

## **Frequently Asked Questions**

**on**

### **10% GBS for NER**

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***Q 1. What is the background and present status of earmarking 10% of Annual Budgets by Central Ministries for the North East Region?***

Ans. It may kindly be recalled that in October 1996, the Central Government announcements of “New initiatives for the North Eastern Region” included a number of measures for the development of North Eastern Region. One of these was the policy decision to earmark at least 10% of Plan Budget(s) of the Central Ministries/Departments for the development of NE States. A preliminary exercise undertaken by the Planning Commission in consultation with the various Ministries / Department revealed that the expenditure on the North East by some Union Ministries during 1997-98 fell short of the stipulated 10% of the GBS for that year. Planning Commission thereafter explored the possibility of creating a Central Pool of Resources for the North East out of the unspent amount of stipulated 10% of GBS to support infrastructure development projects in the North East.

Since 1998 – 1999 all Ministries/ Departments of GoI (except a few specifically exempted ones) are earmarking at least 10% of their annual budget, less allocation for externally aided schemes and local or event specific schemes /projects for expenditure in the North Eastern Region. At present, there are 52 non-exempted Ministries / Departments which earmark funds for the NER (including the Ministry of Railways and the newly created Department of Pharmaceuticals).

The unutilized portion of the funds earmarked by the non-exempted Ministries is surrendered at the close of each financial year in the Non-Lapsable Pool of resources which is being maintained on a proforma basis.

***Q 2. What is the basis for exempting a Ministry / Department from earmarking allocation for NER?***

Ans. While mandatory earmarking of 10 % net Budgetary Support for NER is applicable to most Ministries / Departments, few Central Ministries / Departments are exempted.

**The Criteria followed for exemption of a Ministry / Department are:**

- a) Highly scientific Ministries / Departments with hardly any scope for work in the North East.
- b) The Ministries / Departments having no direct involvement in the North East and Sikkim such as the erstwhile Department of Ocean Development;
- c) The Ministries in which case the expenditure in the North East and Sikkim was 'Nil' during the last three years; and.
- d) The Ministries / Departments whose Gross Budgetary Support is less than Rs. 10 crores.

The names of Departments / Ministries Exempted from making for the North Eastern Region in the Budget Estimates (BE 2010-11) are given below:

1. Atomic Energy
2. Company Affairs
3. Economic Affairs
4. Expenditure
5. External Affairs
6. Legal Affairs
7. Earth Sciences
8. Official Language
9. Personnel & Training
10. Petroleum & Natural Gas
11. Planning
12. Revenue
13. Social Justice & Empowerment\*
14. Steel
15. Space
16. Science & Technology
17. Scientific & Industrial Research

\* Only 2% of the funds for Scheduled Castes Division (SCD) are allocated to NER. The norm of 10% allocation is applied to sectors other than SCD.

**Q 3. How is the 10% earmarked outlay for NER of a non exempted Ministry calculated?**

Ans. All non-exempted line Ministries/ Departments of GoI, earmark atleast 10% of their annual budget, less allocation for externally aided schemes and local or event specific schemes /projects for expenditure in the North Eastern Region.

The unutilized portion of the funds earmarked by the non-exempted Ministries is surrendered at the close of each financial year in the Non-Lapsable Pool of resources which is being maintained on a proforma basis.

**The format for non-exempted Ministries to give details of expenditure /surrender to NLCPR at end of each financial year is as follows:**

- A. RE (net of EAPs + local / event specific, if any.)
- B. Earmarking for NER (at least 10% of A)
- C. Actual expenditure out of B.
- D. Amount due for transfer to NLCPR is B – C (if B is > C).

#### **Numerical Example of ear-marking**

- A. GBS (RE) = Rs. 100**  
of which –
  - (i) EAP = Rs. 5**
  - (ii) Local / event specific = Rs. 2****GBS eligible for earmarking = Rs. 93**  
[i.e. 100 – 5 – 2]
- B. Earmarking for NER = 9.3 [10% of 93]**
- C. Expenditure = Rs. 8**
- D. Amount due for transfer to NLCPR = Rs. 1.3**  
[i.e. 9.3 – 8]

#### ***Q 4. How do funds accrue to the Non-Lapsable Central Pool of Resources (NLCPR)?***

Ans. The amount by which actual expenditure of a Ministry / Department falls short of the earmarked outlay at RE stage is surrendered at the end of the financial year to the Ministry of Finance. This surrendered amount does not lapse, but accrues to the NLCPR Pool.

***Q 5. Where are the accounts for NLCPR maintained and what is the management structure of the “Pool”/fund?***

Ans. The NLCPR is maintained as a Reserve Fund in the Public Account of the Government of India. The Pool/fund is maintained by the Ministry of Finance, Govt. of India.

***Q 6. Is the entire amount deposited in the NLCPR available to Ministry of DoNER for allocation / spending?***

Ans. No.

The Ministry of DoNER administers a Plan scheme called NLCPR Scheme which is linked to the NLCPR Pool. But the annual allocation of fund for NLCPR Scheme is done through normal budgetary procedure and not correlated with the accumulated accruals into the NLCPR Pool.

***Q 7. How does the Ministry of DoNER project its annual requirement for whole / part of the pool?***

Ans. The annual requirement under the NLCPR scheme is projected by taking into account the volume of committed liability on sanctioned projects and new projects at various stages in the pipe-line for sanction.

***Q 8. If NLCPR is entitlement of NE States, what steps Ministry of DoNER has taken to ensure that the fund is made available?***

Ans. The Ministry of DoNER routinely collects from each non-exempted Ministry/Department of the amount surrendered from the allocation for NE States every financial year. The information obtained from each Ministry / Department is compiled and transmitted annually to the Ministry of Finance for concurrence. Further, the Ministry of DoNER keeps record of the

cumulative accrual into the Pool and the amount spent under the NLCPR scheme, so as to constantly track the net accumulation in the NLCPR Pool.

Annual allocation to Ministry of DoNER under NLCPR Scheme is determined not on basis of net cumulative accrual in the Pool but through the normal budgetary process of GoI.

**Q 9. What are the objectives of NLCPR Scheme?**

Ans. The broad objective of the NLCPR scheme is to ensure speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new infrastructure projects/schemes. Both economic and social infrastructure sectors, such as, Power, Roads & Bridges, Education, Health, Water Supply, and Sports, etc are considered for providing support under the Central Pool.

Funds from the Central Pool can be released for State sector as well as Central sector projects/schemes. However, the funds available under this Pool are not meant to supplement the normal Plan programmes, either of the State Governments or Union Ministries/ Departments/ Agencies.

**Q 10. Guidelines for Administration of NLCPR Scheme.**

Ans. The Ministry has detailed guidelines for administration of NLCPR. The first guidelines were issued in November 2001. On the basis of past experience subsequently it was modified on 22.11.2002 and 07.07.2004 for better utilization of resources. The guidelines were further amended on 26.02.2007 and 19.08.2008. It has provision for allocation of 25% NLCPR resources in the backward areas of the NE States. The Guidelines were further revised on 06.08.2009.

**Provisions incorporated in latest revision dated 06.08.2009 to make it more effective.**

Following provisions have been incorporated in the Guidelines revised on 06.08.2009 to make it more effective and simplified.

- State Government have to submit annual priority list along with Concept Papers on 30<sup>th</sup> November every year.
- Retention of the projects is to be completed in month's time.
- State Governments to submit Detailed Project Reports (DPRs) of the retained projects within 2 months of retention.
- Examination of the DPRs to be completed and projects to be sanctioned within 2 months of completion of DPRs.
- State Governments have to award the work by tendering within three months of sanction of the project.
- Funds in the sanctioned projects will be released in three installments of 40%, 40% and 20%.
- Funds are to be utilized within 12 months of their release.
- State Government to transfer the funds to the implementing agency within 15 days of its release.
- State Government have to complete the project within target date (as given in the DPR of the State Government) plus six months, otherwise it will be closed for funding by M/o DoNER. The State Government will be responsible for completion of the balance work in the project from its own resources.
- In case during implementation of project, State Government wants to increase / change the completion schedule of the project, it has to be done at the level of State Chief Secretary by holding a meeting and the revised date of completion so finalized has to be conveyed to Ministry of DoNER with specific reasons well before the expiry of six months period after the original / actual date of completion.

***Q 11. Allocation / Expenditure against ear-marked funds for the NER by non-exempted Ministries during 11<sup>th</sup> Plan (2007-08, 2008-09 and 2009-10) – Shortfall in utilisation by some Ministries.***

Ans. **The year wise allocation / expenditure under earmarked funds for NER by non-exempted Ministries during the 11<sup>th</sup> Plan - 2007-08, 2008-09 and 2009-10 may be seen in table below: (details given in Annexure I, II & III) – as on 28/04/2010.**

**Rs. in crores**

<b>RE 2007-08</b>	<b>Expenditure 2007-08</b>	<b>RE 2008- 09</b>	<b>Expenditure 2008-09</b>	<b>RE 2009-10*</b>
12968.38	11048.07	14752.45	12406.60	17235.16

\* Total allocation for NER in 2009-10 includes expenditure of Rs. 1870 crores reported by Railway Board in NER during the year.

Expenditure details in table above and in Annexures I & II show shortfall in utilization of funds in the NER by some Departments. The unspent amount is surrendered to the NLCPR Pool.

**The broad reasons for under utilization as reported by the Ministries / Departments are absence of proposals and utilization certificates from the North Eastern State Governments. This under utilization of funds is a reflection of sub-optimal implementation of schemes of Central line Ministries in the North East States.**

*Q 12. What are the reasons for schemes of some of the line Ministries not picking up in the NER?*

Ans. **Reasons for schemes of some of the line Ministries not picking up in the NER, are inefficiencies both at the State and Central level:**

**(i) Inefficiencies on the part of State Governments –**

- (a) Lack of knowledge of schemes of line Ministries.
- (b) Lack of knowledge about different windows of funding which can be accessed e.g. ACA, NLCPR, NEC, BRGF, Central line Ministries etc.
- (c) Lack of capacity to prepare DPRs for schemes in the NER with the States.
- (d) Lack of procedural knowledge required to access funds from Go and other sources which leads late submission of proposals and UCs.
- (e) Cost norms are not perceived to be realistic by North East State Government.

**(ii) Inefficiencies at Central level:-**

- (a) Lack of domain knowledge/ diffused knowledge within the Ministry of DoNER which makes us illequipped to examine DPRs.
  - (b) No proper delineation of schemes: Since there are different windows of funding for a single programme/ sector, schemes could to be delineated to avoid overlap in funding. For example: Rural roads funded by PMGSY; two lane highways under SARDP-NE (DORTH); Smaller State specific roads under NLCPR etc.
  - (c) The Financial limits of roads also can be specified for instance roads up to say Rs. 100 crores will be funded from State PWDs, BRO, NLCPR roads. While two lane highways involving higher expenditure to be taken up under NHAI / DORTH.
- (iii) Lack of capacity at three levels:** (a) In house – Ministry of DoNER (b) State Government (line department) (c) Of various Central Governments line Ministries. (d) Insufficient societal participation in identification, formulation and implementation of schemes / projects. (e) Inadequate dissemination of easily understood information by the Government.

**Q13. Initiatives of Ministry of DoNER for stepping-up utilisation of funds in the NER by line Ministries.**

Ans. **The Ministry of DoNER has initiated review of Plan Schemes of selected Ministries/ Departments which have potentialities in the NER. These are:**

Department of Agriculture and Cooperation  
 Department of Animal Husbandry and Dairying  
 Ministry of Tourism  
 Ministry of Food Processing  
 Ministry of Health & Family Welfare  
 Ministry of Textiles  
 Department of School Education and Literacy

**An Inter-Ministerial Group under the Chairpersonship of Secretary DoNER, has been constituted for this purpose.**

***Q 14. Is there a process for continuous review of demands from Ministries / Departments for exempting Department / Scheme from earmarking funds of the NER?***

Ans. Yes. In response of request from Ministries / Departments for exempting Department / Scheme from earmarking funds of the NER, the Ministry of DoNER advocates framing of broad based schemes / framing sub-schemes to suit implementation in the North East States.

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