Rs. 15000 Crore Sanctioned to States

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Why in News

Recently, the Central Government has sanctioned **₹15,000 crore** to States under the **India Covid-19 Emergency Response and Health System Preparedness Package.**

Key Points

- The package is a **100% centrally-funded scheme** and the funds will be provided under a **mission mode approach.**
- Amount of ₹7774 crore will be utilised for immediate Covid-19 Emergency Response and rest will be used for medium-term support (1-4 years).
    - The amount of ₹4113 crore has already been disbursed to all the States and Union Territories (UTs) dealing with the emergency response to the pandemic.
- **Objective:**
    - Mounting emergency response through development of diagnostics and dedicated treatment facilities.
    - Strengthening pandemic research, community engagement, risk communication and implementation
    - Management, capacity building, monitoring and evaluation.
- As per the evolving conditions, the government is **authorised to re-appropriate resources** among various components of the package and among various implementation agencies like the **National Health Mission,** Central Procurement, Railways, Department of Health Research/**Indian Council for Medical Research (ICMR), National Centre for Disease Control.**

- The **States can use the funds for:**
  - Centralised procurement of essential medical equipment and drugs required for treatment of infected patients (Personal Protective Equipment, isolation beds, ICU beds, ventilators, etc.)
  - Strengthen and build health systems to support prevention and preparedness for future disease outbreaks.
  - Setting up of laboratories and bolstering surveillance activities, biosecurity preparedness, pandemic research and proactively engage communities.
  - Conducting risk communication activities.

Reasons for Strained State Finances

- **Fall in the revenues** due to the **lockdown** and **higher spending** due to the **coping measures against novel coronavirus** pandemic.
  - There are no buyers for state bonds, and goods and services tax collections are down, revenues from fuel, liquor, stamp duty and registration charges are also down.
  - At the same time, the states are incurring bulk of the on-the-ground expenditures on containing Covid-19.
- **States** are currently **mandated** to keep their **fiscal deficits within 3% of Gross Domestic Product** (GDP).

  A one percentage point relaxation will give them latitude to borrow an extra ₹200,000 crore or so, but this will not really work in a "broken" bond market as investors demand higher interest rates.
- Simply put, the borrowing costs for states have gone up by almost one percentage point in less than a month's time.
- Few states wanted to borrow around ₹37,500 crore through sale of bonds, with tenures ranging from two to 15 years, conducted on the **Reserve Bank of India's** (RBI) auction platform.

  However, they were able to mobilise only ₹32,560 crore.
- Since 1st April, the central bank has increased the **existing ways and means advances limits** (for states to borrow at the **repo rate**) by 30%, apart from allowing them to be in overdraft for 21 continuous working days, from the earlier 14 days.

Source:TH