

THE GAZETTE OF INDIA: EXTRAORDINARY
MINISTRY OF
FINANCE AND COMPANY AFFAIRS
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 1st November, 2002

S.O. 1161 (E).- The following order made by the President is to be published for general information:-

ORDER

In pursuance of the provisions of article 280 of the Constitution of India, and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President is pleased to constitute a Finance Commission consisting of Dr. C. Rangarajan, Governor of Andhra Pradesh, as the Chairman and the following three other members, namely: -

1. Shri Som Pal Member, Planning Commission	Member (Part-Time)
2. Shri T.R. Prasad, IAS, (retd.) former Cabinet Secretary, Government of India.	Member
3. Prof. D.K. Srivastava of the National Institute of Public Finance and Policy	Member
4. Shri G.C. Srivastava, IAS	Secretary

2. Notification for the fourth member will be issued separately.

3. The Chairman and the other members of the Commission shall hold office from the date on which they respectively assume office upto the **31st day of July, 2004**.

4. The Commission shall make recommendations as to the following matters:-

- (i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may 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;
- (ii) the principles which should govern the grants-in-aid of the revenues of the States out of the consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of the article; and
- (iii) the measures needed to augment the Consolidated Fund of a State to supplement the

resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

5. The Commission shall review the state of the finances of the Union and the States and suggest a plan by which the governments, collectively and severally, may bring about a restructuring of the public finances restoring budgetary balance, achieving macro-economic stability and debt reduction along with equitable growth.
6. In making its recommendations, the Commission shall have regard, among other considerations, to: -
 - (i) the resources, of the Central Government for five years commencing on 1st April 2005, on the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2003-04;
 - (ii) the demands on the resources of the Central Government, in particular, on account of expenditure on civil administration, defence, internal and border security, debt-servicing and other committed expenditure and liabilities;
 - (iii) the resources of the State Governments, for the five years commencing on 1st April 2005, on the basis of levels of taxation and non-tax revenues likely to be reached at the end of 2003-04;
 - (iv) the objective of not only balancing the receipts and expenditure on revenue account of all the States and the Centre, but also generating surpluses for capital investment and reducing fiscal deficit;
 - (v) taxation efforts of the Central Government and each State Government as against targets, if any, and the potential for additional resources mobilization in order to improve the tax-Gross Domestic Product (GDP) and tax-Gross State Domestic Product (GSDP) ratio, as the case may be;
 - (vi) the expenditure on the non-salary component of maintenance and upkeep of capital assets and the non-wage related maintenance expenditure on plan schemes to be completed by the 31st March 2005 and the norms on the basis of which specific amounts are recommended for the maintenance of the capital assets and the manner of monitoring such expenditure;
 - (vii) the need for ensuring the commercial viability of irrigation projects, power projects, departmental undertakings, public sector enterprises etc. in the States through various means including adjustment of user charges and relinquishing of non-priority enterprises through privatisation or disinvestment.
7. In making its recommendations on various matters, the Commission will take the base of population figures as of 1971, in all such cases where population is a factor for determination of devolution of taxes and duties and grants-in-aid.
8. The Commission shall review the Fiscal Reform Facility introduced by the Central Government

on the basis of the recommendations of the Eleventh Finance Commission, and suggest measures for effective achievement of its objectives.

9. The Commission may, after making an assessment of the debt position of the States as on the 31st march 2004, suggest such corrective measures, as are deemed necessary, consistent with macro-economic stability and debt sustainability. Such measures recommended will give weightage to the performance of the States in the fields of human development and investment climate.
10. The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and make appropriate recommendations thereon.
 - (i) Whether non-tax income of profit petroleum to the Union, arising out of contractual provisions, should be shared with the States from where the mineral oils are produced; and,
 - (ii) If so, to what extent.
11. The Commission shall indicate the basis on which it has arrived at its findings and make available the State-wise estimates of receipts and expenditure.
12. The Commission shall make its report available by the 31st July, 2004, covering a period of five years commencing on the 1st April, 2005.

Sd/-
(Dr. A.P.J. ABDUL KALAM)
President of India

[NO. 10(13)-B(S)/2002]
D. SWARUP, Addl. Secy. (Budget)

Dr. G. C. Srivastava has been appointed as Member Secretary against the vacancy of the fourth Member with effect from July 1, 2003 vide notification No. S. O. 749(E) dated June 30, 2003.

Inserted by the President's Order S. O. 1263(E) dated October 31, 2003

Dr. Shankar N. Acharya has been appointed as Member (Part-Time) of the Finance Commission vide notification No. S.O.771(E) dated July 2, 2004, in place of Shri Som Pal, who has resigned with effect from the 14th day of May, 2004.

The 31st day of December, 2004" has been substituted in place of "The 31st day of July 2004" vide notification No. 770(E) dated July 2, 2004.

The 30th day of November, 2004" has been substituted in place of "the 31st July, 2004" vide notification No. 770(E) dated July 2, 2004. proress in implementing the programme".