



The progress of social sector in Odisha facing challenges after the changed central-state funding pattern on CSSs

The Fourteenth Finance Commission's Recommendation has radically enhanced the share of the States in the central divisible pool from 32 percent in 13th Finance Commission's recommendation to 42 per cent which is the biggest ever increase in vertical tax devolution. However, the share of nine States including Odisha has decreased. Accepting recommendations of the FFC, the PMO wrote to all State governments saying the Centre has decided to devolve maximum money to States and allow them the required freedom to plan the course of states' development. 18 States, including Odisha have not got the benefit of the revenue deficit grants. The FFC desist from awarding sector/state specific grants-having much bearing on the social sectors.

This year the Government of Odisha presented State Budget 2015-16 before the presentation of FFC's recommendation in the parliament. Union budget 2015-16 has re-categorized 66 central sponsored schemes (CSSs) based on the recommendation. 33 schemes out of 66 CSSs are to be run under the changed sharing pattern. National Health Mission, Sarva Siksha Abhiyan, Rashtriya Madhyamik Siksha Abhiyan, National Livelihood Mission, ICDS etc. would be changed to 50:50

Total allocation for these 33 schemes in 2015-16 budget is Rs. 11643.71 Cr. The existing state share of the state government is Rs.3110.74Cr. The new share of the state government will be Rs.5973.86 Cr. which clearly indicates an additional financial burden of Rs. 2863.17 Cr. on State. Eight CSSs will be delinked from central support including Backward Region Grant Fund(BRGF), National Mission on food processing(budgeted combined with Biju Atma Nijukti Yojana (BANY)and other programmes under MSME, National Scheme for Modernization of Police and other forces etc. Rs.1256.92 crore from the centre will not be available due to delink of the 8 schemes from the union support. Rs.790 crore from the centre in the form of special assistance (IAP districts and Left Wing Extremist Affected districts) will not be available to Odisha

“Implication of Fourteenth Finance Commission on Social Sector Budget in Odisha”, the study conducted by Odisha Budget and Accountability Centre (OBAC) of CYSD shows, although the State will suffer a financial loss of Rs. 5874.44 Cr. as a consequence but there will also be a gain of Rs. 7391 Cr. as a result of vertical tax devolution. This study projects a Net gain of Rs.1516.56 crore by the state government.

Contextual changes (mentioned before) pose challenges as well as opportunity to the state government. The challenge is because the Government has to redesign the budget process. May be for this year (2015-16), the budget has to be revised. At the same time this is an opportunity for the State government to use the autonomy to design



programmes especially in the social sectors as per the needs and aspirations of the State.

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