

# UNDERSTANDING THE CONCEPT OF SPECIAL CATEGORY STATUS

Relevant for: Indian Polity & Constitution | Topic: Issues and challenges pertaining to the Federal Structure

Parliament protest: TDP members hold placards seeking Special Category Status to Andhra Pradesh. | Photo Credit: [R.V. Moorthy](#)

The manner in which the Special Category Status is understood in Andhra Pradesh is vastly different from how former Prime Minister Manmohan Singh worded it in Parliament at the time when the State was to be divided. The people of Andhra Pradesh understood Special Category Status as also including industrial incentives in the manner available to the Northeastern States. Accordingly, expectations grew in the region. When these expectations were not met, it resulted in major resentment against the Central government.

It would be worthwhile to examine what exactly Dr. Singh promised on the floor of Parliament. He said: “For the purpose of Central assistance, Special Category Status will be extended to the successor State of Andhra Pradesh [to] 13 districts for a period of five years. This will put the State finances on a firmer footing.” In fact an analysis of starting of these two schemes of special category status and industrial incentives makes it clear there is nothing in common between them. There is no mention about industrial incentives in this statement. The concept of a Special Category Status State was started in 1969, whereas the tax holiday scheme was started in 1997, and was announced independently to different States in the Northeast at different points of time.

Industrial incentives, as mentioned by Dr. Singh, are as mentioned in the Andhra Pradesh Reorganisation Bill and are to be made available for both Andhra Pradesh and Telangana. Hence, assuming that there will be tax holiday, as available in the Northeast as part of the Special Category Status, and the consequent disappointment of not getting it is based on an incorrect reading of Dr. Singh’s statement.

The second important issue here is whether the Special Category Status exists now. The 14th Finance Commission unequivocally stated that there is no distinction between special and general category States in determining norms and recommendations. This was further reconfirmed by one of the members of the 14th Finance Commission, Abhijit Sen, who, in his dissent note, categorically mentioned that this Finance Commission made five major shifts from the past Finance Commissions. One of them was to do away with the distinction between the Special Category States and non-Special Category States.

At present, for the Northeastern States, the earlier financing pattern is being continued based on the recommendations of the Committee of Ministers who examined the issue of rationalisation of Central sector/Central-sponsored schemes. Industrial incentives are being continued separately according to a circular issued by the industries department. What was offered to Northeastern States based on the recommendation of the Committee of Ministers is also offered to Andhra Pradesh through a special package. On the request of the State government to exempt this assistance from Fiscal Responsibility and Budget Management (FRBM) limitations, the State was requested to form a special purpose vehicle to channelise these funds so that they can be made available beyond FRBM limitations. The State government was not willing to respond to this request of the Central government since it felt that there would be a political fallout.

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