|---|---|
| **D** | **Revenue Expenditure** *(of which)* | **13956.47** |
| 1 | Interest Payment | 1046.86 |
| 2 | Pension | 1303.59 |
| 3 | Salary (including GIA Salary) | 5215.05 |
| **E** | **Capital Expenditure (4+5+6)** | **3366.88** |
| 4 | Capital Outlay | 2816.50 |
| 5 | Loans and Advances | 59.38 |
| 6 | Repayment of loans | 491.00 |
| **F** | **Total Expenditure (D+E) ( including repayment)** | **17323.35** |
| **G** | **Total Expenditure (F) (excluding repayment)** | **16832.35** |
| **H** | **Revenue Deficit (D-A)** | **-1275.32** |
| **I** | **Fiscal Deficit (G-C)** | **1570.39** |

| | |
|---|---|
| % of the SOR (Tax and Tax) in funding Total Expenditure (State) | 20.04 |
| % of the total Devolution of the 15th FC in funding Total Expenditure (State) | 37.93 |
| % of the Grant (tied) from Government of India | 0.18 |
| GSDP | 38565.95 |
| Fiscal Deficit as % of GSDP | 4.07 |
| Outstanding Deb of the State | 35.60 |

# Budget at a glance (State)

| # | Receipts | BE 2021-22 |
|---|---|---|
| **A** | **Revenue Receipts (I+II)** | **9757.14** |
| 1 | State's Own Tax Revenue | 2679.23 |
| 2 | State's Own Non Tax Revenue | 694.03 |
| **I** | **Total State's Own Revenue Receipts (1+2)** | **3373.26** |
| 3 | Share in Central Taxes | 5104.88 |
| 4 | Revenue Deficit Grant | 1279.00 |
| **II** | **Total Receipts from Finance Commission (3+4)** | **6383.88** |
| **B** | **Capital Receipts** | **30.17** |
| 5 | Non-Debt capital Receipts | 30.17 |
| **C** | **Total Receipts (A+B)** | **9787.31** |

| # | Expenditure | BE 2021-22 |
|---|---|---|
| **D** | **Revenue Expenditure** *(of which)* | **9795.74** |
| 1 | Interest Payment | 1046.86 |
| 2 | Pension | 1303.59 |
| 3 | Salary (including GIA Salary) | 5215.05 |
| **E** | **Capital Expenditure (4+5)** | **1561.88** |
| 4 | Capital Outlay | 1502.50 |
| 5 | Loans and Advances | 59.38 |
| **F** | **Total Expenditure (E+F)** | **11357.62** |
| **G** | **Fiscal Deficit (F-C)** | **1570.31** |

| | |
|---|---|
| % of the SOR (Tax and Tax) in funding Total Expenditure (State) | 29.70 |
| % of the total Devolution of the 15th FC in funding Total Expenditure (State) | 56.21 |
| GSDP | 38565.95 |
| Fiscal Deficit as % of GSDP | 0.04 |

# About Finance Commission

Finance Commission is a statutory body constituted once in every five years under Art. 280 of the Constitution

The primary function of the Finance Commission is to study the trends and projections of the fiscal (receipts-expenditure) and socio-economic conditions of both the Centre and States and on the basis of the analysis made, determine the financial devolutions to the States for the entire timeframe under the award of the Commission i.e **Share of net proceeds of central taxes** and **Revenue Gap Grant**.

Depending on the Government of the day Finance Commission is also mandated, as reflected in its Terms of Reference (TOR), to determined the grants for the states to manage and **Control Natural Calamity**, grant in aid to the **local bodies (both rural and urban)** to ensure the provision of basic amenities to the citizens of the country, **Sector Specific Grants** meant to address certain Critical Sectors which have both National and States interest and also **State Specific Grants**

# The 15th Finance Commission

The latest Commission, 15th Finance Commission, was constituted on the 27TH November, 2017 with Shri N. K. Singh, as Chairman.

The Commission was constituted against the backdrop of the abolition of Planning Commission (as also of the distinction between Plan and non-Plan expenditure) and the introduction of the goods and services tax (GST), which has fundamentally redefined federal fiscal relationsn

The Commission submitted its first report on the 1st February, 2020 consisting of the recommendations for the financial year 2020-21.

The final report of the Commission, called 'Finance Commission in COVID Times' was tabled in parliament on the 1st February, 2021

# Mandate of the 15th Finance Commission on the vertical and horizontal devolution

Para 4 (i) of the 15th Finance Commission's terms of reference (ToR) which flows from Article 280(3) of the Constitution of India mandates the Commission to make recommendations regarding

“(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, divided between them under Chapter I, Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds”.

A very important task of the Commission is therefore, to recommend the division of the net proceeds of taxes collected by the Union Government. These net proceeds constitute the divisible pool (after excluding cesses, surcharges and cost of collection) between the Union and the States. This is called the **vertical devolution** or the vertical sharing of taxes.

The second part of the above ToR mandates this Commission to recommend the shares of each State from the divisible pool of taxes which are devolved. This is called **horizontal devolution** or horizontal sharing of taxes.

# Vertical Fiscal Imbalance

The Constitution of India empowered both the Union and the States to raise revenues from different sources of taxation and also assigned responsibilities to incur expenditure through subjects in three lists – Union List, State List and Concurrent List – in the Seventh Schedule.

By Constitutional design, this distribution has given higher taxation power to the Union Government whereas higher responsibilities for incurring expenditure have been given to the to the States.

The Union Government normally raised around 60 % of the total resources raised by both the Union and States, whereas the States spent around 55-60 per cent of the total expenditure of the Union and the States

# Vertical Fiscal Imbalance

Thus there is a structural vertical imbalance which necessitates orderly transfer of resources from the Union to the States.

At an aggregate level the States could generate their own resources to meet only around 45% of their total expenditure. This means that the remaining 55 per cent needed financing through vertical resource transfers and/or by contracting debt. In case of the NE States it is 20%.

In view of this vertical fiscal imbalance, the Constitution has mandated that the Finance Commission assess the imbalance and recommend the sharing of resources based on such assessment.

# Share of Central Taxes (Divisible Pool) amongst States

The Commission is mandated, as per TOR, to determine and recommend the share of the net proceeds of central taxes (Divisible Pool) between the Centre and the States known as the Vertical Devolution.

It may be noted that 14th Finance Commission is of the view that tax devolution is the ideal route of transfer of resources to States. Since it is formula based, it is fair and predictable therefore, conducive to sound fiscal federalism.

Driven by the above view and also the discontinuation of the Planning Commission, 14th Finance Commission recommended 42 per cent of the divisible pool for sharing with the States, up from the 32 per cent share recommended by the FC-XIII.

In this regard the 15th Finance agrees with the rationale of the 14th Finance Commission on vertical sharing/devolution and therefore, retained more or less the same level of vertical devotion as that recommended by the FC-XIV, i.e. 41% .

# Share of Central Taxes (Divisible Pool) amongst States

*At present , the vertical devolution under the recommendation of the 15th Finance Commission is 41% (Decrease from 42 % under the 14th Finance Commission).*

The portion for each State out of the 41% Central taxes/divisible pool mentioned above meant, is then determined by the Commission through the State-wise transfer known as the Horizontal Devolution.

The state-wise transfer is based on respective percentage/co-efficient determined for each State. The percentage co-efficient is itself being determined on the basis of certain parameters such as: (1) Area, (2) Forest Cover, (3)Income Distance (4) Fiscal Efficiency and Population to which a given weightage is assigned.

# Parameters for determining the horizontal devolution

| Criteria | Weights % |
|---|---|
| Population | 15 |
| Area | 15 |
| Forest and Ecology | 10 |
| Income Distance | 45 |
| Tax and Fiscal Efforts | 2.5 |
| Demographic Performance | 12.5 |
| Total | 100% |

# Share of Central Taxes amongst the States

Based on the weightage of the above parameters the Commission determines the inter-se share of the 41% vertical devolution between the States.

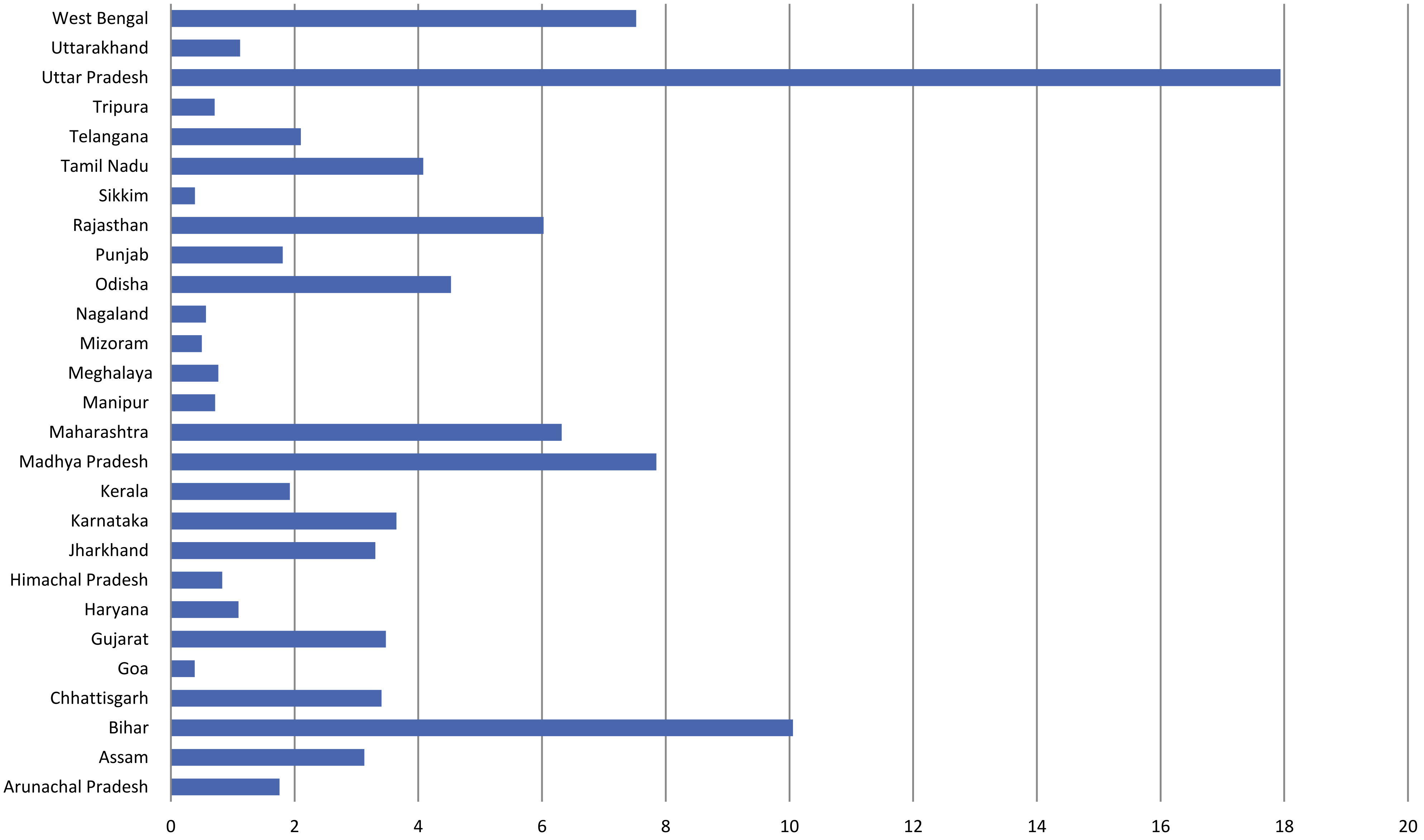
The percentage figure/co-efficient which indicates how much each State is entitled out of the 41% vertical devolution is determined based on the above mentioned parameters. In the case of Meghalaya percentage determined, under the recommendation of the 15$^{th}$ Finance Commission, is 0.767%

Accordingly, as per Union Budget 2021-22, out of the Vertical Devolution of 41% or Rs. 658591.00 Cr to be shared amongst the States, the Share of the State Meghalaya out of the same, using the above co-efficient of 0.767% is threrfore, Rs 5051 Cr.

# Inter se Shares of States

| | |
|---|---|
| Arunachal Pradesh | 1.757 |
| Assam | 3.128 |
| Bihar | 10.058 |
| Chhattisgarh | 3.407 |
| Goa | 0.386 |
| Gujarat | 3.478 |
| Haryana | 1.093 |
| Himachal Pradesh | 0.830 |
| Jharkhand | 3.307 |
| Karnataka | 3.647 |
| Kerala | 1.925 |
| Madhya Pradesh | 7.850 |
| Maharashtra | 6.317 |
| Manipur | 0.716 |
| Meghalaya | 0.767 |
| Mizoram | 0.500 |
| Nagaland | 0.569 |
| Odisha | 4.528 |
| Punjab | 1.807 |
| Rajasthan | 6.026 |
| Sikkim | 0.388 |
| Tamil Nadu | 4.079 |
| Telangana | 2.102 |
| Tripura | 0.708 |
| Uttar Pradesh | 17.939 |
| Uttarakhand | 1.118 |
| West Bengal | 7.523 |
| | 100.00 |

# State wise coefficient/percentage for inter se shares of central taxes



# Basis for determination of Revenue Deficit Grant

The fiscal capacities of States and whether or not they are entitled for Revenue Gap Grant are determined on the basis of the difference between the projected State's Own Resources (Tax and Non Tax) and the Expenditure on the Revenue Account worked out by the Finance Commission for each State.

The difference/gap is known as the pre-devolution gap

The Pre-Devolution Gap is bridged by the respective Share of Central taxes for each State. The Gap that persists after the devolution of the Central share is known as the Post Devolution Gap.

# Pre Devolution gap statement

(Rs. in crore)

| Particulars | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2021-26 |
|---|---|---|---|---|---|---|
| **A GSDP** | 35941 | 39021 | 42706 | 47038 | 51919 | 216625 |
| **B Own Revenue Receipts** | 2471 | 2708 | 2995 | 3336 | 3724 | 15234 |
| **1** Own Tax Revenue | 1988 | 2180 | 2412 | 2688 | 3002 | 12270 |
| **2** Own Non-Tax Revenue | 483 | 528 | 583 | 648 | 722 | 2964 |
| **C** Estimated GST Compensation | 146 | 162 | 187 | 214 | 318 | 1027 |
| **D Revenue Expenditure of which** | 8947 | 9522 | 10220 | 10843 | 11570 | 51102 |
| **1** Interest Payment | 919 | 1002 | 1089 | 1178 | 1276 | 5464 |
| **2** Pension | 1142 | 1205 | 1271 | 1341 | 1414 | 6373 |
| **E Pre-Devolution Revenue Deficit (+) / Surplus (-)** | **6330** | **6652** | **7038** | **7293** | **7528** | |

# Determination of Revenue Deficit Grant

The Post Devolution Gap is bridged by way of the Revenue Gap/Deficit Grant.

The extent of the Revenue Gap therefore, signifies the fiscal capacity of the State – the smaller the Gap the better is the fiscal capacity of the State.

Going by the Statement below, comparatively the fiscal capacity of the State of Meghalaya is much better than the other NE States – 3rd after Assam and Sikkim as per the assessment of the 15th Finance Commission

# Grants-in-aid for Revenue Deficit

(Rs. crore)

| State | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2021-26 |
|---|---|---|---|---|---|---|
| Assam | 6376 | 4890 | 2918 | Nil | Nil | 14184 |
| Manipur | 2524 | 2310 | 2104 | 1701 | 1157 | 9796 |
| Meghalaya | 1279 | 1033 | 715 | 110 | Nil | 3137 |
| Mizoram | 1790 | 1615 | 1474 | 1079 | 586 | 6544 |
| Nagaland | 4557 | 4530 | 4447 | 4068 | 3647 | 21249 |
| Sikkim | 678 | 440 | 149 | Nil | Nil | 1267 |
| Tripura | 4546 | 4423 | 4174 | 3788 | 2959 | 19890 |
| **Total of States** | **118452** | **86201** | **51673** | **24483** | **13705** | **294514** |

# Significance of the Finance Commission Devolutions

The importance of the above two devolutions (Share of Central Taxes and Revenue Gap Grant) to the State Government is that, in the current fiscal dispensation in the Country, they are the only (untied) Central financial assistances to the State(s) that can be used, along with the State's Own Resources at its (their) discretion – meeting the committed liabilities, maintenance of assets, subsidies and implementation of State schemes.

Once the above devolutions have been determined by the Finance Commission in its recommendations and the same are accepted by the Government of India, then for the five years, during which the award of the particular Finance Commission is effective, untied financial assistance from the Union Government cannot be altered.

**Therefore, fiscal (both actuals and projected) and socio-economic information of the State furnished to the Finance Commission for its used to determine the above two devolutions need to be carefully prepared to reflect the ground reality of the State fiscal capacity and socio-economic conditions.**

# Fiscal Consolidation Roadmap

The pandemic has given rise to two competing scenarios in the short to medium term.

First, there is the need for sizeable resources for the general government to deal successively with the increased demands for health interventions and medical infrastructure, income generation programmes and fiscal support for economic revival.

Second, the sharp contraction in economic activity has adversely affected revenue collection, especially tax revenues.

Addressing the issues require immediate availability of funds to make effective intervention into critical sectors of the economy to improve both the socio condition of the State and simultaneously lessen the impact of the COVID-19 Pandemic

In view of the above, the 15th FC recommended Fiscal Deficit/net borrowing path 4 per cent of GSDP in 2021-22, 3.5 per cent in 2022-23 - state governments are allowed to avail comparatively higher borrowings to be used to revive the economies of the States and dent the impact of COVID -19 and

3 % of GSDP from 2023-24 to 2025-26 (**which the Commission contemplates on account of the combined effect of the Administrative/Operational changes in the system of implementing GST & Tax Policy Changes will help the economy to stabilize back to its normal level)**

# Fiscal Architecture for 21st Century India (State's Perspective)

- The Architecture has to be built in the following three pillars

  1. Fiscal Rules across all Governments which set the institutional and Budgetary Framework for Fiscal Sustainability.
  2. Public Financial Management system which provides complete, consistent reliable and timely reporting of the fiscal indicators
  3. Independent assessment mechanism so as to provide to provide assurance and advice on the working of the above two pillars

- The State has enacted the (Meghalaya Fiscal Responsibility Budget Management Act 2006 ) and Rules 2007 with set fiscal indicator targets and Rules and Conditions for sound financial management and fiscal/financial sustainability
- No Strict adherence to the conditions and Rules – especially into terms of terms of the rolling targets and projections under the Medium Terms Fiscal/Expenditure Framework and the disclosure Statements

# The reforms necessary

- Amendments to be taken up by the States in their respective fiscal responsibility legislations to ensure consistency with the amended Union Government FRBM Act

- To develop accounting standards for financial reporting and disclosures of broader 'public debt', which can form the basis for a reporting framework for contingent liabilities, along with standard norms for recognising the risk of such liabilities.
- The State Governments should strive to improve the accuracy and consistency of such macroeconomic and fiscal forecasting by using the latest techniques and developing the technical capacities of personnel involved in the forecasting and budgeting process
- All the data and information related to Union and State fiscal operations, such as prebudget and related policy statements, and mid-year reviews, should be made available to the public in a reliable, timely and comparable manner.
- To improve the timeliness of audited financial reports of governments, ensuring they are prepared within six months of the year-end and audited within nine months.
- A time-bound plan should be prepared for the phased adoption of standard-based accounting and financial reporting for the Union and the States, while the eventual adoption of accrual-based accounting is being considered.
- The establishment of an independent Fiscal Council with powers to access records as required from the Union as well as the States. The fiscal council would have only an advisory role clearly separated from enforcement, which is the prerogative of the other organs of the government.

# State Disaster and Relief Management Fund (SDRMF)

Besides the above main function/task of determining the Share of Central Taxes, revenue gap Grants, the other two important functions mandated to the Finance Commission, is determination of State Disaster Risk Management Fund (SDRMF) and Grants to Local Bodies in line with Disaster Management Act:

- SDRMF is basically to help the State Governments manage and provide relief to the affected areas and victims of natural calamity.
- The earlier Finance Commissions had on the basis of the expenditures made in preceding years determines extend of SDRF grants to be made to the States.
- The 15$^{th}$ Finance Commission, however, has adopted a new methodology, which is a combination of capacity as reflected through past expenditure, risk exposure of the area and population and hazard and vulnerability (disaster risk index) for determining State-wise allocation for disaster management during its award period (2021-2026)
- The contribution into the SDRMF is the ratio of 75:25 Central-State Share pattern for the General category states and 90:10 pattern got the NE States
- The grants recommended by the 15$^{th}$ FC for the State during the award period 2021-26 is as per the table below( 80% disaster response and 20% mitigation:

(Rs. in crore)

| Item | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2021-26 |
|---|---|---|---|---|---|---|
| SDRMF | 66.00 | 68.00 | 73.00 | 76.00 | 80.00 | 363.00 |

# Grants to Local bodies

The XV FC has recommended that grants be distributed to even those areas which are not required to have panchayats (Fifth and Sixth Schedule areas and Excluded Areas) in order to augment the resources available for providing basic services by their respective local level bodies.

For the State Meghalaya, total grant of ₹ 1074 crore has been recommended for local governance. While ₹711 crore has been earmarked for Rural Local Bodies an amount of ₹363 crore is meant for Urban Local Bodies (including Shillong Cantonment Board) in the State.

# Grants for Rural Local Bodies/ADCs in the State:

The grants are to be utilised as follows:

**Untied/Basic Grants** (40%) - to be utilised by RLBs for felt needs under the twenty-nine subjects enshrined in the Eleventh Schedule, except for salaries and other establishment costs.

**Tied Grants** (60%) - 30% of the Tied Grants to be utilised for drinking water supply, rainwater harvesting and recycling, and 30% for sanitation and maintenance of ODF status.

However, if any RLB has fully saturated the needs of one category and there is no requirement of funds for that purpose, it can utilise the funds for the other category.

Grants recommended by the 15th FC to the RLBs in the State during the award period 2021-26 is as follows:

**Rs. in crore)**

| | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** | **Total 2021-26** |
|---|---|---|---|---|---|---|
| Untied | 54 | 56 | 56 | 60 | 58 | **284** |
| Tied | 81 | 84 | 85 | 89 | 88 | **427** |
| **Total** | **135** | **140** | **141** | **149** | **146** | **711** |

# Grants to Urban Local Bodies

The 15th FC has divided the ULBs into two categories: (a) million-plus urban agglomeration/cities, and (b) all other cities and towns with less than one million population. Meghalaya falls under the 2nd category.

Out of the recommended amount, the grants are to be allocated as follows:

i. Basic/Untied Grants - 50%

ii. Tied Grants - 50%

**i. Basic grants** are to be used for location specific needs except for salary and establishment expenses

**ii. Tied grants** are to be utilised for:

(a). Drinking water (including rainwater harvesting and recycling) and

(b). Solid waste management

The local bodies shall earmark one half of the tied grants each to these two critical services.

# Grants to Urban Local Bodies

Grants recommended for ULBs the State during the award period 2021-26 is as follows:

**(Rs. in crore)**

| Grant | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total 2021-26 |
|---|---|---|---|---|---|---|
| Untied | 33 | 35 | 37 | 38 | 39 | 182 |
| Ties | 33 | 35 | 37 | 37 | 39 | 181 |
| **Total** | **66** | **70** | **74** | **75** | **78** | **363** |

# Health grants through local governments

The 15th FC recommended health grants aggregating to Rs.70,051 crore for urban HWCs, building- less sub centre, PHCs, CHCs, block level public health units, support for diagnostic infrastructure for the primary healthcare activities and conversion of rural sub centres and PHCs to HWCs. These grants will be released to the local governments. Given the importance of health grants to fight the pandemic, the 15th FC has not put any conditions for release of these grants to the local governments.

# Health grants through local governments

Total grants of Rs. 311.16 crore was recommended for Meghalaya during the award period 2021-26:

(Rs. in crore)

| | |
|---|---|
| (i) Primary healthcare - Sub centres | 32.02 |
| (ii)Primary healthcare - PHCs | 31.87 |
| (iii) Primary healthcare – (Urban)PHCs | 8.03 |
| (iv) Block Level Public Health Units | 49.13 |
| (v) Urban and Wellness Centres | 123.74 |
| (vi) Grants for building less sub centres , PHCs, CHCs | 17.05 |
| (vii) Conversion of Rural PHCs and SCs into Health and Wellness centres | 49.32 |
| **Total** | **311.16** |

# Sector specific grants

Further depending on the requirements of the Government of the day, which normally is reflected in the terms of references, the Finance Commission also studies the past trends and the current socio-economic conditions/situations of the States and recommends grants which are meant to address the critical Sectors of the economy.

- In the current scenario, on account of the impact of the COVID-19 pandemic, the particular critical sector that has been identified by the 15th Finance Commission that requires the immediate attention of both the Union and the States are Health Sector and the Rural/Agricultural Sector.

# Sector specific grants

**Health Sector**

The 15th FC observed that Covid-19 crisis highlighted the low levels of public spending on health and health infrastructure as well as some key challenges that hinder better progress in health outcomes in the Country. Some of them are:

- An insufficient focus on core public health functions such as disease surveillance and testing;
- Shortage of health infrastructure like sub centres, PHCs, CHCs and human resource for health like doctors, nurses and paramedics;
- Shortcomings in the quality of care (apart from a select few facilities) despite improvement in access;
- Inadequate attention to urban health systems and the role of municipalities, which have a key role to play in public health, including air and water pollution, road traffic injuries and pandemic-related vulnerabilities;
- Government service delivery system which has traditionally focused more on reproductive health and infectious diseases and lesser on non-communicable diseases, which are now the dominant share of the disease burden; and fragmentation and lack of coordination between different levels and sectors, including a weakly regulated private sector which dominates service provision.

# Sector specific grants

In view of the above the Commission amongst other things recommended

- that the health spending by States should be increased to more than 8 per cent of their budget by 2022.
- that primary health care should be the number one fundamental commitment of each and every State and that primary health expenditure should be increased to two-thirds of the total health expenditure by 2022
- that public health expenditure of Union and States together should be increased in a progressive manner to reach 2.5 per cent of GDP by 2025.

In view of the observations above, apart from health grants through local governments, the following other health grants have been recommended for the State:

  - Critical Hospitals at Rs. 80 crore
  - District Integrated Public Health Lab at Rs. 3 crore,
  - Training of Allied Healthcare Workers at Rs. 95 crore,
  - DNB Courses at Rs. 9 crore

# Other Sector Specific Grants

Other critical sectors identified by the 15th Finance Commission that can promote both the national as well as the State's interest are: Education, Agriculture, Rural Development, judiciary, Statistic and Power Sectors

The grants for the above critical sectors also known as Sector Specific Grants are provided in the form of measurable performance grant and normal grants-in-aid.

Measurable performance grant:

**Education sector**:

1. The Commission recommends incentivizing six States each year as under:
   i. Category I: Rs. 200 crore incentive per year per State to be given to three States which secure the top three ranks in PGI.
   ii. Category II: Rs. 200 crore incentive per year per State to be given to three States which show the highest improvement in PGI score over the previous year.

   Over the award period, a State can only be awarded once in Category I and once in Category II, with the condition that it cannot be awarded for both categories in the same year.

2. Apart from the above performance-based grants for education sector, the following grants for education has been recommended for the State:

   Rs. 54 crore for online learning and development of professional courses in regional languages (matribhasha) for higher education.

# Other Sector Specific Grants

**PMGSY:**

The rural road scheme PMGSY was launched in December 2000 to provide all-weather connectivity to eligible habitations.

To provide for maintenance of the PMGSY roads at the end of the five-year maintenance contract period, the 15th FC has recommended a sum of Rs. 544 crore during the award period 2021-26 for Meghalaya.

**Judiciary:**

For settign up of fast-track courts for speedier justice delivery in cases of heinous crimes, civil cases of marginalised people, property cases that are over five years old and economic offences as well as special fast-track courts for POCSO cases the Commisison has recommended a sum of Rs. 30 crore to the State during the award period.

**Statistics:**

For improving the quality of statistics of the States, the 15th FC recommended a total grant of Rs. 23 crore to the State as follows:

i. Unconditional – Rs. 11 crore

ii. Condition – Rs. 12 crore on fulfilling the two criteria of : (a) the level of statistical capacity and development; and (b) the utilisation capacity, based on past expenditure on statistical activities.

# Performance-based Incentive Grants

**Agriculture:**

**15th FC recommended performance based incentives for all States for carrying out agricultural reforms on the following four selected areas during the award period (2021-26)**:

i. Land lease reforms,
ii. Sustainable and efficient water use in agriculture,
iii. Export promotion, and
iv. Contribution towards Atmanirbhar Bharat.

A sum of Rs. 86 crore has been recommended for the Meghalaya for the reforms.

**Power:**

The 15th FC recommended an extra annual borrowing space for the States, of the magnitude of 0.50 per cent of their GSDP for each of the first four years of the award covering the period 2021-22 to 2024-25, based on certain performance criteria in the power sector.

# Performance-based Incentive Grants

**Incentives for aspirational districts and blocks** on the basis of performance matrix consisting of selected key performance indicators (KPI)

Ten selected districts will be given yearly performance grant of Rs. 10 crore

10 percent of blocks in aspirational districts would be selected every year during 2021-26 on the basis of their performance

The selected blocks will be rewarded with an amount of Rs. 5 crore each

The selected district or block will be eligible for the performance only once during the period 2021-26

**The above recommendations for sector specific and performance-based grants are yet to be accepted by Govt. of India.**

# State Specific Grants

XV FC recommended State-specific grants to meet some special obligations of regional and national concern. These grants fall under six broad themes:

(a) Social needs,

(b) Administrative governance and related infrastructure,

(c) Conservation and sustainable use of water, drainage and sanitation,

(d) Preserving culture and historical monuments,

(e) High cost physical infrastructure and

(f) Tourism.

These grants come with general conditions of their own and a high level committee to monitor and review the proper utilization of these grants will have to be constituted

# State Specific Grants

A total amount of ₹ 800 crore has been recommended as State Specific Grants for Meghalaya during the award period 2021-26 which will cover expenditure related to the following :-

**(Rs. in crore)**

| Sl. No. | Scheme | Amount |
|---|---|---|
| 1. | Building of an administrative city in New Shillong Township | 250 |
| 2. | Upgradation and construction of new assembly building | 100 |
| 3. | Providing water supply in the proposed administrative city in the new Shillong Township | 100 |
| 4. | Construction of walkways, covered pathways and skywalks across Shillong city. | 50 |
| 5. | evelopment and up gradation of sports infrastructure for the purpose of hosting and organising the 39th national games | 300 |

The above recommendation for State Specific Grants is yet to be accepted by the Government of India.

Thank you

# The major amendments made through the Finance Act 2018 in the FRBM Act

- Government debt became the primary anchor, with the fiscal deficit as the key operational target. The fiscal deficit was to be reduced to 3 per cent of gross domestic product (GDP) by the end of financial year 2020-21.
- Achieving the General Government debt target of 60 per cent of GDP and Central Government debt target of 40 per cent by the end of financial year 2024-25.
- The scope of 'Central Government Debt' has been expanded to include the total outstanding liabilities on the security of the Consolidated Fund of India and Public Accounts plus financial liabilities of any body, corporate, or other entity owned or controlled by the Central Government, which the Government is to repay or service from the Annual Financial Statement.
- Widening of grounds (escape clauses) on which the Union Government is allowed to breach the deficit targets, including national security, act of war, national calamity, collapse of agriculture, structural reforms and decline in real output growth. However, any deviation from the fiscal deficit target shall not exceed one-half per cent of GDP.
- In case of an increase in real output growth of a quarter by at least 3 percentage points above its average of the previous four quarters, reduce the fiscal deficit by at least one quarter per cent of GDPin a year.

Back