

Special Assistance to States for Capital Expenditure

December 12, 2020

In news

Ministry of Finance stated that all the States except Tamil Nadu have availed benefits of the newly announced scheme for “Special Assistance to States for Capital Expenditure”

Special Assistance to States for Capital Expenditure

- The scheme was announced by the Finance Minister on 12th October 2020 as a part of the Atma Nirbhar Bharat package.
- The Scheme is **aimed at boosting capital expenditure by the State Governments** who are facing difficult financial environment this year due to the shortfall in tax revenue arising from the COVID 19 pandemic.

Why focus on capital expenditure?

- Capital Expenditure has a higher multiplier effect, enhancing the future productive capacity of the economy, and results in a higher rate of economy growth.
- Therefore, despite the adverse financial position of the Central Government, it was decided to extend a special assistance to the State Governments in respect of capital expenditure, in financial year 2020-21.

The expenditure so far

- So far capital expenditure proposals of Rs. 9,879.61 crore of 27 States have been approved by the Ministry of Finance.
- An amount of Rs. 4,939.81 crore has already been released to the States as the first instalment under the scheme. State-wise allocation, approval granted and

funds released is attached.

- The capital expenditure projects have been approved in diverse sectors of economy like, Health, Rural Development, Water Supply, Irrigation, Power, Transport, Education, Urban Development.

Three parts of the scheme

The Scheme has following three parts:

Part –I of the scheme

- **It covers the north-eastern region.** Under this part, Rs.200 crores is allocated to 7 north-eastern States (Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim and Tripura).
- In view of higher population and geographical area, Assam has been allocated Rs.450 crores under the scheme.

Part-II of the Scheme

- It is for all other States not included in Part-I. An amount of Rs.7,500 crores is earmarked for this part.
- This amount has been allocated amongst these States in proportion to their share of central tax as per the interim award of the 15th Finance Commission for the year 2020-21.

Part-III of the Scheme

- It is aimed at pushing various citizen-centric reforms in the States.
- Under this Part, an amount of Rs.2000 crores is earmarked.
- This amount will be available only to those States who carry out at least 3 out of the 4 reforms specified by the Ministry of Finance in its letter dated 17th May, 2020 regarding reform linked additional borrowing permissions.
- **The 4 reforms are – One Nation One Ration Card, Ease of**

**doing Business Reform, Urban Local Body/ Utility Reform
and Power Sector Reform.**