

CHAPTER I: NLCPR SCHEME-AN OVERVIEW

1.1 Introduction

The Government, in October 1996, announced under the “New initiatives for North Eastern Region (NER)” that at least ten *per cent* of the budget of Central Ministries/Departments would be earmarked for the development of North Eastern (NE) States. A High Level Commission (the Shukla Commission) was constituted in 1996 to examine the backlogs in respect of Basic Minimum Services and to assess the gaps in different sectors of infrastructure, especially in power, communication, railways, roads, education and agriculture in the NE States. The Commission estimated a requirement of Rs. 9396 crore for covering the backlog in Basic Minimum Services (BMS) and Rs. 93619 crore for meeting the gaps in the infrastructure. A preliminary exercise undertaken by the Planning Commission revealed that the expenditure on the North East by many Union Ministries during 1997-98 fell short of the stipulated ten *per cent* of the gross budgetary support (GBS) for the year. Thereafter, it proposed the creation of a Central Pool of Resources for the North Eastern States to be funded from the unspent amount out of the stipulated ten *per cent* of GBS, to support infrastructure development projects in the NER. Accordingly, the Government decided to create a Non Lapsable Central Pool of Resources (NLCPR) in the Union budget for the year 1998-99 in the Public Account titled “Central Resource Pool for development of NER” for funding specific programmes for economic and social upliftment of North Eastern States.

The broad objectives of the scheme were to:

- ensure speedy development of infrastructure in the NER by increasing the flow of budgetary financing for new infrastructure projects/schemes in the region, with projects in physical infrastructure sector receiving priority, and
- develop both physical and social infrastructure sectors such as irrigation and flood control, power, roads and bridges, education, health, water supply and sanitation by considering them for providing support under the central pool.

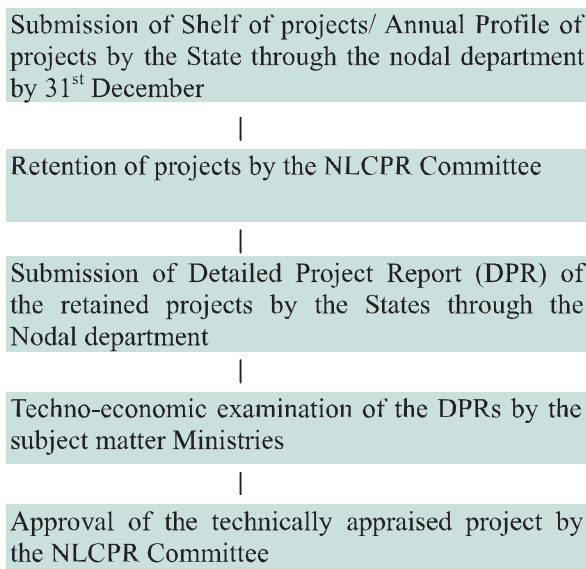
The nodal central agency for planning and implementation of all development programmes in the NER was vested with the Planning Commission up to August 2001. Thereafter, the work was transferred to Ministry of Home Affairs (MHA) from September 2001 to April 2004. After the creation of Ministry of Development of North Eastern Region (DONER) in May 2004, the NLCPR scheme was funded and monitored by it.

1.2 Organisational arrangements

The 'NLCPR Committee' administers the NLCPR scheme and is headed by the Secretary, Ministry of DONER. The functions of the Committee are to ensure equitable distribution of NLCPR resources amongst NE States, assess projects/schemes proposed by the NE States, prioritise and recommend allocation of funds for such schemes/projects, recommend the amount(s) for re-appropriation by the Central Ministries/Departments from Budget Head created for the Central Pool. The Committee also monitors and reviews the progress of the projects/schemes, suggests policy changes to prevent procedural and other bottlenecks in the execution of projects and meets periodically to submit recommendations to the Union Minister for DONER on various aspects of NLCPR projects.

Implementation of the scheme vests with the State Governments through their nodal department for NLCPR, which is Ministry of DONER's interface with all other departments of the State. The State proposes the annual profile of projects through its nodal department

The main steps in project formulation and approval by the Ministry are:



Central Ministries/Departments submit projects for funding under NLCPR only if they have exhausted the funds (minimum 10 *per cent* of their budget) provided for NER. Even so, they are encouraged to take recourse, in the first instance, to raising supplementary demands for grants for augmentation of their budgets for projects in NER.

1.3 Scheme guidelines

1.3.1. The NLCPR scheme had been in operation since 1998-99 and the Planning Commission initiated preparation of guidelines in July 2001. The guidelines were finally framed in November 2002 by the then Department of DONER, Ministry of Home Affairs. It was observed that the Ministry of DONER later revised the guidelines in July 2004, on the basis of feed back from all levels and experience gained from past experience of implementation of the scheme. Some changes that were brought about in the revised guidelines were inclusion of gap analysis in the annual profile, assurance from the State that the projects proposed had not been taken up with any other funding mechanism. Projects of less than Rs. 2.00 crore would not be generally funded and emphasis was to be given for employment generation and infrastructure schemes. The revised guidelines also prescribed a broad framework for submission of detailed project reports and formation of Sectoral Technical Committee for approving the detailed project reports in case of delay by line Ministry in examination. Projects of vital importance not retained in any financial year could be considered in the subsequent year if considered vital by the State Government; release of first installment restricted to 35 *per cent* of the project cost and utilization of each installment to be ensured within nine months in place of six months prescribed earlier. These revised guidelines therefore, reflected the experience gained over the years in implementation of the Scheme. Another initiative taken by the Ministry was to amend the guidelines in August 2008 to allocate a minimum of 25 *per cent* funds to the projects in backward areas/Sixth Schedule Areas/Autonomous District Councils for the reason that State Governments were not according priority to the projects in backward regions in the NE States. The guidelines were further amended in August 2009 thereby providing 15 days' time to States instead of 30 days for releasing funds to the executing agencies.

The States in the North Eastern Region (NER) viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura depend heavily on central funding for development works. They pursue their development concerns through their respective Five year Plans and annual plans, as well as through those of the Union Ministries and other central agencies. The projects of inter state nature in the region are funded by North Eastern Council (NEC), which is a separate entity.

1.3.2 The comparative position of funding from various sources in NER is given in the table below.

Table-1: Expenditure/Investment in NER during Tenth Five Year Plan and 2007-08

Source of funding	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total (per cent)
	Rupees in crore						
State Plan	4282.20	4845.56	5660.82	6464.63	8193.51	9083.38	38530.10 (42.70)
Central Ministries	5139.59	5237.31	6403.74	7325.39	9723.06	11048.07 (Provisional)	44877.16 (49.73)
NEC	441.45	497.54	498.72	460.15	597.81	583.61	3079.28 (3.41)
NLCPR	550.00	550.00	650.00	679.17	689.83	636.00	3755.00 (4.16)
Total	10413.24	11130.41	13213.28	14929.34	19204.21	21351.06	90241.54

While the investment in the NER has been increasing each year, NLCPR funding constituted only around 4.16 per cent of the total expenditure.

1.4 Budget and expenditure

The details of budget allocations and expenditure during 2002-08, under NLCPR are given in Table 2:

Table-2: Details of budget allocation and expenditure

Year	(Rupees in crore)		
	Budget Estimates	Revised Estimates	Actual expenditure ¹
2002-03	550.00	550.00	550.00
2003-04	550.00	550.00	550.00
2004-05	650.00	650.00	650.00
2005-06	585.00	679.17	679.17
2006-07	700.00	700.00	689.83
2007-08	600.00	636.00	636.00
Total	3635.00	3765.17	3755.00

The Ministry of DONER sanctions funds in installments to the State Governments for implementation of the projects. The first installment is not to exceed 35 per cent of the total project cost unless there are special circumstances. Till 2004-05, the funds released under the scheme were 90 per cent 'grant' and 10 per cent 'loan'. From 2005-06, as per the recommendation of the Twelfth Finance Commission only 'grant' portion was released to the State Governments. The balance 10 per cent was to be raised by the State Governments.

¹ Source: Appropriation accounts