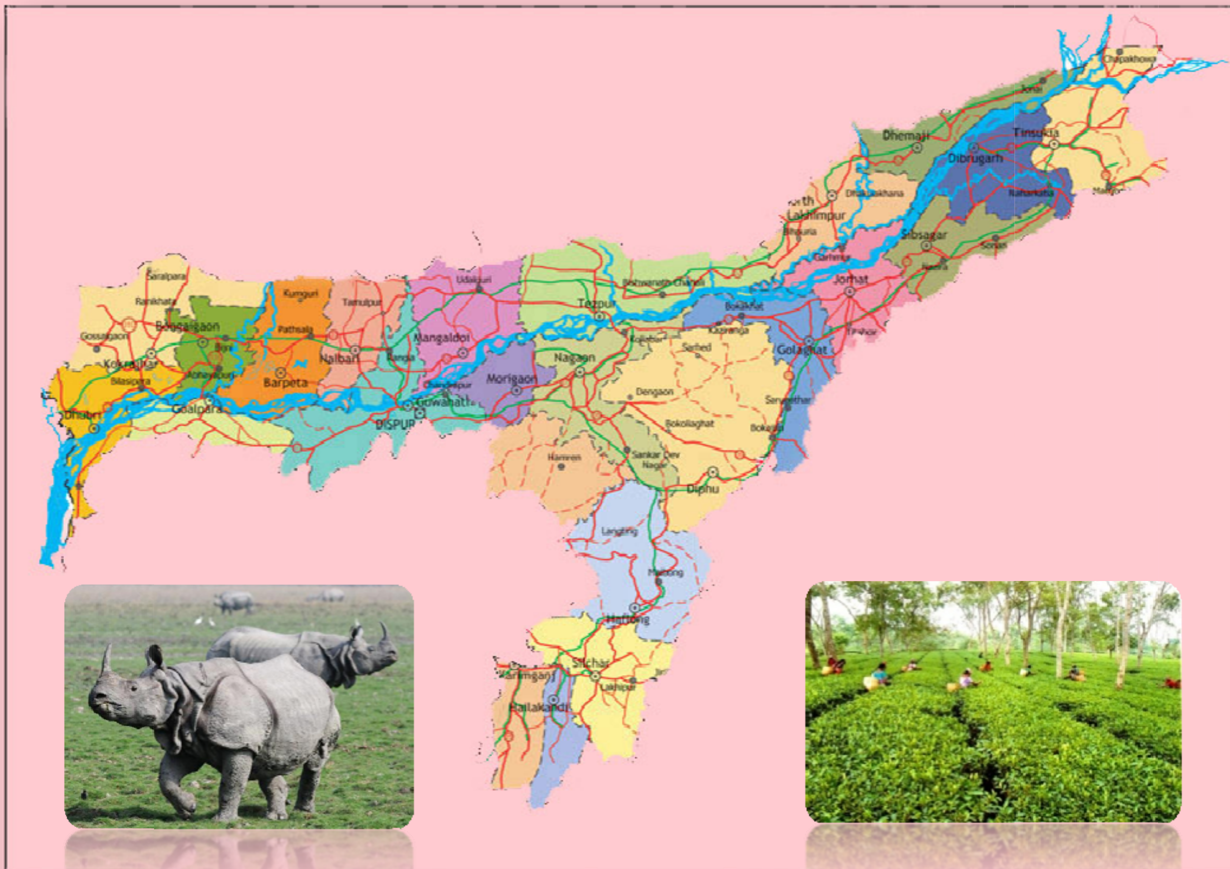
MEMORANDUM
TO THE
14TH FINANCE COMMISSION



GOVERNMENT OF ASSAM
FINANCE DEPARTMENT
NOVEMBER 28, 2013

CONTENT

Executive Summary

In the Memorandum to the 14th Finance Commission, we have presented several issues in detail, which are of common interest to the States and of particular relevance and importance to Assam. Given below is a summary presentation of our views on those issues.

Chapter-1

1. The State economy in terms of GSDP registered an average growth rate of 6.78% during 11th plan period as against 5.33% during 10th Plan period. On the other hand, the average growth of national economy in terms of GDP was 7.80% and 8.74% during 11th Plan period and 10th Plan period respectively. If we also compare the per capita NSDP at constant prices between Assam and all India, Assam's per capita NSDP in 2011-12 was Rs.22,956, whereas all India's per capita NSDP was Rs.37,851. This huge gap cannot be filled up with the present rate of State's GSDP growth rate. **Hence, special attention of 14th Finance Commission is needed to this issue.**

Chapter-2

2. Coming to the present State's finances, State of Assam attained revenue and fiscal surplus during the period from 2005-06 to 2008-09 and subsequent years of 2010-11, 2011-12 and 2012-13. In spite of better fiscal performance for those years, Assam is heavily dependent on the Central transfer. Share of own resources and share of Central transfer in total revenue receipts of Assam are 34.90% and 65.10% respectively in 2012-13. The revenue and fiscal surplus attained during those years are mainly attributable to augmentation of resources, compressed expenditure and receipt of plan grants from the Centre. At present, salary expenditure of Assam accounts for more than 45% of total revenue expenditure. **The 13th Finance Commission had made quite unrealistic assumption of putting cap on the expenditure of salary to 35% of revenue expenditure net of interest payment and pension. In order to achieve this level, it has assumed reduction of 10% every year in the salary expenditure of the State.** This is very unrealistic assumption which runs absolutely contrary to salary expenditure trend of the Centre and the States. Most of the States could not adhere to this stipulation as per their Budget Estimates of

2012-13. For example, salary expenditure of Andhra Pradesh was 37%, Gujarat 36%. Madhya Pradesh 50%, West Bengal 56% and Kerala 47% of revenue expenditure net of interest payment and pension. After implementation of State's 6th Pay Commission's recommendations from 2009-10, our salary expenditure has been increasing at an annual average growth rate of 15% with release of two doses of dearness allowances annually and granting of 3% annual increment of basic pay plus grade pay. Moreover, with the addition of new appointment of about one lakh employees to the existing four lakh and fifty thousand Government employees during 2012-13 and 2013-14, salary expenditure will further soar up to nearly 60% to 65% of total revenue expenditure in near future. In September, 2013, Government of India announced constitution of the 7th Central Pay Commission for revision of pay and pension. Recommendations of the Commission will be implemented from 1st January, 2016. Its recommendations will definitely have a considerable impact on the States' finances, as the State Government will also have to offer more or less a similar compensation package to its employees. The union Government has a larger resource base and may be able to bear the impact. Assam being a Special Category State has very narrow resource base, which cannot absorb large financial burden of pay and pension revision. Its capacity for augmentation of resources has reached a saturation level. Moreover, State Government has to forego large amount of taxes due to implementation of Central Government's policy like JNNURM and sales tax rebate. **We, therefore, request the 14th Finance Commission to take into account the likely impact of the 7th Pay Commission on the States, while making its recommendations.**

3. As per recommendations of the 13th Finance Commission, Assam has to eliminate revenue deficit by 2011-12, reduce fiscal deficit to 3% of GSDP by 2010-11 and bring down outstanding debt to 28% of GSDP by 2010-11 and maintain the same level thereafter. We may not be able to adhere to those fiscal targets in the coming years because of increasing trend of salary and pension expenditure accompanied by low collection of State's taxes on VAT and royalty from crude oil due to discounted price on crude oil. Moreover, if we implement the 7th Pay Commission's recommendations, when it will come, the fiscal targets of 13th Finance Commission cannot be achieved by us at all. The abnormal increase in salary and pension expenditure will absorb more borrowing funds and

leave no funds for capital investment for creation of assets. **We urge upon the 14th Finance Commission to raise the limit of revenue deficit to 2% of revenue receipts, fiscal deficit to 5% of GSDP and debt-GSDP-ratio to 30%. The Commission is also requested to provide full assistance for covering the gap including additional financial implication on account of revision of pay and pension in order to eliminate the gap in non-plan revenue account.**

Chapter-3

4. State of Assam has limited capacity to mobilize additional resources through tax measures. State's economy is basically agrarian in character and about 40% of the State's rural population who are the most socially and economically disadvantaged, hardly consume taxable goods, which has narrowed down our taxation base. Further, due to the poor social and physical infrastructure, the scope to raise tax revenue through inter-state trade is also limited. Our State being surrounded by low-tax zones, the scope of trade diversion and evasion of tax including motor vehicle tax and excise duty on IMFL is large, which has resulted in reduction of tax collection. Agricultural Income Tax (AIT) which is collected from tea is volatile due to demand and price fluctuations in domestic and international markets and also fluctuation in climatic condition. Moreover, in case of tea, only 60% of the income from the cultivation and manufacture of tea is treated as agricultural income and taxed by the State, the remaining 40% being treated as non-agricultural income and taxed by the Centre. **The State Government is of the view that the entire income from cultivation and manufacture of tea should be treated as agricultural income and taxed by the State.** Oil and ONGC are paying royalty on crude oil produced in the State on discounted price in pursuance of policy shift by Government of India from 2008-09. Due to sale of crude oil at discounted price of about 55% of well head price by ONGC and OIL to Indian Oil Corporation Limited Refineries at Guwahati, Bongaigaon and Digboi, State of Assam has been suffering huge loss of VAT and Entry Tax revenues. **The loss on account of VAT and Entry tax was Rs.96.41 in 2009-10, Rs.210.86 crore in 2010-11 and Rs.534.68 crore in 2011-12.** On the other hand, **the loss on account of discount price on crude oil was Rs.510 crore in 2008-09 and Rs.850 crore in 2009-10.** Thus, this discounted price on crude oil

has led to fall in collection of sales taxes from 2008-09 and fall in collection of royalty on crude oil. **The 14th Finance Commission is requested to give suitable recommendation in this regard.**

5. The Constitution of India has put a ceiling on the rate of professional tax. As such there is hardly any room for the State Government to realize more revenue from this source. **The 14th finance Commission is requested to increase the ceiling of professional tax, which will improve revenue collection of the States.** The condition put by the Central Government regarding adjustment of cess or other taxes specific to coal and other mineral bearing lands be withdrawn so that the States gets due share of royalty. **We also urge the 14th Finance Commission to recommend for amendment of the existing methodology for calculation of rate of royalty on crude oil from present 20% to at least 30%.**

Chapter-4

6. It is known to all that the Constitution of India has provided independent revenue raising and spending powers to both the Centre and the States. But the basic financial imbalances in Centre-State relation arises from the fact that, while the Constitution gives the States major responsibilities in the sphere of development and administrative expenditure, the important powers of revenue raising remains concentrated at the hands of the Centre. It needs to be mentioned here that, Central Government is now realizing large collection by way of cesses and surcharges, which are not a part of sharable pool of resources. **Hence, the Commission is requested to take an effective step to rectify vertical imbalances between the Centre and the States by way of bringing cess and surcharges to the sharable pool of resources.** As the development and administrative expenditure and also outgo of huge funds through State Finance Commission's awards have been increasing over the years, the 14th Finance Commission is requested to make recommendation to increase **the size of the divisible pool of Central taxes from 32% to 50%.** As regards inter-se distribution of the divisible pool among the States, due weightage of 47.5% and 17.5% may be given to fiscal capacity distance and fiscal discipline respectively with modest wieghtage of 20% to population, 10% to area and 5% to forest cover. The 1971 population

census may be taken as a factor for determination of horizontal transfer of resources to States, as the decadal growth of population is on decreasing trend for Assam in spite of moderate growth of population after 1971 census.

7. The 7 (seven) North Eastern States, including Assam, Sikkim, Jammu & Kashmir, Uttarakhand and Himachal Pradesh are categorized as Special Category States. Earlier Finance Commissions had adopted separate norms for the these States. We strongly urge that the said procedure should be retained by the 14th Finance Commission. **Of late, some confusion has been generated by the Raghuram Rajan Committee Report on the 'Backwardness Index' of the States.** Special Category States face altogether different kinds of problems as compared to other States. Inherent problems associated with geographical location, sensitive international border, climatic condition, difficult terrains and unique ethnic and political problems coming down the decades signify most of the Special Category States. These conditions are beyond their control. These factors have severely impaired their economic development. Although, some of the needs of the Special category States are being taken care of by providing special purpose grants, there is still a strong case for enhancing the share of Special Category States in the total devolutions. **We request the 14th Finance Commission to set aside at least 30% of the sharable pool for distribution amongst the Special Category States.**

Chapter-5

8. Grant-in-aid which is regarded as gap-filling device has failed to fulfill the limited role assigned to it. The real fact is that very often actual non-plan revenue gaps turn out to be larger than the gaps assessed by the Finance Commissions. The previous Finance Commissions overestimated our revenue receipts and underestimated our revenue expenditure. The actual position that emerged is shown below:

Post-Devolution Non-Plan Revenue Gap Assessed by the Finance Commissions vis-à-vis the Actual Position

(Rs. in crore)

Finance Commission	Gap Assessed by Finance Commission	Actual Gap
Ninth (1990-95)	560.32	1368
Tenth (1995-2000)	712.03	1152
Eleventh (2000-05)	110.68	6514
Twelfth (2005-10)	305.67	(-) 85.81
Thirteenth (2010-15)		
2010-11	(-)248	657
2011-12	(-)1466	1290
2012-13	(-) 986	(-) 46

N.B. (-) sign indicates surplus.

9. During the 12th Finance Commission award period (2005-10), actual non-plan revenue gap turned into surplus of Rs.85.81 crore. This was due to several fiscal reform measures adopted by the State Government including enactment of Assam FRBM Act in May, 2005 in pursuance of Debt Consolidation and Reform Facility (DCRF) of 12th Finance Commission.

10. We, therefore, request the 14th Finance Commission to make a realistic assessment of resources of the Special Category States and recommend a guaranteed grant to fill up the gaps whenever the State faces non-plan revenue deficit.

11. Assam has a very mixed population, most of which is rural with low level of economic skill and income. Inclusive and meaningful economic development based on skill up-gradation, gainful employment and higher income generation is the only viable long term secular solution to the problem. The 14th Finance Commission is therefore requested to view the problems of Assam as well as our requests and demands made in this Memorandum from this perspective.

12. We would also like to reiterate our request for the following grants :
Development Deficit Grant equivalent to the negative BCR of a year, Insurgency Damages Neutralization Grant to neutralize the economic costs of decades old insurgency in the State.

Chapter-6

13. The Government of Assam, in principle, agrees for the introduction of Goods and Services Tax in the country. However, there are some issues which are of serious concern to the States and these issues should be resolved before GST is implemented in the country. Under no circumstances, fiscal autonomy of the State should be compromised. There will be negative impact on State's revenue as a result of introduction of GST because of subsuming of various taxes, coupled with lower SGST rates compared to prevailing tax rates and proposal for inclusion of petroleum products & alcoholic liquor within GST. **As such, 14th Finance Commission is urged upon to recommend an unambiguous and well defined compensation mechanism for the revenue loss consequent upon introduction of GST regime on perpetual basis. This should be constitutionally mandated. Further, such compensation should also take into account the Compounded Annual Growth Rate (CAGR) over the current revenue collection.** The estimation of Revenue Neutral Rate for the States and the Centre is essential to determine the rate of tax on services during the GST regime. However, there is neither any agreement nor consensus on the GST design and hence working out RNR would amount to placing the cart before the horse.

All States implemented VAT following the commitment given by the Centre to compensate the States for loss resulting from introduction of VAT and eventual abolition of CST. This has resulted in the loss of revenue to the States. The Govt. of Assam submitted its claim for CST compensation from time to time. However, the amount of Central Sales Tax (CST) compensation received by Assam is very meagre compared to its actual claim. The 14th Finance Commission is, therefore, requested to kindly consider the issue of CST compensation in financial devolution to the States in terms of the recommendations of the Empowered Committee with regard to CST compensation for losses of past years and also to have adequate financial provision for compensating the State for future CST loss till GST is introduced.

Chapter-7

14. The standard criteria for determining the debt sustainability of the States has been to arrive at the acceptable level of the debt-GSDP ratio

and the ratio of interest payment to total revenue receipts. Twelfth Finance Commission recommended 28% and 15% as the acceptable levels of debt-GSDP ratio and the ratio of interest payment to total revenue receipts respectively. The debt position of Assam has started improving considerably since 2006-07. The debt-GSDP ratio has come down from 30.83% in 2005-06 to 18.52% in 2012-13. Similarly, the ratio of interest payment to total revenue receipts has declined from 18.62% to 6.87% in 2012-13.

15. Thirteenth Finance Commission recommended waiver of central loans outstanding as at the end of 2009-10, extended for centrally sponsored and central sector schemes to the States through Central Ministries other than Ministry of Finance. The recommended waiver of loan amount for Assam is Rs.502 crore. But the Government of India has actually waived loan amount of Rs.306.02 crore for Assam in respect of centrally sponsored and central sector schemes only. This has left loan amount of Rs.195.28 crore yet to be written off. Government of India did not extend debt waiver scheme to other loans extended to Assam through Central Ministries other than Ministry of Finance for non-plan schemes and NEC schemes.

16. We request the Commission to consider the followings:

(i) To write off all outstanding central loans provided by Central Ministries for non-plan schemes and NEC schemes, as the Government of Assam has defaulted in debt servicing of those loans since 1990-91 and 1991-92.

(ii) Cost of NSSF loans is very high and we urge the Commission to reset all the outstanding NSSF loans at a common rate of interest of 7.25%. Rate of interest on future NSSF loans may either be kept at 7.25% or the States may not be saddled with this and allow options to the States whether to borrow from this fund or not.

(iii) The outstanding block loans of Ministry of Finance, Government of India may be consolidated and reset at 7.50% rate of interest.

Chapter-8

17. It is of our experience that there is always a mis-match between the maintenance fund provided/projected by the Finance Commissions and

the actual expenditure incurred by the State. The trend of actual expenditure on maintenance of all types of assets have been rising much above the level recommended by the Finance Commission. Moreover, 13th Finance Commission did not make any normative assessment or specific recommendations in respect of maintenance of assets created against Flood Control projects, and PWD (Building). The assessment as well as recommendations made by the successive Finance Commissions have been quite insignificant in terms of the actual expenditures incurred by the state government against the sectors. **In view of above, the 14th Finance Commission is urged upon to make a realistic assessment of maintenance expenditures against the sectors of PWD (Roads), PWD (Building), Flood Control, Irrigation and Public Health Engineering and recommend maintenance grant accordingly against these sectors.**

18. It is a normal practice that the States transfer the committed liabilities of completed plan schemes to non-plan on the completion of a five year plan period. The 11th Finance Commission did not recommend any committed liability grant in case of Special Category States. However, the 12th FC recommended transfer of 30 per cent of the plan revenue expenditure of the last year of the Tenth Five Year Plan to non-plan side in 2007-08. But in case of Special Category States the recommended transfer to non-plan side was 10 per cent of the plan revenue component. The lower percentage transfer was recommended for the Special Category States on the assumption that the Planning Commission allows them to divert 20 per cent of Central Plan Assistance for meeting non-plan expenditure. Further, in order to determine the plan revenue component in 2006-07, the 12th FC applied 5 per cent annual growth rate in the plan revenue expenditure. In order to ensure that more plan funds are available for taking up developmental works and to reduce plan salary component, the Government of Assam transferred about 90,000 State plan posts involving a hefty sum of Rs.850 crore per year from plan to non-plan revenue account, even though the 11th FC did not recommend any committed liability grant to Assam. Moreover, the annual rate of growth in plan revenue expenditure is far above 5 per cent as assumed by the 12th FC and 13th FC. Hence, on both these counts Assam stand to loose a substantial amount. **It is requested that the Fourteenth Finance Commission would remove this anomalous situation.**

Chapter-9

19. Assam is one of the most disaster prone States in India. While flood in Assam is a major problem, river bank erosion has also posed serious problems. It is this erosion that is systematically destroying the old system of embankments, which initially provided relief from annual floods. However, as per SDRF guidelines, 'erosion' has not been included as a natural calamity, due to which the families affected by river erosion have been deprived from getting rehabilitation grant under SDRF. Taking into consideration the seriousness of the problem of 'erosion', **the 14th Finance Commission is requested to recommend inclusion of 'erosion' as a natural calamity under SDRF and provide Rs. 1000 crore for rehabilitation of river erosion affected families.** Further, Assam being in the monsoon region, frequent lightening occurs during the rainy season causing death and injury to human lives and cattle. However, as 'lightening' is not included as a natural calamity under SDRF guidelines, therefore, the families of the deceased persons and the persons injured due to lightening are also deprived of financial assistance under SDRF norms. As such, **the 14th Finance Commission should also recommend inclusion of lightening as a natural calamity under SDRF.**

20. Apart from flood and erosion, there are manmade calamities like extremist violence. State Government, out of its own resources, provides funds for relief and rehabilitation of such affected people. In this connection, mention may be made that over one lakh people rendered homeless in the ethnic violence in 1993, 1996 and 1998 in erstwhile Kokrajhar District are yet to be rehabilitated. They are provided gratuitous relief and other amenities for so many years last. In 2012 there was also ethnic violence, which rendered more than one lakh people homeless. A huge amount of money will be required to provide land, homestead and employment opportunities to these people. The 14th Finance Commission is requested to consider such problems of manmade calamities, occurring frequently in the State while considering the award for disaster management of natural calamities.

21. In pursuance of recommendations of the 13th Finance Commission, State Disaster Response Fund (SDRF) has been constituted in Assam.

Consequent upon the creation of SDRF, funds under CRF have been transferred to SDRF account by the office of the Principal Accountant General, Assam. At present, departmental proposals are approved under SDRF norms. The allocation of the State Disaster Response Fund should be enhanced from the present allocation of combined 90% Central share and 10% of State's share under the award of 13th Finance Commission to 100% fixed amount of Central share of Rs.600 crore per annum taking the total requirement during the award period of 14th Finance Commission to be Rs.3000 crore, so that the State Government will be in a position to meet the requirement of fund to tackle relief and rehabilitation problems arising out of recurrent floods and other natural calamities.

Chapter-10

22. With increasing evidences of climatic changes, the focus is now fast shifting to practices that mitigate undesirable changes in the most economical way. The best way of doing so is by expanding the carbon sink i.e. the forest cover. The 14th Finance Commission is requested to provide grant of Rs.802.15 crore to meet the need to manage ecology/environment & climate change consistent with sustainable development.

23. Preservation of ecological and forest resources may be given high priority, particularly for the North Eastern States. For this purpose, the entire North East may be treated as one ecological region. Deforestation and hill cutting for development in the surrounding Hill States has caused severe siltation and raising of the river beds in Assam, causing severe floods and erosion, whose intensity has been increasing with every passing year. Generous provisions may also be made for preservation of ecological and forest resources.

24. Assam has several Wildlife Sanctuaries and National Parks which need to be operated and conserved with application of modern technology and practices. These wildlife parks are also subject to encroachment and poaching. The institutional capacity building and infrastructure necessary to enable this may also be provided for.

Chapter-11

25. There are 27 districts in Assam out of which 21 districts falling within the General Areas are within the ambit of the 73rd and 74th Constitutional Amendments. The remaining 6 districts constituting the Schedule VI areas are treated as excluded areas by virtue of Articles 243 M and 243 ZC. Notwithstanding the exclusion of these areas, the earlier CFCs had earmarked sums on adhoc basis against local body grant to supplement the resources of similar local level representative bodies functioning in the excluded areas. Pending extension of the 73rd and 74th constitutional amendments to the Schedule VI areas, **we urge that the Fourteenth Finance Commission would also make special dispensation for the local bodies in excluded areas.** Since the enactment of the 73rd and 74th Constitutional Amendments, four CFCs had recommended financial support to augment the Consolidated Fund of the State to supplement the resources of Panchayats and Municipalities in the State. But it is seen that the percentage share of Assam in the divisible pool of local body grant has been gradually declining from 2.918 percent in 11th FC to 2.63 percent in 12th and further to 2.13 percent in 13th FC. The more the weightage given to population or revenue effort, the scale is tilted against small States like Assam. **We urge that the Fourteenth Finance Commission would revisit the criteria enunciated by the earlier CFCs and put added emphasis on variables like deprivation index, infrastructure index etc so that backward States with less population are benefited.**

26. Under the guidelines circulated by the Ministry of Finance Vide letter dated 23.09.2010 for release of fund recommended by the 13th Finance Commission, one conditionality imposed is that funds has to be transferred to the local bodies within 5 days of receipt from the Central Government in case of States with easily accessible banking infrastructure and 10 days in case of States with inaccessible banking infrastructure. Any delay requires the State Government to release the instalment with interest at bank rate for the number of days of delay. This has put the State Government in an embarrassing situation. Because by the time the sanction is received, a couple of days are already over. Then some time is required for processing and other procedural formalities. Moreover, 10 days limit is interspersed with Saturday, Sunday and other official holidays. We therefore, urge the

Commission to recommend waiver of the condition of time limit or to extend it suitably, say, upto 60 days.

27. The 13th Finance Commission divided the Local Bodies grants into two parts viz. the Basic Grant and the Performance Grant. Though the Basic Grant was made untied, the Performance Grant was subjected to various conditionalities. State's failure to meet those conditionalities has sometimes made the State ineligible for availing Performance Grant. In order to enable Urban and Rural Local Bodies to perform their functions efficiently, we request the 14th Finance Commission to merge the Basic Grant and Performance Grant into a single grant for Local Bodies. The Grant for Local Bodies should be equal to minimum of three percent of divisible pool of taxes. The 14th Finance Commission may make special dispensation for local bodies in excluded areas. The Commission may also revisit the criteria for inter-se distribution of Local Body grant among the States. Total requirement of fund for local bodies in general areas is estimated to the tune of Rs.12405 crore.

Chapter-12

28. Schedule VI areas of Assam comprise six districts, four within BTAD and two hill districts of Karbi-Anglong and Dima Hasao. The total area under Sixth Schedule now stand at 24,294 Sq. Km which accounts for 30.97 percent of the total geographical area of the State. As per 2011 census, the total population under Schedule VI area is 43,34,168 which constitute 13.90 percent of the total State population. The average density of population per Sq. Km is 178.

29. The combined non-plan revenue deficit of the Sixth Schedule areas has been estimated at Rs.113.71 crore in 2010-11. Taking this as the base and applying a modest annual growth of 10 percent, the anticipated revenue deficit of the Sixth Schedule areas during the forecast period 2015-20 is likely to be of the order of Rs.1118 crores. This would constitute a dead weight on the finances of State Government. **The Fourteenth Finance Commission is, therefore, urged to make appropriate recommendations to cover the revenue gap of the Sixth Schedule districts.**

30. In respect of both area and population, the Sixth Schedule districts of Assam are bigger than the neighbouring States of Meghalaya, Nagaland and Mizoram, which were carved out of composite Assam at different points of time. But in terms of per capita plan outlay they are placed much below the neighbouring States. Nagaland, Meghalaya and Mizoram received Rs.8146 crore, Rs.2811 crore and Rs.3991 crore respectively under the award fof 13th FC for the period 2010-2015. Against this Sixth Schedule areas of Assam, the Government of Assam received nothing. **We, therefore, urge upon the Fourteenth Finance Commission to recommend a suitable fiscal package for the Sixth Schedule Areas of Assam.**

31. Apart from Sixth Schedule Autonomous Councils, Government of Assam had created 6 Autonomous Councils under State Acts and provided them budgetary support annually. The annual financial implication for extending budgetary support to these Councils is about Rs.200 crores. As such, the requirement during the forecast period will be approximately Rs.1000 crore. It is requested that this will be taken into consideration by the Commission.

32. As there are large number of other tribes and ethnic groups Government of Assam has created 18 other Development Councils and provided them with budgetary support which runs to about Rs.235 crore in 2013-14 and Rs.1175 crore during the forecast period. **We urge the Commission to take this amount into consideration in their recommendations.**

Chapter-13

33. General Category States are of the common perception that Special Category States are getting special treatment from the Centre with generous flow of funds for their economic upliftment. But empirical evidence gives quite the opposite picture. The low CD ratio of Assam compared to economically well off States is a case to this point. In 2011-12, CD ratio of Assam was 37.11 as against 118.15 of Tamil Nadu, 108.94 of Andhra Pradesh, 53.50 of Maharasthra, 71.90 of Kerala, 65.87 of Gujrat. CD ratio of all 11 Special Category State is below the All India average of 75.44. These surpluses/savings are made available to the entrepreneurs and companies which have their corporate offices situated outside Special Category States. This has led to flight of huge amount of bank deposits for investment from these States to

elsewhere. Thus, the economy of most of the well off States is also supposedly prospering on the savings of the people living in the Special category States. As regards fertilizer subsidy also, Special Category States get the benefit of low amount of fertilizer subsidy compared to well off States due to low consumption of fertiliser. Due to economic backwardness of vast 85% Small and Marginal Farming community in Assam, the fertilizer consumption in Assam is not at all comparable with the national level which is only 74.58 Kg/ha against 141 kg/ha at National Level (2011-12). More than half of the total fertiliser subsidy is consumed by the top five States namely, Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Punjab. The share of these States was about 54.5 % in 2007-2008. Other major beneficiary States were Gujarat, Karnataka, West Bengal, Bihar, Haryana and Tamil Nadu which has a share of 36.4% in 2007-2008. The share of less developed States like Orissa, Assam, Jammu and Kashmir and Himachal Pradesh was low and they accounted for only 7.9% in 2007-2008. In fact, Assam had only a share of 1% in 2007-2008. In case of Food Subsidy, Assam's share is the lowest in the country being Rs.1.62 crore in 2010-11 and Rs.2.52 crore in 2011-12. Since FCI do not procure rice in Assam, farmers in Assam do not get the benefit of Minimum Support Price (MSP). Assam's share in most of Central subsidies, namely, food, fertiliser, petroleum products, exports are very meagre due to under-developed nature of its economic base. **The 14th Finance Commission may evolve a mechanism to compensate the States like Assam for their poor absorption capacities of Central subsidies.**

34. The National Food Security Bill has since become an Act in September, 2013. In this context, we would like to bring to the Commission's notice some likely adverse impact of the National Food Security Act on the Agriculture sector of the State. Nearly 85% of the rural population of Assam will be covered under the Food Security Act. Most of them are small and marginal farmers engaged in subsistence farming. On implementation of the Act, they will be able to get rice at Rs.3/- per K.G, whereas the average cost of production of their rice is around Rs.15/- per K.G. Therefore, unless these farmers get remunerative price for their produce, farming by them will no longer be economically viable. **On the grounds of higher moisture content and higher percentage of broken grains, FCI has not been procuring rice in Assam for the past many years. It is therefore, imperative that FCI procures**

the rice produced in Assam by providing remunerative minimum support price and distribute the Assam produced rice within the State of Assam itself under the Food Security Act. Otherwise, if rice for distribution under the Act is brought to Assam from outside the State, then agriculture sector in the State may get a serious set-back and this may have far reaching economic and social ramifications for the already problem ridden State of Assam. Alternatively, State Government will constitute a State Agency like Assam Food & Civil Supplies Corporation for procurement of rice produced in Assam for distribution of rice under National Food Security Act. Assam Government also likes to set up Assam Jute Corporation for procurement of jute from the cultivators within State for giving them remunerative price. **For this purpose the 14th Finance Commission may consider for recommendation of grant for those proposed Corporations.**

Chapter-14

35. Budget classification of expenditure is one of the fundamental building blocks of a sound budget management system. The expenditure of the Government is classified into functional heads. The functional classification signifies broadly the function of Government for which the expenditure has been incurred and the activity on which the expenditure has been incurred. The functional classification being followed as of now, is a seven tier structure with a hierarchy of major, sub-major, minor, sub-minor sub-head, detailed heads and object head. The Government of Assam has been following the 7 (seven) tier classification structure of expenditure in accounting of Government transactions. The State Government is ready for customization of IT Systems with the proposed transition in Accounting, as a fully computerized Treasury System already exists. We request the 14th FC to review the present public expenditure management system in place and make appropriate recommendations thereon.

Chapter-15

36. After closure of 14 State PSUs, there are 37 Public Sector Undertakings (PSUs) in Assam under the control of 22 Administrative Departments. Of these 6 were registered under different Statutory Acts, 3 under Assam Co-operative Societies Act, 1949 and rest 28 enterprises were under the Companies Act, 1956. In terms of activity, 10 PSUs belong to

Production, 5 to Trading, 5 to Public Utility Services, 11 to Promotional, 4 to Welfare of Weaker Section and 2 to Construction and Housing sectors. For overall development of the state PSUs, the State Government had taken a total reform policy package under AGPRMP for closure, restructuring, divestment, social safety net, corporate governance and accountability with the financial help of ADB. Under ADB funded PSU reforms, 6062 number of employees of 14 unviable PSUs and 2 industrial Units of ASIDC Ltd have been released on Revised Voluntary Retirement Schemes dated 15.02.2006. The existing PSUs need further injection of fresh capital to make them self-sustaining, competitive and to be market oriented. **The 14th Finance Commission is requested to provide Rs.1058.30 crore for reform and restructuring of State PSUs including liquidation of closure liabilities.**

Chapter-16

37. The state of Assam being situated at the Eastern most boundary of the Country, it faces the disadvantage of cost disability particularly in distance from the market, procurement of building materials and procurement of machinery etc. In other words, North East as a whole has the main cost disability in respect of distance from market. In this regard the Look East initiatives relating to transportation & communication linkages to the rest of India through Bangladesh are very crucial. Development policies for the N.E. must be based on a close examination of this disability created by the partition of the country. Distance from market & sources of raw materials implies that incentives to compensate for this natural disadvantage should be devised. Multifarious security problems overshadow everything else in the North East & the 14th Finance Commission is requested to delve into this problem as a whole. As the methodology for measurement of cost disability is a technical matter, recommendations of Dr. Govinda Rao Committee may be taken into consideration.

Chapter-17

38. The Government of Assam is in favour of gradual annual increase in user charges/fees to reduce losses of public utility services. The fixation of pricing of public utility services should be through a mechanism of

Regulatory Authorities. Additional costs due to factors like inefficiency, wastage etc. should not be allowed to be included in pricing and thrust on the consumers. Capacity of the poor sections of the society to avail of such services must also be kept in mind.

39 To enable various issues relating to manner of operation, pricing and tariffs, Assam will also have to set up and develop its regulatory system in various sectors. This will require setting up statutory regulators along with concomitant requirements of their staffing and functioning.

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40. In this chapter we have highlighted some special problems, which are State specific and we request the 14th Finance Commission to recommend State Specific grants to the tune of Rs.39038.28 crore including Rs.500 crore for up-gradation of Judicial administration and establishment of 14 fast track courts and Rs.165.28 crore for constitution of Upper House in State Legislature of Assam.

41. To conclude, in this Memorandum, a request has been made to the 14th Finance Commission for recommending the following awards for the period from 2015-16 to 2019-2020.

Sl.	Items	(Rs. Crore)
1	Pre-devolution Revenue deficit (2015-20)	193278.40
2	Additional financial liability for the New Pay Commission from 01.01.2016 to 31.03.2020	54452.00
3	Rehabilitation of Families affected by River Erosion	1000.00
4	Ecology and Environment Management	802.15
5	Financial Assistance for Local Bodies	12405.00
6	Financial assistance for 6th Schedule and other Autonomous Councils	3293.00
7	Financial assistance for 5 years for implementation of National Food Security Act, 2013	2103.00
8	Financial Assistance for Reform & Restructuring of State PSUs	1058.30
9	State Specific Needs	39038.28
	Total	**307430.13**

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Chapter-1

State Economy

Area

1.1 Assam is situated in the North-East Region of India – bordering seven States viz, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal and two countries viz. Bangladesh and Bhutan. With a geographical area of 78,438 sq. km i.e. about 2.4 percent of the country's total geographical area, Assam provides shelter to 2.58 percent population of the Country. Topographically, the State can be divided into Brahmaputra Valley comprising 22 districts with an area of 56,194 sq.kms, the Barak valley comprising 3 districts with an area of 6,922 sq.kms and the Hill area comprising 2 districts with an area of 15, 322 sq.kms. For administrative and revenue purpose, the 27 districts of Assam are divided into 56 sub-divisions with 184 revenue circles.

Population and Literacy

1.2 According to the final population data released by the Census of India, 2011 the population of Assam stands at 3.12 crore of which 1.59 crore are males and 1.53 crore females. The decadal growth of the State's population works out at 17.1% during the decade 2001-2011 as against 17.7% for the country as a whole. The sex ratio of Assam has increased to 958 in 2011 from 935 in 2001. The density of population of the State has gone up to 397 per sq.km as against India's density 382 per sq km as per 2011 Census. The corresponding State's figure as per 2001 Census was 340 sq. km. As per 2011 Census, the rural population is 86% of total population. This percentage is much higher than that of All India (69%). The proportion of rural population in the State decreased from 87% in 2001 to 86% in 2011. Around 14% of the State population is in the urban area. The proportion of urban population in the State increased from 12.9% in 2001 to 14% in 2011. The literacy rate in Assam as per Census 2011 increased to 73% in 2011 from 63% in 2001 with 79% for males and 67% for females in 2011. The literacy rate for the country as a whole as per Census 2011 increased to 74% from 65% with males and females literacy rate of 79% and 67% respectively.

The Economic Growth Trend

1.3 During the last 60 years since Independence, particularly in recent years, the rate of growth of Assam's economy has lagged behind the rate at which the country as a whole has been progressing. The State economy in terms of GSDP registered an annual average growth rate of 6.78% during 11^{th} plan period as against 5.33% during 10^{th} plan period. On the other hand, the average growth of national economy in terms of GDP was 7.80% and 8.74% during 11^{th} plan period and 10^{th} plan period respectively.

1.4 As regards per capita income, while in 1950-51 Assam was better off than the national average by Rs.46 at constant 1980-81 prices, it started lagging behind soon thereafter and by 2012-13, it became lower than national average by Rs.14,945. Table below 1.1 depicts the picture.

Table-1.1
Per Capita Income of Assam and India at constant prices

(In Rupees)

Year (At Constant Price)	India	Assam	Difference
1950-51 (base 1980-81)	1127	1173	(+) 46
1960-61 (base 1999-2000)	8889	8769	(-) 210
1970-71 (base 1999-2000)	10016	9351	(-) 299
1980-81 (base 1999-2000)	10712	9334	(-) 346
1990-91 (base 1999-2000)	14330	10915	(-) 3415
2000-01 (base 1999-2000)	20362	12447	(-) 7915
2010-11 (base 2004-05)	36342	21793	(-) 14549
2011-12 (Q) (base 2004-05)	38037	22910	(-) 15127
2012-13 (A) (base 2004-05)	39143	24198	(-) 14945

1.5 Similar kind of picture emerges if we look at the average growth rate in per capita NSDP over the 11^{th} plan period. The all India average growth of per capita NSDP over the 11^{th} plan period was 6.2% as against Assam's 5.49%. The reason behind this widening gap is mainly attributable to the cumulative effect of a higher rate of population growth and the growth of State economy not being able to keep pace with that of national economy. This gap will continue to be widened unless the issue receives the required attention at appropriate levels of policy formulation.

Some causes of Assam's economic deceleration

1.6 Before we proceed to analyze the performance of different segments of the state's economy, it seems necessary to have an idea of some of the important factors causing the State, so rich with natural resources, to fall behind in the process of economic development. Assam's tale of woes actually began with the partition of the country. The problem of transport bottleneck and geographical isolation started in 1947. Road and railway transit routes through erstwhile East Bengal were lost and the traditional trade relations between Assam and the neighbouring countries were strained after partition of the Country. 1947 also meant large-scale migration of refugees from East Pakistan to Assam and the beginning of ethnic tensions in the State. Then came the great earthquake of 1950, measuring 8.5 in the Richter Scale, which was one of the biggest earthquakes ever recorded in the world. It changed the topography of the region and the courses of the river Brahmaputra and some of its major tributaries. It also caused the river bed to rise significantly making floods and erosion more intense thereafter. The earthquake was followed by severe floods in the mid-1950s bringing untold devastations and miseries in their trail.

1.7 Next came India's war with China in 1962. Assam and the North-East faced the brunt of the war. It was a big psychological blow to the people of the North-East and it sent a strong negative signal to prospective investors that Assam was not a safe place for investment. The 1962 war also perhaps changed the perspective of the national policy makers vis-a-vis Assam from development to defence. Soon thereafter the Indo-Pak war of 1965 broke out. Once again Assam had to go through the trauma of war. The riverine route from Assam to the outside world through the then East Pakistan was sealed as a result of the war. The next severe blow came in 1971 when Assam not only had to suffer the wartime tension and inconveniences of the Bangladesh liberation war but also had to give shelter to millions of refugees from erstwhile East Pakistan for more than a year.

1.8 In 1971 Assam was fragmented once again and balkanization of the State was taken one step further. Assam had to shift its capital in 1973 from Shillong to Guwahati. One major economic impact on Assam was the loss of the entire hydel power system to Meghalaya. Before the administration could settle down in its new environment in a makeshift temporary capital, the Assam agitation began in 1979 and the administration was stretched to its limit. Maintenance of law and order got precedence over everything else. The agitation ended in 1985 with the signing of the Assam Accord. But the respite was short-lived. The rise of the ULFA in the mid 1980s followed by unrest in Bodo areas engulfed the State with militancy, insurgency, terrorism and associated killings and extortions. Although the State is very rich in natural resources and industrial raw materials, the process of industrialization in the state came to a grinding halt. Not only did the flow of fresh investment stop, there began a process of capital flight from the State.

1.9 Assam has been facing a formidable problem of alarming growth of population. Since 1901, Assam had the distinction of recording one of the highest growth rate of population among all the States. Table 1.2 below clearly brings out the higher population growth rate of Assam, as compared to the rest of the country. As may be seen from the following Table in most of the decades during the last century the growth rate of population in Assam has been well above the national growth rate. The decadal growth rate of population in Assam in the pre-1971 period, particularly since 1951, suddenly jumped from 19.9 percent in 1951 to 35.0 percent in 1971. The decadal growth rate of population in Assam in the post-1971 has been on decline in spite of the moderate growth rate of population. The rapid population growth is also one of the important factors for relatively slower economic development of the State.

Table -1.2
Population Trend in Assam and India

Year	Population (in lakh)		Percentage Decadal Variation		Density (person per sq.km.)	
	Assam	India	Assam	India	Assam	India
1	2	3	4	5	6	7
1901	33	2384	-	-	42	77
1911	38	2521	+17.0	+5.8	49	82
1921	46	2513	+20.5	+0.3	59	81
1931	56	2789	+19.9	+11.0	71	90
1941	67	3186	+20.4	+14.2	85	103
1951	80	3611	+19.9	+13.3	102	117
1961	108	4392	+35.0	+21.5	138	142
1971	146	5481	+35.0	+24.8	186	177
1981	180 (*)	6833	+23.4 (*)	+24.7	230 (*)	230
1991	224	8463	+24.2	+23.9	286	267
2001	266	10270	+18.9	+21.5	340	325
2011	311	12102	+16.9	+17.6	397	382

(*) Interpolated

Source: Census of India, 2001.

1.10 The State has had major breakthrough in its fight against insurgency recently with a number of insurgent groups or factions thereof agreeing to come to the negotiating table and lay down arms, but the challenge is far from over. There are still quite a few such outfits which are active at present. The situation has been further compounded by involvement of some external forces inimical to India and their attempt to fish in the troubled waters. It has to be appreciated that apart from the direct cost of fighting terrorism including loss of life and property the indirect cost in terms of loss of production, employment, investment and a general environment of insecurity and despondency has been immense. Recent developments regarding creation of states in other parts of the country have added fuel to the fire of separatism in Assam. Demand for creation of separate States within Assam like Bodoland, Karbi Anlong and Kamatapur has again gained momentum, which will impose special burdens on Assam if law and order has to be maintained. This may also push the State to industrial and economical slowdown.

1.11 Another unique feature of Assam which has adversely affected the social and political climate and economic development of the State is its ethnic diversity and heterogeneous population. There are multiple demands for ethnic homelands. Such demands have usually been accompanied by agitations and ethnic uprisings, which often cause damage to infrastructure, loss of mandays, vitiate the investment climate and retard economic development.

1.12 The State had to create a number of autonomous councils with separate administrative apparatus to fulfill the aspirations of various ethnic groups. Besides, the State Government has created eighteen new Development Councils for the Moran, Motok, Ahom, Chutia, Koch-Rajbongshi, Tea Tribes and Gorkha ethnic groups etc. Creation of these new administrative units has put additional financial burden on the State.

1.13 Assam's case of economic deceleration cannot be explained in its entirety within the framework of economics alone. It must be seen in its proper geographical, historical, cultural, ethnic and political perspectives. Revenue generation by a State Government is in the long run a function of overall prosperity of the State economy. Economic stagnation constrains the revenue generation capacity of a State. In the normal run of things, meaningful financial prosperity and self-sufficiency are perhaps unattainable goals for any Government in a poor State like ours. **We request the 14th Finance Commission to give a supportive hand and evaluate our financial projections against this background and make effective recommendations to address this fundamental issue and help Assam to make up for the lost decades.**

Growth and Structure of Economy

1.14 Economic growth scenario of the State has definitely improved with the economy registering a notable annual average GSDP growth rate. It has already been discussed that even this improved showing is not at par with the GDP growth rate of the country implying further piling up of the accumulated disadvantages and development deficit.

1.15 Less than satisfactory level of State's economic development becomes more apparent when we compare its Per Capita NSDP (at factor cost) at constant prices with that of a few other States. Table-1.3 below tells the story.

Table- 1.3
Per Capita NSDP of various states in 2011-12 (in Rs.)

State	Assam	Gujarat	Haryana	Punjab	Maharashtra	All India
Per Capita NSDP	22,956	56,567	63,045	46,688	64,951	37,851

1.16 It is quite understandable that this huge gap cannot be filled with the present rate of State's GSDP growth and will continue to act as a catalyst to the further widening of the gaps among the developed and less developed States, unless special attention is given to this issue.

Sector-wise Performance of the Economy during 11th Plan Period.

Agriculture and Allied Sector

1.17 The growth of Agricultural Sector plays a pivotal role in the performance of the State economy as a whole. The net cultivated area of the State is 28.11 lakh hectare (2010-11) or about 35.8% of the total land available for agricultural cultivation in the State. During 10th plan period Agriculture and Allied Sector had increased to 0.63% over 9th plan period's negative growth of 1.7%. But during 11th plan period Agriculture and Allied Sector has registered a good improvement by achieving a growth of 4.09% due to greater emphasis given by the Government in this primary sector of economy by injecting more investment and introduction of region specific schemes. During this plan a substantial growth of 6.48% and 7.01% were achieved in the years 2009-10 and 2010-11 respectively. However, it is observed that growth rate of Agriculture and Allied Sector has been declining in the year 2011-12 (Quick Estimate) and 2012-13 (advance Estimate) due to crop damage by flood in some areas of the State, unfavourable weather condition for some crops etc. These factors have caused noticeable reduction in production of some major crops like Winter Paddy by 10.66%, Autumn Paddy by 2.07%, Rapeseed and Mustard by 2.8%, Wheat by 13.35%, Sugarcane by 2.21% and Jute by 2.71% in 2011-12 over the previous year.

1.18 Share of agriculture and allied sector in GSDP of some agriculturally rich States is indicated in the Table-1.4 below:

Table- 1.4
Share of Agriculture in GSDP at current prices in 2011-12 (in Rs.)

Assam	Bihar	West Bengal	Haryana	Punjab	UP	All India
22%	20.9%	23.3%	20.7%	30.3%	27.6%	17.2%

Industry Sector

1.19 During the 10th plan period, the industry sector exhibited growth of 7.9% over 9th plan period's growth of 4.2%. The better growth achieved during 10th plan period as compared to 9th plan period was mainly due to the better performance of some sectors like Oil and Refinery, Manufacturing sector, Processing and preservation of Food items etc. But comparatively, the industry sector has slowed down its pace during 11th plan period and pegged at 4.19% in the wake of some social disorders in the State and economic meltdown in the country reflected by latest downbeat of Index of Industrial Production at all India level. The Industry sector of the State requires more attention and emphasis to grow to reach a substantial position in coming days. Share of Industry of some States in GSDP at current prices in 2011-12 is indicated in the Table 1.5 below.

Table- 1.5
Share of Industry in GSDP at current prices in 2011-12

Assam	Andhra Pradesh	Maharashtra	Gujrat	Jharkhand	Chattisgarh	All India
22%	27.5%	30.7%	37.1%	39.9%	43.5%	26.4%

Services Sector

1.20 Presently, the services sector holds a place of prominence in the share of GSDP estimates in the economy. The share of Services sector to GSDP during the 10th plan period was 50.76% and the annual average growth rate was 7.20% during 10th plan period over 9th plan period. This was mainly due to the rapid diversification in the Communication Sector, Transport Sector, Trade & Business Services, Banking Services, Hotel and Catering Services and introduction of various Ancillary services. In fact, the Services sector has radically changed the structure of the State economy and generated significant level of employment particularly in the private sector of the economy. It is hoped that this sector would be able to provide larger employment opportunity for the young generation of the State in near future. Share of Services sector of some States in GSDP at current prices in 2011-12 is indicated in the Table-1.6 below.

Table-1.6

Share of Services Sector in GSDP at current prices in 2011-12

Assam	Andhra Pradesh	Maharasthra	Gujrat	Jharkhand	Haryana	All India
56%	51.7%	57.3%	44.2%	45.4%	51.1%	56.4%

1.21 The sectoral composition of the economy shows a secular decline in the share of the State economy. The share of primary sector in the GSDP has declined from 26% in 2004-05 to 22% in 2011-12. Similar trend has been noticed in case of the share of secondary sector also since it has come down from 27% in 2004-05 to 22% in 2011-12, depicting the gloomy industrial scenario in the State. On the other hand, the tertiary sector has shown an encouraging trend in the State economy, which has increased from 47% in 2004-05 to 56% in 2011-12. The growth of GDP of Assam and India during 10th Plan and 11th Plan is shown in following Table-1.7.

Table-1.7

Sectoral Growth

Item	10th Plan (2002-07)		11th Plan (2007-12)	
	Assam	India	Assam	India
Average Annual Growth Rate of GDP	5.33	8.74	6.78	7.80
Agriculture	0.63	4.50	4.09	3.50

Industry	7.90	9.82	4.19	7.16
Services	7.20	9.86	9.13	9.74

Source: Director of Economics and Statistics, Assam

1.22 Structural composition of the economy, thus, shows a positive change over the years, but the sluggish growth of the industrial sector is a cause for concern as it implies that the unsustainable pressure of population on agriculture continues to be there.

Agriculture

1.23 Although the relative share of agriculture in GSDP has been declining, nearly 70% of the State's population and 53% of the rural labour force is dependent on it. The severest handicap of this sector is its predominantly rain-fed nature, which has been the principal factor responsible for major annual fluctuations in the agricultural production in the State. 72.5% of the gross cropped area is rain-fed. Crop-wise percentage of irrigated area over total cropped area is shown in Table-1.8 below.

Table-1.8
Crop-wise percentage of Irrigated Area in Assam

Crop	Percentage of cropped area
Winter Paddy	10.08 %
Autumn Paddy	0.07 %
Summer Paddy	27.50 %
Wheat	38.16 %
Pulses	7.85 %
Oil Seeds	9.60%

1.24 All India figures for the coverage of gross irrigated area to gross cultivated area in 2008-09 are 45.32%. Inter-State disparities are even more disconcerting for the period from 2004-05 to 2008-09. Table-1.9 below gives an idea of the situation in this context.

Table-1.9
State-wise percentage of Gross Irrigated Area to Gross Cultivated Area

States/Year	2004-05	2005-06	2006-07	2007-08	2008-09
Andhra Pradesh	39.84	44.87	47.38	46.33	48.74
Bihar	56.72	58.48	60.19	60.85	60.95
Chattisgarh	22.95	23.93	25.92	26.48	27.05
Himachal Pradesh	19.20	19.70	19.81	19.73	19.66
Kerala	15.19	15.41	16.79	16.48	16.99
Tamil Nadu	52.42	56.31	56.63	55.92	58.26
Punjab	97.11	97.61	97.52	97.70	97.62

Harvana	84.58	83.72	85.41	85.99	85.26
Uttar Pradesh	74.20	74.96	75.62	75.62	76.44
Jharkhand	10.27	10.06	13.97	9.37	9.71
Gujarat	38.02	41.44	44.71	45.71	45.61
Assam	**4.39**	**3.60**	**3.77**	**3.70**	**3.77**
India	**42.38**	**43.59**	**45.07**	**45.05**	**45.32**

Sources: DES, Ministry of Agriculture.

1.25 Needless to say, Assam has miles to go before it can match all India level and the better placed States in terms of the most crucial factor of agricultural productivity.

1.26 As per the latest land utilization statistics for the year 2010-11, the Gross Cropped Area in the State increased to 41.6 lakh hectrees in 2010-11 from 39.99 lakh hectares in 2008-09. In 2007-08 the Gross Cropped Area in State was 38.39 lakh hectares. The Gross Cropped Area in the State, thus, increased by 8.36% during the year 2010-11 over 2007-08. The area sown more than once while recorded 4.25% increase with 13.49 lakh hectares in 2010-11 over 2009-10 (12.94 lakh hectares), the net cropped area remained at the same level with 28.11 lakh hectares during 2010-11 as it was in 2009-10. Thus, it reveals from the above that the ratio of area sown more than once to the net area sown was 48% during the year 2010-11 compared to 46% in 2009-10. The ratio of area sown more than once to the net sown area in the State was 42.28% during 2008-09. This definitely needs to be improved and is one major potential way of enhancing the food security and bolstering the sagging production levels in the State.

1.27 The irrigation potential created at the all India level so far is estimated to be 73.5% of the ultimate irrigation potential. In Assam, out of gross cropped area of 41.60 lakh hectres total irrigation potential created so far (upto 2011-12) is 8.23 lakh hectares, which is about 19.78% of the ultimate irrigation potential. Of the total potential created, 84.9% is being utilized at All India level, whereas in Assam, it was 22.84% in 2011-12. Assam is faced with the unenviable scenario of only 27.5% of its gross cropped area (40.8 lakh hectares) having any kind of irrigation facility. It needs to be pointed out that even with the creation of the ultimate gross irrigation potential, it will be possible to cover only 66.06% of the gross cropped area.

1.28 The pace of creation of additional irrigation potential and the rate of growth of utilization have slackened in the country as a whole, the former coming down from an average of about 3% during 1950-90 to 1.8% during the Tenth Plan period and the latter to 1.5% during this period. However, the situation in Assam borders on the prospect of a crisis in view of the fact that nearly 57% of the State's land is not available for cultivation, limiting the scope of area expansion and 83% of our 27.12 lakh farm families are small and marginal farmers with little capacity to arrange capital for taking care of irrigation and input needs of their farms, which are again small and scattered, with the average size of operational holdings being only 1.14 hectare.

1.29 **Responding to the continuous decline in the rate of creation of irrigation potential, the Central Government initiated AIBP from 1996-97 and provided for 90% of the project cost as grant to Special Category States. We urge the Fourteenth Finance Commission to take a holistic view of the alarming irrigation scenario and recommend a special package to bring the State on par with at least the All India average, if not with the best placed States, during its award period.**

1.30 The rate of growth of food grain production witnessed a serious deceleration during 1990-2007, averaging 1.2% at All India level, lower than the annual growth of population. Assam has been no exception. Its average annual agricultural growth decreased from 1.80% during 8^{th} Plan Period to 0.39% and 0.27% during 9^{th} & 10^{th} Plan Periods respectively.

1.31 This situation raises a serious question mark on the food security scenario in the state. **We urge the 14^{th} Finance Commission to have a hard look at the assistance being provided to the State under the programmes like National Food Security Mission and Rastriya Krishi Vikas Yojna and recommend a significant step-up alongwith necessary revision of their scope and structure to focus on the State specific needs adequately.**

1.32 The production of agricultural crops, besides the weather induced fluctuations, significantly depends on the availability of inputs like fertilizers, certified seeds, credit support, marketing infrastructure and appropriate price signals. It is disheartening that as per the Planning Commission assessment, except for an increase in the rate of growth of credit supply to farmers, there has been a deceleration in the growth of all other variables. Particular cause for worry is that all these negative trends have been more pronounced in Assam leading to a huge gap between the achievements at all India level and State level. The fertilizer consumption (Kgs/Hectares) in 2011-12 in Assam stood at 67.25 against the All India average of 144.33. Similarly, electricity consumption for Agriculture purpose in Assam was 0.98% in 2009-10 against All India average of 20.98%. Some State-wise consumption of fertilizers per hectare and share of electricity consumption in agriculture are indicated in the Table-1.10 below.

Table-1.10
State-wise Consumption of Fertilizer per Hectare and Electricity Share in Agriculture

States	Fertilizer (Kegs/Hectare) (2011-12)	% Share of Electricity Consumption (2009-10)
Andhra Pradesh	266.11	31.54
Punjab	243.56	33.46
Haryana	224.85	40.29
UP	169.91	17.64
Tamil Nadu	227.01	20.70
Karnataka	181.43	34.21
Bihar	184.24	13.09
West Bangal	169.70	4.21
Assam	**67.25**	**0.98**
All India	**144.33**	**20.98**

1.33 More than 80% of the farmers rely on farm saved seeds leading to a low seed replacement rate. The seed replacement rate of paddy, blackgram, pea and oilseeds in the State in 2011-12 was 47%, 80%, 41% and 26% respectively.

1.34 It may be noted that as per recommendation of the National Commission on Agriculture, there should be one market within a radius of 5 KMs. By this criteria Assam should have 998 regulated markets. However, there are only 204 regulated markets at present in the State, each covering an average area of about 360 sq. kms.

1.35 The objective of ensuring adequate and timely support from the banking system to the farmers for their agricultural needs through Kisaan Credit Card remains only partly fulfilled mainly due to under performance of the banking sector. Only 3.30 lakh (11.31 %) of the total number of 37.31 lakh farmers have so far received the Kisan Credit Cards. In fact, agricultural advances as percentage to total advances in the state were 13.42% only in 2007-08. Per capita agricultural advance under Annual Credit Plan was Rs.175.91, far below the national average of Rs. 1531 in 2005-06. Per capita crop loan in the state was Rs.29.80 only in 2006-07 against all India average of Rs.739. These figures undoubtedly reflect the poor credit support to the farmers.

1.36 To conclude the discussion on this vital sector, it will be pertinent to have a glimpse of the comparative picture of the index of Agricultural Production in the State and the country as a whole. Table-1.11 below shows the position.

Table-1.11
Index of Agriculture Production in Assam and India

Year	Assam			India		
	Food	Non-Food	All Commodities	Food	Non-Food	All Commodities
2007-08	145	161	153	187	247	207
2008-09	174	167	170	190	221	193
2009-10	131.43	107.00	120.57	159.40	144.3	159.60
2010-11	149.34	106.43	130.25	178.90	170.10	185.30
2011-12	140.08	109.42	126.44	188.10	175.10	192.00

The above figures speak for themselves.

Industry

1.37 Traditional industries in the State are based on oil, tea, jute and forest resources. The foundation of these industries were laid in the 19th and early 20th centuries. A number of medium as well as small-scale industries also came up during this period. In the first three decades of planning, a number of paper, jute, sugar and textile industries came up in the State. However, beginning with the late 70's the State has been witnessing serious law and order and insurgency related problems. The process of industrialization suffered a serious setback during the 1980’s and 1990’s. Benefits of the economic reform process and industrial liberalization has literally bypassed the State. States and regions with high level of infrastructures, proximity to the national market and with locations nearer to the sea ports have been able to attract much more investments than the peripheral and land-locked States like Assam which are handicapped by geographical distance, transport bottleneck, insurgency and poor infrastructure. It is easily discernible from the state-wise distribution of Special Economic Zones. Government of India gave in principle approval for 138 SEZs, formal approval for 513 SEZs and 250 SEZs have been notified as per the latest data available. Assam does not have a single in-principle or formal approval and no SEZ has been notified in the State.

1.38 As on 31.3.2012 there were 35717 numbers of SSI/MSME units providing employment to 1.91 lakh persons. The number of large and medium industrial units in the State is 626 as on 31st march, 2012. However, about 45% of the SSI units and a sizable number of other units have become sick due to inadequate working capital, insurgency related problems, poor market access and infrastructure etc. As a result, thousands of persons have lost their jobs. The index of Industrial Production in the State stands at 147.75 in 2011-12 (Base 2004-05) as compared to 140.38 in 2010-11 as against All India figures of 221.5 and 247.1 respectively for these two years.

1.39 The post-reform Foreign Direct Investment (FDI) has also remained elusive for Assam. The top six States, viz., Maharashtra, New Delhi, Karnataka, Gujrat and Andhra Pradesh accounted for over 70% of the FDI equity flows to India between 2008-09 and 2011-12. The top two States, i.e., Maharasthra and Delhi accounted for 50% of FDI flows during this period. Table-1.12 below illustrates how the industrial sector in Assam has been almost completely bypassed by the reform process.

Table – 1.12
FDI Equity Inflows to Indian States Vis-à-vis Assam

(US $ Million)

States	2008-09	2009-10	2010-11	2011-12
Maharasthra	12431	8249	6097	9553
Delhi	1868	9659	2677	7983
Karnataka	2026	1029	1332	1533
Gujrat	2826	807	724	1001
Tamil Nadu	1724	774	1352	1422
Andhra Pradesh	1238	1203	1262	848
West Bengal	489	115	95	394
Chandigarh	0	224	416	130
Goa	29	169	302	38
Madhya Pradesh	44	54	451	123
Kerala	82	128	37	471
Rajasthan	343	31	51	33
Uttar Pradesh	0	48	112	140
Orissa	9	149	15	28
Assam	42	11	8	1
Bihar	0	0	5	24

Source- Ministry of Commerce and Industry, GOI.

1.40 Another disturbing development is the decreasing flow of institutional finance to Assam especially after the introduction of market friendly economic reforms process in the country. If we look at the state-wise per capita assistance disbursed by All India Financial Institutions in 2001-02, it can be seen that the figure for Assam was Rs. 17.4 against the All India average of Rs.471.7. This figure for states like Maharashtra, Karnataka, Haryana and Gujarat was Rs. 3386.4, Rs. 1653.9, Rs. 691.9 and Rs. 648.3 respectively as per the Report on Development Banking in India.

1.41 As per the provisional results of the Fifth Economic census, there are 42.12 million enterprises in the country and five states - A.P., Maharashtra, Tamil Nadu, UP and West Bengal together account for about 50% of the total enterprises in the country. There are about 5.83 lakh enterprises which employed 10 workers or more, accounting for 1.4% of the total enterprises and 53% of these larger enterprises are concentrated in five states- Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Kerala. Similarly, five states, A.P., Maharashtra, T.N., U.P. and W.B. have the combined share of about 40% of total employment at the country level. It can be seen that only 2.19% of the enterprises are located in Assam. Further, from the report of Annual survey of Industries, 2004-05, it can be seen that only 1.25% of the registered factories of the country are located in Assam.

1.42 It is clear from the above statistics that the regional disparity between Assam and the N.E. region on one hand and the rest of the country on the other has increased considerably in the area of industrial development. Government of India took cognizance of this disturbing trend and announced a special Industrial Policy, 1997 for the N.E. region containing a package of incentives for a period of 10 years.

1.43 Central Excise Duty exemption, Income tax benefit, comprehensive insurance benefit, 15% central capital investment subsidy, 3% central interest subsidy on working capital, transport subsidy etc. were the main highlights of this new Policy initiative. Although effective from 24.12.97, its actual implementation started from the year 2000. This immediately generated a kind of resurgence. Fifty four new large and medium industries with a total investment of Rs.2,800 crore providing 6500 direct employment and 14,400 new SSI units generating 60,000 employment were established in Assam after the new policy. Sixty medium scale industries also went for substantial expansion providing additional employment to 4500 persons. The North-East Industrial Policy (NEIP) saw the establishment of industries along modem and high-tech production lines like electronics and white goods, medical equipments, pharmaceutical products, cosmetics and detergents, up-market food processing, readymade garments etc. However, after the withdrawal of the benefit of Excise Duty exemption from the cigarette and gutkha manufacturing units, most of these units closed shops. Government of India also extended similar package of incentives to Uttarakhand, Jammu & Kashmir and Himachal Pradesh. Prospective investors immediately abandoned their investment plans in Assam and the North-East and moved to those States because of their proximity to the developed infrastructure and industrial and commercial belt of North India in preference to Assam and the North-East.

1.44 The Govt. of India approved a package of fiscal incentives and other concession for the North East region, namely The North Eastern Industrial and Investment Promotion Policy (NEIIPP) 2007, effective from 01-04-2007. The new policy gave a boost to the industrial development of the State.

Power

1.45 The status of power generation in the State is not satisfactory from the point of power requirement of the consumer. There has always been a shortage of power supply in the State due to generation of less amount of power in comparison to its demand. However, Assam power sector has been trying to meet the power shortage by purchasing power from other outside sources. As a result of functioning of Hydel power project since 2006-07 the scenario in respect of power generation has slightly been improving and generation of power increased to 1498.13 MU in 2007-08 from 867.53 MU in 2006-07. In 2011-12 power generation has increased to 1773.00 MU i.e. 401.50 MW. The installed capacity of various power generating plants and the generation of power in the State during the last few years have been shown in the Tables below.

Table- 1.13

INSTALLED CAPACITY AND GENERATION OF POWER

(in million units)

Installed Capacity of Generating Plan (MW)					Gross Unit Generation (MU)		
Year	Thermal	Hydel	Gas	Total	Hydel	Gas	Total
2006-07	60	120	253.50	415.50	15.44	852.10	867.54

2007-08	60	120	239.50	401.50	509.20	988.94	1498.13
2008-09	60	120	239.50	401.50	434.40	1248.20	1682.82
2009-10	60	120	239.50	401.50	401.91	1310.30	1712.21
2010-11	60	120	239.50	401.50	409.49	1298.27	1707.76
2011-12	60	120	239.50	401.50	455.00	1318.00	1773.00

Table-1.14

REQUIREMENT AND SHORTAGE OF ELECTRICITY IN ASSAM

Year	Energy Requirement (MU)	Availability (MU)	Shortage (MU)	Shortage (in %)	Peak Demand (MW)	Peak Demand Met (MW)	Shortage (MW)	Shortage (in %)
2001-02	3415	3302	113	3.33	553	519	34	6.15
2005-06	4216	3537	679	16	716	576	140	18
2007-08	4621	4018	603	15	891	775	116	13.04
2008-09	5039	4270	769	13	972	824	148	15.25
2009-10	5049	4590	459	9.1	974	885	89	9.13
2010-11	5967	5028	939	15.68	1066	828	238	22.32
2011-12	6081	5670	411	6.75	1135	1024	111	9.78

1.46 The two Tables above make it abundantly clear that the development of Power sector has lagged behind the requirements of the State. Per Capita availability of power is extremely poor and has hardly been growing. It was 168 Kwh in 2010-11 and 183 Kwh in 2011-12.

1.47 The energy requirement in the State has been worked out to 6081 MU during 2011-12 as against 5967 MU in 2010-11, but the availability of energy during the periods was 5670 MU and 5028 MU respectively. To meet the demand of the requirement of power Assam Power Company has been purchasing power from other public and private sources. As per Census 2011, out of the population, 37% population of the State are using electricity for lighting purpose.

1.48 Per capita power consumption in the country in 2009-10 has been about 778.71 Kwh. But there are wide ranging disparities among the states. Dadra & Nagar Haveli has the highest per capita electricity consumption in the country at 11,863.64 KWh while Bihar has the lowest at 122.11 KWh for the yeat 2009-10. Position in respect of some of the states and Assam is shown in Table below.

Table-1.15

Per Capita Power Consumption of some of the states in 2009-10

(In KWh per person)

Haryana	1222.21
Punjab	1526.86
Gujarat	1615.24
Maharashtra	1028.22

Goa	2263.63
Tamil Nadu	1131.58
Assam	204.80

1.49 It may be mentioned here that the per capita consumption figure for Assam is lower than the corresponding figure for the North Eastern states taken together (257.98 Kwh). It will require great effort and investment to achieve the target of 1100 Kwh per capita consumption by 2020.

1.50 As per the latest data available, twelve states and Union Territories including Assam had T & D losses in excess of 30% in 2004-05, although in Assam it came down to 29.72 % in 2011-12 from 31 % in 2007-08 and from 40% in 2002-03. The situation is disturbing not only from the view point of global standards of the T&D losses which are about 5.10%, but also from the success of States like T.N. to contain them to 10% only.

1.51 In respect of Rural Electrification Programme under Rajiv Gandhi Grameen Vaidutikaran Yojana (RGGVY), which was started in 2006-07 in Assam, the number of villages electrified was 22,294 (84%) till 2011-12, out of total 26, 395 number of villages.

Transportation and Connectivity

1.52 Although road, railway and air connectivity in the State has started improving in the recent years, the existing facilities are yet to measure up to national standards. The improvement in inland waterways has been very slow. For the purpose of connectivity, Assam is literally the gateway and corridor for the other six N.E. States. Any infrastructure in Assam, particularly its roads, are used extensively by the neighbouring States. Maintenance of the transportation network in Assam is important not only for the State but also for the entire N.E. region and also for strategic defence interests of the country. Allocation of fund for improvement and maintenance of road, rail, air and waterways connectivities of Assam should, therefore, be viewed as an expenditure for improvement and maintenance of common facilities for the entire N.E. region.

1.53 The existing road network in Assam is quite deficient in terms of road density (66 Km/l00 Sq.Km), poor geometries, inadequate carriage-way wide pavement structure, weak and distressed bridges and a large number of semi- permanent timber bridges. The State PWD has a total road length of 51,878 KMs, of which 2848 KMs are national highways and 3134 KMs are State highways, 4413 kms major district roads, 2496 km urban roads 36,544 km rural roads and 2443 Project and other non-PWD roads.

1.54 The surfaced road kilometer ((excluding NH Way) constitutes 43.24% of total road length in the State as on March 2012. This indicates that as against total road length availability (including NH Way and Project roads) of about 66.14 km per 100 sq. km and about 166 km per lakh population (2011 Census) as on March 2012, about 27 km per 100 sq.km of geographical area and about 67.9 km per lakh population (2011 Census) of surfaced roads are available in the State during the same year. At present, there are 2099 numbers of semi permanent timber (SPT) bridges maintained by the State PWD that need to be converted to RCC bridges. There are still a large number of habitations with population up to 500 which do not have road connectivity. Connectivity with all weather roads are yet to be provided to 15,786 villages out of a total of 26,247 villages in the State.

1.55 Most of the roads in the State need major up-gradation and improvement. Fragile hills, high seismicity, large number of rivers and streams, frequent floods and heavy rainfall make maintenance of the road network in the State a very difficult and expensive proposition. The asset value of existing roads in the State is estimated to be Rs.20976 crore. As per laid down norms of Ministry of Road Transport and Highways, annual maintenance fund requirement for the State PWD including National Highways is Rs.810 crore. Maintenance of roads is a non-plan expenditure. Because of acute financial crisis of the State Government, against the annual requirement of Rs.810 crore, the State Government could provide an average of only Rs.85 crore per annum during last five years. Government of Assam has meanwhile adopted a Road Maintenance Policy. A State Road Board has been constituted for the purpose. Among other things it envisages a dedicated fund for road maintenance. A recent study by the World Bank showed that $ 45 billion invested in main roads have been eroded over the last 20 years through lack of maintenance in 85 countries. Another study shows that one rupee spent on maintenance saves two to three rupees in vehicle operating cost. In case of rural roads, a saving of one rupee by way of deferred maintenance results in a requirement of rupees five to six in rehabilitation of these roads after three years. **Hon'ble Finance Commission is requested to take into account the actual requirement for maintenance of roads in the State in making its recommendations and not to go by the compressed actual expenditure incurred by the State under circumstances of acute financial hardship. Hon'ble Finance Commission may also kindly take into consideration the requirement of Rs.4800 crore for conversion of the existing 2099 numbers of timber bridges to RCC bridges and make appropriate recommendations.**

1.56 The Brahmaputra, the Barak and their major tributaries hold great potential for inland navigation which can be used for movement of passengers, cargo and also for tourism purposes. However, due to absence of night navigation facilities, well equipped cargo handling centers and proper river ghats and ports having necessary amenities, the inland navigation potential of the State remains largely unutilized, although the Brahmaputra was declared as National Waterway No.2 quite sometime back. Taking the low cost of transportation through waterways, particularly in case of bulk cargo, it is imperative that necessary investment is made by the Government of India for improvement and up-gradation of this sector.

Banking

1.57 Assam is in a much more disadvantageous position in respect of banking facilities. The country has a total of 96,059 bank branches in 2011-12, of which only 1574 i.e., 1.64% are located in Assam. According to the "Quarterly Statistics of deposit and credit of Schedule Commercial Banks of Reserve Bank of India, March 2012" the average population covered per bank branch office in Assam was 19.8 thousand (based on the Provisional Census 2011) during the same period compared to All India average of 12.8 thousand. Credit-Deposit ratio of all Scheduled Commercial Banks in Assam was far below when compared with All India ratio. The Table below shows the Credit-deposit ratio of all scheduled commercial banks in Assam and India for past few years.

Table-1.16
Credit-Deposit Ratio of All Scheduled Commercial Banks in Assam and India
(As in March)

Year	Assam	India
2001	32.00	56.70
2002	31.70	58.40
2003	29.30	59.20
2004	31.80	58.20
2005	35.20	65.90
2006	41.90	72.50
2007	43.30	75.00
2008	41.20	74.20
2009	38.30	72.60
2010	37.00	72.70
2011	35.60	75.10
2012	37.30	78.10

1.58 Per capita Credit and per capita Deposit in the State in the year 2011-12 were Rs.8068 and Rs.21,620, which are below the All India level. Besides, during the year 2011-12, the annual achievement of disbursement of agricultural credit was 94% of the targeted amount compared to 67% of the targeted amount in 2010-11.

1.59 There is obviously the need for substantial enhancement of the rural penetration of the banking sector, credit-deposit ratio and thrust on financial inclusion in the state. This calls for step-up in the banking infrastructure investment, increase in the number of RTGS branches, infusion of greater IT applications and a vigorous institutional mechanism for performance monitoring of the banks by RBI. **We request the 14th Finance Commission to give due weightage to these issues in its recommendations.**

Tourism

1.60 Growth of tourism hinges on the ability of a region to convert its natural endowments, heritage structures, cultural specificities and ethnic enclaves into objects of tourist attraction through an aggressive and imaginative marketing strategy and development of infrastructural facilities. Assam has tremendous untapped tourism potential. Although the foreign tourist arrivals in the State were more than doubled between 2004 and 2008 as against the growth of 58% for the country as a whole during this period, this constituted only 0.47% of the total foreign tourist arrivals in the country. The State Government is giving priority to this sector. The State Plan budget for tourism has been increased about three fold during the last two years. A State Tourism Policy has been formulated recently. The State Government has allotted a plot of prime land in Guwahati to the Indian Hotels Company (the Taj Group) for setting up the first ever Five-Star hotel in the north-eastern region. An agreement between the State Government and the Indian Hotels Company has already been signed.

Forest & Ecological Balance

1.61 As per the latest assessment of the Forest Survey of India, the forest cover in Assam is 35% of its geographical area, (area within and outside the notified forest area included). This is more than what the nation aspires to achieve by the end of the 11th Plan. The reserved forest area in the state constitutes around 20% of the geographical area of the state. However, the scenario within the notified area depicts a rather gloomy state of affairs in terms of the extent of degradation during last twenty years due to panoply of biotic factors. It is a daunting challenge to conserve the rich biodiversity of the state, arrest the process of degradation and regain the lost ground.

1.62 The State has five National Parks (two of which, Manas and Kaziranga, are World Natural Heritage sites) and eighteen wildlife sanctuaries. Including two proposed wildlife sanctuaries, total wildlife protected area comes to about 4000 Sq. Km.

1.63 The Twelfth Finance Commission was considerate enough to award a special grant for this sector. But that amount was quite modest. The 13th Finance Commission also gave grant for forest and environment. The combined allocation for this sector under state and central plan schemes was approximately 246 crore in 2012-13. This is grossly inadequate. **The Fourteenth Finance Commission may kindly recommend a substantial special grant.**

1.64 One of the favourable spin-offs of the slow pace of economic development of the State has been that it cannot be held guilty of being a contributor to the frightening environmental crisis staring the globe in its eyes, but it cannot escape the impact of what is happening elsewhere. There is an immediate need of creating institutional capacity for study and research on the environmental issues in the State, so that timely and region-specific preparatory and corrective actions can be taken. **The Fourteenth Finance Commission is**

requested to recommend a special grant for setting up of a state level institute dedicated for research and development on ecology and environment and to act as a resource body for undertaking training and orientation programmes on these issues.

The commission is also requested to recommend a suitable grant for setting up facilities for the scientific and environment friendly disposal of hazardous industrial and bio-medical waste in the State.

Human Development Indicators

1.65 The Human Development Report, 2013 released by UNDP ranked India at a low 136 among 186 countries on it Human Development Index – a comprehensive measurement of life expectancy, access to education and income levels. How does Assam fare in health sector will be more than obvious if we compare with major States at the Table below.

Table-1.17
Health Sector - 2011

States	CBR (Crude Birth Rate	CDR (Crude Death Rate)	IMR (Infant Mortality Rate)	Maternal Mortality Rate (per 1 lakh child birth)
India	**21.8**	**7.1**	**44**	**212**
Kerala	15.2	7.0	12	81
Andhra Pradesh	17.5	7.5	43	134
Gujrat	21.3	6.7	41	148
Rajasthan	26.2	6.7	52	318
Maharashtra	16.7	6.5	25	104
Bihar	27.7	6.8	44	261
Orissa	20.1	8.5	57	258
Assam	**22.8**	**8.0**	**55**	**390**

1.66 Launching of National Rural Health Mission has definitely helped in improving the health care facilities in the rural areas, but Assam situation needs a greater injection of resources to come up to even the all India level in respect of health services. In respect of availability of Registered Medical Practitioners and Nurses, situation is extremely disconcerting. Problem is even more serious with regard to the availability of female doctors.

1.67 Health consciousness in the country as a whole is quite low. The situation in Assam is no different. In Assam, more than anywhere else in the country, we need huge investment for upgrading the buildings and medical equipments in the government hospitals to be able to reduce the out-of-pocket heath expenditure in a significant way. Besides, the medical colleges and institutions for the training of nurses and paramedics are also in urgent need of capacity expansion and improvement of infrastructure. Twelfth Finance Commission grant for Health sector has been of immense help in this regard. **The Fourteenth Finance Commission is also requested to recommend generous grants-in-aid for this sector.**

1.68 Like National Rural Health Mission, Sarva Siksha Abhiyan has made a significant contribution to the improvement of elementary school infrastructure. But several problem areas still remain unattended to. For example, the State Government has to find resources for converting alternative schooling centers into full-fledged schools in habitations not having lower primary and upper primary schools within a radius of 1.5 Kms and 3 Kms respectively, besides providing quality textbooks and TLMs to general category students. With the passing of Right to Education Act, the financial burden of the State Governments has increased manifold. However, areas in need of even greater attention are secondary, higher and professional education in the State. All the universities, colleges and secondary/higher secondary schools require fund for renovating their buildings and upgrading basic infrastructure facilities for quality education.

1.69 The worsening employability crisis can be appreciated by the fact that out of 100 students, 70 complete primary education and only 7 complete graduation of which hardly 10% are employable. Facilities for vocational education is minimal in the state. There are only 28 numbers of ITIs in the state of which only 5 are for women. China runs 5 lakh vocational training centres covering 6 crore students every year whereas India has only 12,000 covering 30 lakh students. The intake capacity of 28 nos. of ITIs in Assam is only 5576 for long term courses, 1008 for short term courses and 2765 for courses under modular employable scheme. Besides, only 1.17% of the Professional Education institutions in the country are located in the state.

Unemployment

1.70 Incidence of unemployment is higher in Assam than in the rest of the country. The number of unemployed persons per 1000 population in the state was 42 persons in rural areas and 58 persons in urban combined areas as against 29 and 47 at All India level respectively according to the 2nd Employment Unemployment Report, 2011-12 of Labour Bureau of Government of India.

1.71 The total number of job-seekers in the Live Register of Assam are 17,29,029 during the year 2011. It may also be noted that a large number of unemployed youths residing in far-flung and less accessible areas do not register their names in the Employment Exchanges. Hence, the actual figure of unemployment will be much higher. The most alarming feature of the unemployment problem in the State is its rapid growth among the educated youths. As per Live Register of Employment Exchanges, the number of registered educated job seekers (matriculate and above) stood at 13,12,987 in 2011. The percentage of educated job-seekers to total job-seekers constitute 76%.

1.72 From the above it appears that the State has not benefited from the so-called demographic dividend. We are worried that with the economic slowdown the problem of unemployment can go from bad to worse. This may have very serious consequences in an insurgency ridden State like Assam.

Flood & Riverbank Erosion Management

1.73 Assam has always been prone to flood and erosion. It is to be mentioned that effective flood and river bank erosion risk management (FRERM) calls for a long term planning framework with a holistic basin-wide perspective, which comprises a range of interrelated strategies including (i) improved catchment management, (ii) multipurpose reservoirs that may be socially and environmentally sound and (iii) other structural and non-structural measures which are sustainable in the long run. High priority also needs to be accorded to improvement of existing embankment systems, particularly along high value locations. Alternative approaches need to be pursued in less prioritized areas including flood proofing and non-structural measures such as FFW, flood risk mapping, flood plain zoning and adaptive cropping practices.

1.74 Regarding riverbank erosion management, State Government efforts have been concentrated on provision of spurs along strategic locations. While their performance seems generally satisfactory, they require high capital and maintenance costs and often induce erosion elsewhere. More cost-effective and flexible options adaptive to highly dynamic morphological processes need to be explored following the international best practices. Sound monitoring and prediction systems, linked to advance warning and adaptation measures are also needed. These should be implemented with comprehensive strengthening of structure, resources and capacity of the sector institutions, particularly Water Resources Department (WRD). In addition to this, the data and knowledge base are also required to be upgraded

1.75 In the context of the 11th Five Year Plan (2007-12), the Government has heightened its priority accorded to FRERM, in line with a paradigm shift of the country's disaster management strategy to focus more on preparedness as opposed to post-disaster response. Disaster Management Guidelines (DMG) for Flood Management was issued in early 2008 to encourage the State Governments to prepare and implement comprehensive flood management plans. State Govt. has also initiated steps towards improving the policy, institutional and planning framework of water resources management, in which FRERM remains a key element. A draft State Water Policy (SWP) has been prepared adopting the principle of integrated water resources management (IWRM) on the basis of river basins. The State Water Resources Council (SWRC) and The State Water Resources Board (SWRB) headed respectively by Hon'ble Chief Minister and the Chief Secretary, have also been set up. The draft SWP also envisages setting up a water resources management agency with data and information center, building on the existing base of WRD. These are to be accompanied by (i) state level planning with wider basin management perspectives building on the existing Brahmaputra master plans and the government's task force reports and (ii) institutional reforms of WRD for improved FRERM, in terms of planning, design, implementation, quality control and after-care, with enhanced stakeholder participation. FRERM is also to be integrated into the state disaster management framework.

1.76 Needless to say, State Government on its own cannot mobilize the resources required for the implementation of the flood Protection and Riverbank Erosion Management programme comprising (i) strengthening of institutions, State level planning framework and knowledge base, (ii) extension of nonstructural measures such as warning systems and preparedness, (iii) provision of flood management structures including embankment improvement with riverbank protection in selected high priority areas. **The Fourteenth Finance Commission is requested to recommend a special grant for setting up a dedicated fund to take up studies on the issues relating to flood protection and riverbank erosion management. Besides, it should also recommend provision for taking up riverbank erosion prevention measures with the SDRF.**

Shukla Commission Recommendations

1.77 The problems faced by the State are so serious that despite its categorization as a Special Category State, there was no significant improvement in the overall economic situation and the gap between Assam and the rest of the country continued to widen at an alarming rate - giving rise to an assorted variety of insurgencies posing threat to national security. In 1996, Hon'ble Prime Minister of India took note of this disturbing situation and announced his "New Initiative for the N.E. Region" for all-round development of the region. A high level Commission was constituted under the Chairmanship of Shri S.P. Shukla, the then member of the Planning Commission to critically examine the backlog in basic minimum services and gaps in infrastructure development of the N.E. States. The Shukla Commission recommended an amount of Rs.22,758.80 crore for Assam of which Rs.3951.80 crore was for basic minimum services and Rs.18807 crore for bridging the infrastructure gap. In 1998-99 a Non-lapsable Pool of Central Resources was created for funding the developmental projects in the NE States, particularly those recommended by the Shukla Commission. It has been found that the actual accrual to the Non Lapsable Pool has been much less than what was recommended by Shukla Commission. The State has received Rs.2467.46 crore only from NLCPR during the period 1998-2012.

1.78 It needs to be mentioned in this context that while the recent policy shift in favour of encouraging Public-Private Partnership and private investment in infrastructure development is welcome, States in the North East are not likely to benefit from it in the same measure as the economically more advanced States. If we look at the loan proposals approved by the India Infrastructure Finance Company Limited (IIFCL) for infrastructure projects in various states, it is seen that out of 64 project proposals approved by the IIFCL, Assam does not have a single one. It may be appreciated that because of disadvantageous geographical location, distance from the mainland, transport bottlenecks and difficult terrain, Assam may not be able to attract large volume of private investment, even under PPP mode, in the infrastructure sector. Therefore Government will have to continue to play the role of major investor so far as the infrastructure sector is concerned.

1.79 It is clear from the preceding paragraphs that Assam suffers from a huge development backlog. To catch up with the rest of the country in terms of key socio-economic indicators, the State's GSDP will have to grow at the rate faster than the growth rate of national GDP. Unfortunately, during the last sixty years the truth has been otherwise. Assam needs massive investments in social and physical infrastructure.

We conclude this Chapter with an earnest request to the Fourteenth Finance Commission to take into consideration the development deficit of the State as compared to the rest of the country and make realistic assessment of our financial needs so that Assam can catch up with rest of the country and emerge as one of the front ranking State.

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Chapter – 2

Present Status of State Finances

Paragraph 2 of the Terms of Reference (TOR) has mandated that the 14th Finance Commission shall review the state of the finances of the Union and States, deficit and debt levels of the Union and the States, keeping in view, in particular, the fiscal consolidation roadmap recommended by the Thirteenth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth including suggestions to amend the Fiscal Responsibility and Budget Management Acts currently in force and while doing so, the Commission may consider the effect of the receipts and expenditure in the form of grants for creation of capital assets on the deficits; and the Commission shall also consider and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility Budget Management Acts.

2.1 Assam is one of the Special Category States of the country because of exceptional geographical condition and weak financial resource base. It's non-plan revenue expenditure is mostly committed expenditure like salary, wages, pension, interest payment etc. Their movement is always upward. On the other hand, it's revenue sources are not always stable and certain. They are dependent on the overall economic situation and therefore susceptible to wide fluctuations. This is an inherent vulnerability of our State finances. Despite abundance of natural resources, the financial resource base of the State is weak. On the other hand, the overhead cost of administration is quite high because of creation of new administrative units including Autonomous Districts under the Sixth Schedule of the Constitution and six other Autonomous Councils under State Legislations to fulfill demands for autonomy by various indigenous ethnic groups of the State. Besides this, eighteen ethnic group specific Development Councils have also been created. Long drawn insurgency problem accompanied by violent outbursts at times has necessitated very heavy expenditure on maintenance of law and order and on relief and rehabilitation. For instance, expenditure on law and order alone at present is more than 2000 crore.

The 7 (seven) North Eastern States, including Assam, Sikkim, Jammu and Kashmir, Uttarakhand, Himachal Pradesh are categorized as Special

Category States. Earlier Finance Commissions had adopted separate norms for the Special Category States. We strongly urge that this procedure should be retained by the 14th Finance Commission. Of late, some confusion has been generated by the Raghuram Rajan Committee Report on the ‘Backwardness Index ‘of the States.

In this connection, it may be noted that apart from the economic backwardness, the Special Category States suffer from some special Geo-Political problems, which a General Category State may not have, even it may be otherwise backward. All the 11 existing Special Category States have sensitive international borders with some of our not so friendly neighbours. They are also characterized by difficult hilly terrain, adverse climatic conditions, ethnic diversity and conflicts, and very low revenue capacity. Their backwardness and problems cannot perhaps be comparable with the backwardness of some of the main land States.

2.2 After passing through a critical financial situation during the period from 2000-01 to 2004-05, we have been able to achieve a remarkable turnaround in our financial position during the last seven to eight years. This has been possible due to a number of reform measures undertaken by the State Government. Some of them are (a) implementation of a Medium Term Fiscal Reform Programme adopted in March, 2003 in consultation with Government of India, (b) implementation of a comprehensive fiscal restructuring programme titled Assam Governance and Public Resource Management Programme sponsored by the Asian Development Bank and Government of India from 2004, (c) enactment and implementation of the Assam Fiscal Responsibility and Budget Management Act, 2005 in pursuance of the recommendation of the 12th Finance Commission, (d) resource augmentation measures for State's own revenue collection, both tax and non-tax, (e) compression of revenue expenditure wherever possible without affecting public interest and (f) containment of public debt including Government guarantees and other contingent liabilities.

2.3 The fiscal reform measures adopted by the State had started yielding favourable result from 2005-06 onwards. In fact, a positive turnaround in fiscal scenario took place from 2005-06. In 2005-06 revenue and fiscal deficits were not only wiped out but became comfortably positive. This positive trend continued upto 2008-09. The position regarding our revenue and fiscal deficits are shown in Table 2.1 below.

Table-2.1
Present Fiscal Performance

Year	Revenue deficit (Rs. in crore)	Fiscal deficit (Rs. in crore)	Primary deficit (Rs. in crore)	Non-Plan deficit (Rs. in crore)	Fiscal deficit as % of GSDP
2004-05	291.88	2057.46	3460.98	1386.30	3.92
2005-06	(-) 1509.08	(-) 355.71	(-)1865.83	(-) 281.17	(-) 0.60
2006-07	(-) 2210.42	(-) 711.39	(-)2227.06	(-) 156.25	(-) 1.10
2007-08	(-) 2580.76	(-) 790.39	(-)2302.33	(-) 613.18	(-) 1.11
2008-09	(-) 3833.71	(-) 1406.79	(-)3000.12	(-) 1492.26	(-) 1.73
2009-10	1347.71	4043.42	2210.84	2457.05	4.37
2010-11	(-) 53.12	2984.82	78.44	657.26	1.91
2011-12	(-) 926.85	1646.05	3720.55	1290.16	1.43
2012-13	(-) 1554.06	(-) 1516.48	(-)3624.33	(-) 45.51	(-) 1.06

N.B. : (-ve sign indicates surplus)

2.4 This favourable trend continued upto 2008-09. Thereafter it started declining once again. In 2009-10, revenue deficit rose to Rs.1347.71 crore. Non-plan revenue deficit and fiscal deficit escalated to Rs.2457.05 crore and Rs.4043.42 crore respectively. Fiscal deficit stood at 4.37 percent of GSDP in 2009-10 as a percentage of GSDP. This crossed the 3.5 percent of GSDP limit of State's FRBM Act and also 4 per cent of GSDP limit raised by Government of India (GOI) for 2009-10 as a part of stimulus packages to facilitate more borrowings for increasing capital expenditure for recovery from economic recession. This heavy downslide is largely accountable to the revision of pay and pension as per Revision of Assam Pay Rules, 2010. The position somewhat improved in 2010-11, 2011-12 and 2012-13. As per actual of 2010-11, 2011-12 and 2012-13, the revenue deficit turned into surplus of Rs.53.12 crore and Rs.926.85 crore, non-plan revenue deficit declined to Rs.657.26 crore and rose to Rs.1290.16 crore and fiscal deficit came down to Rs.2984.82 crore being 1.91% of GSDP in 2010-11 and further declined to Rs.1646.05 crore with 1.43% of GSDP in 2011-12. The actual of 2012-13 shows revenue surplus of Rs.1554.06 crore, fiscal deficit turned into surplus of Rs.1516.48 crore and fiscal deficit became (-) 1.06% of GSDP.

2.5 As a result of better fiscal performance and achievement of fiscal targets as per Assam FRBM Act, 2005 during the first four years of the award period of the 12th Finance Commission, we received debt waiver @ Rs.105.41 crore during each year from 2005-06 to 2008-09. We also received Rs.90.00 crore from Asian Development Bank (ADB) in 2008-09 under ADB funded reform and restructuring programme of State finances for better fiscal management. In addition to that, 13th Finance Commission awarded Rs.300.00 crore as an incentive grant for the better fiscal performance.

Revenue Receipts

2.6 Revenue Receipts comprises two major components of (i) State's Own Resources and (ii) Transfer from the Centre. The trend of actual Revenue Receipts for the last seven years from 2005-06 to 2011-12 is indicated in the following Table.

Table-2.2
Trend of Revenue Receipts

(Rs. in crore)

Year	State's Own Resources			Transfer from the Centre				Total Revenue Receipts (4+8)
	Tax Revenues	Non-Tax Revenues	Total (2+3)	Share in Central Taxes	Plan Grants	Non Plan Grants	Total (5+6+7)	
1	2	3	4	5	6	7	8	9
2005-06	3232.21	1459.28	4691.49	3056.78	3356.93	940.19	7353.90	12045.39
2006-07	3483.32	1859.27	5342.59	3898.99	3716.67	708.70	8324.36	13666.95
2007-08	3359.50	2134.59	5494.09	4918.21	4093.65	818.98	9830.84	15324.93
2008-09	4150.21	2271.90	6422.11	5189.90	5444.10	1020.93	11654.93	18077.04
2009-10	4986.71	2752.94	7739.65	5339.53	5285.94	1519.37	12144.84	19884.49
2010-11	5929.84	2373.32	8303.16	7968.61	5864.94	868.22	14701.77	23004.93
2011-12	7638.24	2866.76	10505.00	9283.53	6876.55	790.32	16950.40	27455.40
2012-13	8250.21	2455.59	10705.80	10601.26	7991.40	1374.03	19967.18	30672.98

2.7 It appears from above Table that in spite of various resource augmenting measures taken by the State Government during the last ten years, State is heavily dependent on the Central transfer for its resource built-up. State Government attained revenue surplus during the period 2005-06 to 2008-09 and subsequent years of 2010-11, 2011-12 and 2012-13 only because of large plan grants received from the Centre. Share of Central transfer in the total revenue receipts of the State is indicated in the following Table.

Table-2.3
Share of Own Resources and Share of Central Transfer in the Total Revenue Receipts

Year	Own Resource (Rs. in crore)	Transfer from the Centre (Rs. in crore)	Total Revenue Receipts (Rs. in crore)	% Share of Own Resources	% Share of Central Transfer
2005-06	4691.49	7353.90	12045.39	38.95	61.05
2006-07	5342.59	8324.36	13666.95	39.09	60.91
2007-08	5494.09	9830.84	15324.93	35.85	64.15
2008-09	6422.11	11654.93	18077.04	35.53	64.47
2009-10	7739.65	12144.84	19884.49	38.92	61.08
2010-11	8303.16	14701.77	23004.93	36.09	63.91
2011-12	10505.00	16950.40	27455.40	38.26	61.74
2012-13	10705.80	19967.18	30672.98	34.90	65.10

Revenue Expenditure

2.8 Revenue expenditure is segregated into plan and non-plan expenditure. The trend of actual expenditure of Government of Assam for the period from 2005-06 to 2012-13 is presented in the Table below:

Table-2.4
Trend of Revenue Expenditure

(Rs. in crore)

Year	Plan Expenditure	Non-Plan Expenditure					Total Revenue Expenditure
		Salary	Pension	Interest	others	Total	
2005-06	2129.02 (237.86)	3882.63	1011.48	1510.12	2003.06	8407.29	10536.31
2006-07	1662.50 (200.21)	4484.19	1177.86	1515.67	2616.31	9794.03	11456.53
2007-08	2067.38 (172.62)	5068.58	1340.68	1512.24	2755.28	10676.78	12744.16
2008-09	3110.65 (256.67)	5583.70	1437.37	1593.33	2518.28	11132.68	14243.33
2009-10	4168.91 (297.89)	7804.80	1769.28	1832.58	5656.63	17063.29	21232.20
2010-11	5055.96 (413.18)	10030.59	2384.53	1912.12	3568.62	17895.86	22951.82
2011-12	6487.76 (668.89)	10978.54	3136.07	2074.40	3851.78	20040.79	26528.55
2012-13	6494.27 (749.16)	12295.96	3778.87	2107.85	4452.90	22635.58	29129.85

N.B. : Figures in the Bracket indicates salary expenditure under plan.

2.9 It appears from above that committed expenditures like salary, pension and servicing of growing debt burden accounted for significant increase of revenue expenditure. Another important aspect of the exponential growth of revenue expenditure is the ever rising trend of expenditure on administrative overhead due to ever growing maintenance cost of capital assets, creation of six Autonomous Councils & eighteen Development Councils and long drawn insurgency problem in the State.

Salary and Pension Expenditure

2.10 Salary alone continues to be major expenditure item under revenue account. Percentage share of salary and pension in the revenue expenditure is indicated in the Table below.

Table-2.5

Percentage Share of Salary and Pension in the Revenue Expenditure

Year	Share of Plan Salary and Non-Plan Salary in total Revenue Expenditure	Share of Non-Plan Salary in total Non-Plan Revenue Expenditure	% Share of, Pension in total Revenue Expend.	% Share of Pension in total Non-Plan Revenue Expenditure
2005-06	39.11%	46.18%	9.60%	12.03%
2006-07	40.89%	45.78%	10.28%	12.03%
2007-08	41.13%	47.47%	10.52%	12.56%
2008-09	41.00%	50.16%	10.09%	12.91%
2009-10	38.16%	45.74%	8.33%	10.37%
2010-11	45.50%	56.05%	10.39%	13.32%
2011-12	43.91%	54.78%	11.82%	15.65%
2012-13	44.78%	54.32%	16.69%	16.69%

2.11 Salary expenditure all along remains above 35% of total revenue expenditure and non–salary expenditure above 45% of total non-revenue expenditure during the period from 2005-06 to 2012-13. The 13th Finance Commission had made quite unrealistic assumption of putting cap on the expenditure on salary to 35% of revenue expenditure net of interest payments and pensions. In order to achieve this level, it has assumed reduction of 10% every year in the salary expenditure of the State. This is very unrealistic assumption which runs absolutely contrary to salary expenditure trend of the Centre and the States. Most of the States could not adhere to this stipulation as per their Budget Estimates of 2012-13. For example, salary expenditure of Andhra Pradesh was 37%, Gujrat 36%. Madhya Pradesh 50%, West Bengal 56% and Kerala 47% of revenue expenditure net of interest payment and pension. Our salary expenditure has increased by an average growth rate of 29% during 2009-10 and 2010-11 due to implementation of revised pay and pension of the State Government employees from 2009-10 as per recommendations of 6th Pay Commission of the Government of Assam. Thereafter, Dearness Allowances at an annual average rate of 15% and annual increment at the rate of 3% of basic pay plus Grade Pay have been adding to the salary expenditure every year. This will shoot up the salary expenditure to 60% to 65% in near future.

Employees' Strength

2.12 The severe financial crisis of the State which started from 1998-99 compelled the Government of Assam to adopt fiscal reform programmes in consultation with the Government of India (GOI) in January, 2000. As per this fiscal reform programme, Government of Assam put ban on creation of new posts except Health, Education and Police. Government of Assam adopted rationalization of manpower in Government departments through abolition of non-essential vacant posts and re-deployment of surplus manpower. This was followed by implementation of the Medium Term Fiscal Reform Programmes (MTFRP) as recommended by the Eleventh Finance Commission to remove fiscal imbalance. As a result of this fiscal reform, there were minimal fresh appointments in Government departments for the last 10 years. With the retirement of existing employees Government departments began to suffer acute shortage of manpower. This has resulted in virtual disruption of regular office works. With the gradual improvement of the fiscal position of the State, Government of Assam relaxed the ban on creation of new posts and fresh recruitment. Recently State Government has created 65, 000 new posts in Education Sector, 10,000 new posts in Police and 25,000 in several other departments. With the addition of 1 (one) lakh new employees to the 4.5 lakh (four lakh fifty thousand) existing employees, salary expenditure will further soar up.

Impact of Salary and Pension Liability of the 7th (Seventh) Pay Commission of the State :

2.13 In September, 2013, Government of India announced constitution of 7th Pay Commission for revision of pay and pension for its employees. Recommendations of the pay Commission will be implemented from 1st January, 2016. Government of Assam is also likely to constitute the 7th Pay Commission very soon. Its recommendations, which will be made effective from 1st January, 2016 will definitely have a considerable impact on the State finances. The Union Government has a larger resource base and may be able to bear the impact but this will have cascading effect on the States.

2.14 As is evident from the past, State Governments are not immune to the fiscal impact of various Pay Commissions' recommendations. Government of Assam too will also be affected by its 7th Pay Commission recommendations and there will be a large financial outgo on account of the revised salaries and pensions, which cannot be met by us from the existing revenue resources. Central Government will be able to manage the impact of the revision of pay and pension of their employees on the ground that Central Government has large and broad tax base for mobilization of additional resources. **We, therefore, make a strong appeal to the 14th Finance Commission to consider this aspect also while making its recommendations. Recommendations of the 7th State Pay Commission on the revised pay and pension have not been factored in our projections.** The likely financial implications arising out of revision of pay and pension as per award of the 7th State Pay Commission have been indicated in the Table below.

Table-2.6
Financial Liability under 7th State Pay Commission

(Rs. in crore)

Year	Salary	Pension	Total
01.01.2016 to 31.03.2016	1630	334	1964
2016-17	6516	3996	10512
2017-18	7493	4595	12088
2018-19	8617	5284	13901
2019-20	9910	6077	15987

Fiscal Responsibility and Budget Management Act (FRBM Act) and Fiscal Correction path:

2.15 In pursuance of the recommendations of the 12th Finance Commission, Government of Assam enacted Assam Fiscal Responsibility and Budget Management (AFRBM) Act in May, 2005, which came into effect from 1st September, 2005. With the enactment of AFRBM Act, 2005, Assam received debt relief of Rs.692.35 crore under the award of the 12th Finance Commission. The main objectives of the said FRBM Act and Fiscal Correct Path were to eliminate revenue deficit and to contain fiscal deficit to 3 percent of Gross State Domestic Product (GSDP) by 2008-09. Government of Assam achieved all the fiscal targets of the FRBM Act and got total debt waiver of Rs.421.64 crore at the rate of Rs.105.41 crore each year of 2005-06 to 2008-09 under the award of the 12th Finance Commission. But the Government of Assam lost debt waiver of Rs.105.41 crore for the year 2009-10, as it failed to achieve the fiscal targets on account of higher expenditure on revision of pay and pension and low collection of revenues due to global economic recession. During 2009-10 revenue deficit was Rs.1347.71 crore and fiscal deficit was 4.37% of GSDP, which is above prescribed limit of 3% of GSDP. Government of India relaxed the fiscal deficit limit to 4% of GSDP for 2009-10 as against limit of 3% as a stimulus package to facilitate more borrowings for increasing capital expenditure for recovery from the economic recession. However, Government of Assam could not achieve that target.

2.16 In order to align the medium term fiscal policy of the State with the roadmap recommended by 13th Finance Commission, Government of Assam amended the Assam FRBM Act in 2011. The Assam FRBM (Amendment) Act, 2011 has incorporated recommendations of the 13th Finance Commission. The recommendations of the 13th Finance Commission were to eliminate revenue deficit by 2011-12 and reduce fiscal deficit to 3% of GSDP by 2010-11 and outstanding debt to 28% of GSDP. Government of Assam achieved those fiscal targets during 2010-11, 2011-12 and 2012-13. We are afraid that State Government may not be able to achieve those fiscal targets of 13th Finance Commission in the coming years because of spiralling salary and pension expenditure and low collection of State's tax and non-tax revenues on VAT and royalty from crude oil on account of discounted price granted by Government of India to three IOC Refineries in Assam from 2008.

2.17 **14th Finance Commission is requested to raise the revenue deficit limit to 2% of revenue receipt and fiscal deficit limit from 3% of GSDP to 5% of GSDP and also debt-GSDP ratio limit from 28% to 30%, keeping in view of the likely impact of the 7th Pay Commission. Else, the Commission may recommend 100% grant to meet entire additional liability on account of pay and pension revision under 7th Pay Commission. The 14th Finance Commission is also requested to recommend more incentive grant above Rs.300 crore of 13th Finance Commission for better fiscal performance and achievement of prescribed fiscal targets.**

Non-Debt Capital Expenditure

2.18 Non-debt capital expenditure consists of capital outlay and lending. This excludes loan repayment. The trend of actual capital expenditure during the period from 2005-06 to 2012-13 is indicated in the Table below:

Table-2.7
Non-Debt Capital Expenditure

(Rs.in crore)

Year	Capital Outlay			Lending			Total Non-Debt Capital Expenditure
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
2005-06	1013.15	72.17	1085.32	103.05	2.57	105.62	1190.94
2006-07	1403.11	49.86	1452.97	76.85	3.78	80.63	1533.60
2007-08	1470.83	217.28	1688.11	139.80	3.09	142.89	1831.00
2008-09	2286.15	86.86	2373.01	75.09	13.65	88.74	2461.75
2009-10	2548.98	80.37	2629.35	96.99	2.24	99.23	2728.58
2010-11	1929.97	70.92	2000.89	70.78	0.10	70.88	2071.77
2011-12	2431.34	74.67	2506.01	81.81	6.47	74.67	2580.68
2012-13	2544.96	72.32	2671.28	414.43	46.22	460.65	3131.93

Share of Capital Expenditure in the Total Expenditure:

2.19 Size of capital expenditure actually determines the level of investment made for development purposes, which act as catalyst for accelerating the economic development. Zero revenue deficit or revenue surpluses help the State for full utilization of borrowed funds for generating capital assets for revenue earnings. As such, contraction of revenue expenditure to the extent possible generate surplus funds for capital investment. Trend relating to share of revenue expenditure and share of capital expenditure in the total expenditure for the period from 2005-06 is indicated in the Table below.

Table-2.8

Ratio of Revenue Expenditure and Capital Expenditure to Total Expenditure

Year	Revenue Expenditure (Rs. in crore)	Non-Debt Capital Expenditure (Rs. in crore)	Total Expenditure (Rs. in crore)	% Share of Revenue Expendit ure	% Share of Capital Expenditu re	Capital Expenditure as % of GSDP
2005-06	10536.31	1190.94	11727.25	89.84%	10.16%	2.06%
2006-07	11456.53	1533.60	12990.13	88.19%	11.81%	2.38%
2007-08	12744.16	1831.00	14575.16	87.44%	12.56%	2.58%
2008-09	14243.33	2461.75	16705.08	85.26%	14.74%	3.04%
2009-10	21232.20	2728.58	23960.78	88.61%	11.39%	2.84%
2010-11	22951.82	2071.77	25023.59	91.72%	8.28%	1.84%
2011-12	26528.55	2580.68	29109.23	91.13%	8.87%	2.04%
2012-13	29129.85	3131.93	32261.78	90.29%	9.71%	2.18%

2.20 From the analysis of the trend of public expenditure (Revenue and Capital) shown in above Tables, it may be seen that capital expenditure of the State Government, which was 10.16% of total expenditure in 2005-06 rose to 14.74% in 2008-09 and came down to 9.71% in 2012-13. This sliding trend of capital expenditure during 2010-11 and 2011-12 may be attributable to abrupt rise of salary and pension expenditure on the revenue account owing to implementation of revised pay scale and pension of the employees of the State Government. The revenue expenditure continues to be more than 80% of total expenditure during the period from 2005-06 to 2012-13 and capital expenditure is less than 3% of GSDP. Capital expenditure, which was 2.06% of GSDP in 2005-06 has moderately increased to 2.18% of GSDP in 2012-13. In order to accelerate economic growth there is a need to substantially increase capital expenditure.

2.21 **We urge the 14th Finance Commission to look into the aspect of low capital expenditure, as the growing revenue expenditure will absorb more borrowing funds in near future owing to implementation of recommendations of the 7th Central and State Pay Commission with effect from 1st January, 2016 and leave no funds for capital investment. This will push the State back to economic deceleration and sever debt trap.**

Borrowings

2.22 Sources of borrowings of the State Government are loans from the market, loans from financial institutions/banks, NSSF loans, loans from the Centre against EAPs and State Provident Fund & GIS. State Government usually resorts to borrowings to meet the fiscal deficit. As per award of the 12th Finance Commission, Government of India discontinued providing loan component of central assistance to the States from 2005-06, except 10% loan component of Externally Aided Projects for Special Category States. This has reduced the volume of borrowings from the Centre. Moreover, various debt relief measures of the Government of India like debt swap scheme of 2003-05, debt consolidation and debt waiver schemes of Central loans under the awards of previous Finance Commissions contributed towards reduction of volume of central loans to a considerable extent. On the other hand, borrowings from NSSF loans have been rising at a galloping rate. State Government has no device to exercise control over the unbridled increase of loans from NSSF. In respect of market loans, State Government can increase or decrease amount of borrowings in accordance with needs. Government of Assam did not resort to market borrowing during 2011-12 and an amount of Rs.300 crore was raised from the market in 2012-13. The Table below shows the position of actual borrowings and repayment of loans of the State Government and net loans available for investment for the period from 2005-06 to 2011-12.

Table- 2.9
Position of Net Loans

(Rs. in Crore)

Year	Borrowings	Repayment of loans	Net Borrowings	Net Borrowing Ceiling fixed by Government of India
2005-06	1681.73	360.36	1321.37	1542.60
2006-07	1115.75	494.72	621.03	2180.00
2007-08	1138.30	575.14	563.16	2223.31
2008-09	2877.51	780.80	2096.71	2540.00
2009-10	2303.28	1007.56	1295.72	3223.00
2010-11	2045.32	923.38	1121.94	2951.00
2011-12	952.32	1146.09	(-)193.77	3447.00
2012-13	1388.39	1532.79	(-)144.40	3115.00

2.23 It appears from above Table that year-wise State's net borrowings are far below the ceiling fixed by the Government of India and Assam borrowings are on gradual decline on account of revenue surpluses.

Under assessment of Non-Plan Revenue Gap

2.24 We would like to draw the attention of the 14th Finance Commission to the persistent gap between the post devolution non-plan revenue gap assessed by the successive Finance Commissions and the actual position. Upto 1988-89 Government of India's budgetary support had been extended to special category States including Assam both for plan funding and for covering non-plan revenue gap. However, this special dispensation was discontinued from 1989-90 on the assumption that transfer recommended by Ninth Finance Commission (NFC) would fully meet the requirements of Government of Assam on non-plan revenue account. But contrary to the expectations of the 9th FC, the actual position that emerged was totally at variance with the assessment of 9th FC. The actuals were much higher. There are more such instances of wide variations between assessment made by successive Central Finance Commissions (CFCs) and the actuals. The position during the last five Finance Commission periods is given at Table below:

Table -2.10
Post-Devolution Non-Plan Revenue Gap Assessed by the Finance Commissions vis-a-vis the Actual position

(Rs. in crore)

Finance Commission	Assessment	Actual
9th	560.32	1368.00

10th	712.03	1152.00
11th	110.68	6514.00
12th	305.67	(-) 85.81
13th	0.00	
2010-11	(-) 248	657.26
2011-12	(-) 1466	1290.16
2012-13	(-) 986	(-) 45.51

N.B. (-) sign indicates surplus

2.25 It is clear from the above Table that the variations were indeed substantial. The full financial burden of meeting this additional gap over the level assessed by the successive Finance Commissions, devolved on the State Government. The underlying cause and the magnitude of the fiscal imbalance that the State Government had been passing through till recently is explained to a large extent by this single factor. Apart from this, the percentage share of Assam in the Central divisible pool has also been declining constantly under the awards of successive Finance Commissions. It has declined from 4.07% under the award of 8th Finance Commission to 3.628% under 13th Finance Commission.

2.26 **We, therefore, earnestly request the 14th Finance Commission to make realistic assessment of resources of the States, taking into account peculiar characteristics of the region.**

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Chapter-3

Taxation Effort – Trends of States Taxes and Some Issues

Paragraph 6(v) of the Terms of Reference mandated the 14th Finance Commission to take into consideration, among others, while making its recommendations regarding "the taxation efforts of the Central Government and each State Government and the potential for additional resource mobilization to improve the tax-Gross State Domestic Product ratio in the case of the Union and tax-Gross State Domestic Product in the case of the States"

3.1 Share of Sales Tax (comprising Sales Tax/VAT, CST) constitutes the highest share in total tax revenue of the State. Next to Sales Tax, Taxes on Goods & Passengers form the second highest share from 2007-08 to 2011-12 and then the position of Excise Duty is in the third in the total share of Tax Revenues during the same period. Sales Taxes has been more than 70% of total taxes during the last five years from 2007-08 to 2011-12. Trend in growth of State's Taxes and their composition are shown in the Table-3.1 below.

Table- 3.1
Trends in Growth and Composition of Tax Revenue

(Rs. in crore)

Items	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Agricultural Income Tax	7.02	2.52	3.14	18.18	78.34	101.20	83.27
Taxes on Profession, Trades etc	99.80	108.36	124.68	137.73	150.15	160.59	164.27
Land Revenue	74.65	74.15	79.76	113.36	116.91	141.87	139.71
Stamps & Registration Fees	85.88	97.32	109.91	111.16	108.45	122.84	175.15
State Excise	160.40 (4.96)	174.88 (5.02)	188.71 (5.62)	198.68 (4.79)	239.19 (4.80)	323.12 (5.45)	503.35 (6.59)
Sales Tax	2568.41 (79.47)	2783.24 (79.90)	2691.43 (80.11)	3110.58 (74.95)	3535.26 (70.89)	4318.60 (72.83)	5693.96 (74.55)
Taxes on Vehicle	155.91	151.15	138.62	145.21	177.26	231.99	293.70
Taxes on Goods & Passengers	61.52 (1.90)	70.15 (2.01)	12.39 (0.37)	284.67 (6.86)	545.41 (10.94)	478.10 (8.06)	536.39 (7.02)
Taxes & Duties on Electricity	13.29	15.90	4.62	22.36	27.07	41.58	36.67
Entertainment & Luxury Taxes	5.10	5.66	6.24	8.27	8.67	9.94	11.76
Total	**3231.98**	**3483.33**	**3359.50**	**4150.20**	**4986.71**	**5929.83**	**7638.23**

N.B. : Figures in bracket shows percentage share in total taxes.

3.2 It appears from above Table-3.1 that share of Sales Taxes have been 80% in 2007-08. But it stated declining from 2008-09 and continued to be below 75% upto 2011-12. On the other hand, collection of Taxes on Goods & Passengers have abruptly increased from Rs.12.39 crore in 2007-08 to Rs.536.39 crore in 2011-12 on account of introduction of Assam Entry Act 2008. Agricultural Income Tax also made quantum jump from Rs.3.14 crore in 2007-08 to Rs.101.20 crore in 2010-11 and then decreased to Rs.83.27 crore in 2011-12. But all other taxes except above mentioned three taxes have shown even increasing trend from 2007-08 to 2011-12.

Revenue Capacity of the State - Some Constraints

3.3 It transpires from the above Table-3.1 that actual collection of State's own taxes as recorded in 2005-06 was Rs.3231.98 crore, which exceeded the assessed figure (Rs.3125.45 crore) of 12th Finance Commission for that year by Rs.l06.53 crore. But this tempo could not be sustained in the following years. In the next year 2006-07, the state's own tax revenue was Rs. 54.68 crore less than the assessed figure of TFC and it went down by Rs. 645.53 crore below the TFC assessed figure for the year 2007-08. Overall Own Tax Revenue assessed by the 12th Finance Commission during its award period was Rs.20,334.33 crore and actual collection during the same period was Rs.19,211.72 crore. Thus, actual collection of own tax revenue decrease by an amount of Rs.1122.61 crore during the award period of 12th Finance Commission. On the other hand, collection of own tax revenue during 2010-11 and 2011-12 was more than what was assessed by the 13th Finance Commission. Own tax revenue as assessed by the 13th Finance was Rs.4533.69 crore and Rs.5132.14 crore in 2010-11 and 2011-12 respectively. Actual collection was Rs.5929.83 crore and Rs.7638.23 crore during the same period.

(i) The rate of growth, of late, has received a beating as manifested through the recent global melt down. This will no doubt, impact state's economy and growth adversely. Further, a large portion (45%) of State's Sales Tax revenue is derived from crude oil and petroleum products. The crude oil price has declined from around US $150 per barrel to US $ 102 per barrel and this declining trend is likely to continue during coming years. Besides reducing our crude oil royalty by about two-thirds, this will also have adverse impact on our sales tax collection from petroleum and petroleum products.

(ii) Oil and ONGC are paying royalty on crude oil produced in the State on discounted price in pursuance of policy shift by Government of India from 2008-09. Due to sale of crude oil at discounted price being about 45% by ONGC and OIL to Indian Oil Corporation Limited Refineries at Guwahati, Bongaigaon and Digboi, State of Assam has been suffering huge loss of VAT and Entry Tax revenues. The loss on account of VAT and Entry tax was Rs.96.41 in 2009-10, Rs.210.86 xroe in 2010-11 and Rs.534.68 crore in 2011-12. On the other hand, the loss on account of discount price on crude oil was Rs.510 crore in 2008-09 and Rs.850 crore in 2009-10. Thus, this discounted price on crude oil has led to fall of collection of sales taxes from 2008-09 and fall in collection of royalty on crude oil.

(iii) On the domestic front, State's economy is basically agrarian in character. More than 80% of the state's population lives in rural areas which are largely inhabited by socially and economically disadvantaged people of different ethnic groups. Their consumption pattern hardly includes any taxable consumer goods. This has narrowed down own tax base considerably.

(iv) Due to the poor social and physical infrastructure, the production base for taxable consumption goods is narrow. The inevitable fall out of this is that the state has been reduced to a consuming one, depending on other parts of the country for meeting the deficit in food grains, essential inputs and other manufactured goods. Unlike other industrially advanced states, the scope to raise tax revenue through inter-state trade is also limited.

(v) Moreover, the state being surrounded by low-tax zones, the scope of trade diversion and evasion of tax including motor vehicle tax and excise duty on IMFL is germane in the system.

(vi) Although the tourism potential of the state is immense, because of absence of necessary infrastructure, tourism industry in the State is still in an underdeveloped state. Till now the entire north-eastern region does not have a single five star hotel. As a result, compared to its potential, tourist flow in the state is disproportionately low. As a consequence, the base for luxury tax and VAT from the tourism sector is nominal.

(vii) Although the state's economy is basically agrarian the service sector has been growing faster and overtook the primary sector in the composition of GSDP. As of now, it contributes nearly 56% of the GSDP as against 22% by the primary sector. But resource generation by the state through taxes is not commensurate with the phenomenal growth in service sector because service sector in the State is limited to education, health and public employment which do not yield much revenue to the State.

(viii) Agricultural Income Tax (AIT) which is collected from tea is volatile due to demand and price fluctuations in domestic and international markets. The supply side of tea industry is again subject to the fluctuation in climatic condition, which appears to have been aggravated in the recent years by global warming. Due to sharp competition from other tea producing countries coupled with inherent constraints of domestic production, the yield from AIT which peaked at Rs.103 crore in 1998-99 has plummeted to an all time low of Rs.2.52 crore in 2002-03 and 2006-07. It continues to rise again and reached peak level at Rs.101.20 crore and came down to Rs.83.27 crore in 2011-12. Moreover, in the case of tea, only 60% of the income from the cultivation and manufacture of tea is treated as agricultural income and taxed by the State, the remaining 40% being treated as non-agricultural income and taxed by the Centre. **The State Government is of the view that the entire income from cultivation and manufacture of tea should be treated as agricultural income and taxed by the State.**

(ix) The Assam Entry Tax was levied in October, 2001. The tax was levied on goods entering the state for consumption purposes. But in October 2006 it was struck down by a verdict of the Hon'ble Gauhati High Court. The Government of Assam passed a new Entry Tax Act in 2008. This Act has also been challenged in the Hon'ble Gauhati High Court. Although State Government introduced Assam Entry Tax in 2008, but as per Gauhati High Court Judgment, the proceeds of Entry will continue to be utilized for development of infrastructure for facilitating promotion of trade and commerce and cannot be diverted towards other purpose. This tax has lost flexibility since then for use.

(x) As a part of Agenda Reform of Government of India for availing funds under Jawaharlal Nehru National Urban Renewal Mission (JNNURN), State Government reduced rates of Stamp Duty from 12% to 5% for women and 6% for others in 2008-09 and again reduced to 3% for women and 2% for others in 2013-14. This has led to corresponding reduction in revenue collection.

(xi) Due to poor conditions of cinema halls there is hardly any collection of entertainment tax in the State. Moreover, collection of entertainment tax from regional films is refunded to the producers of such films as policy of State Government for promotion of regional films in the State. As such, hardly any amount is left for the State Government.

(xii) Many ethnic communities of the State brew their own traditional liquor on which no excise duty is collected. On the other hand, although IMFL is an important source of revenue, the State Government does not wish to actively promote and encourage its consumption in view of its social and cultural ramifications.

(xiii) The Constitution of India has put a ceiling on the rate of professional tax. As such there is hardly any room for the State Government to realize more revenue from this source.

(xiv) The State levies cess on production of green tea leaf. However, due to constraints on production of green tea leaf, there is hardly any flexibility to increase revenue collection from this source.

3.4 Measures taken to improve tax collection

(i) The State Government has established Tax Information Management System (TIMS) covering all field offices and check gates. Registrations of dealers, issue of forms, vehicle movement information, returns etc. are computerized. System for e-filing of returns, e-filing of vehicle data and online payment of taxes has been introduced.

(ii) Composite check gates at Srirampur, Baxirhat (Assam-West Bengal border) and at Digarkhal (Assam-Meghalaya border) have been notified. Check gates were computerized.

(iii) Ad valorem excise duty on India Made Foreign Liquor (IMFL) and an alternative method of collection of excise, i.e., through auctions for country spirits in place of earlier fixed fee based licences, were notified to enhance transparency in excise duty collection.

(iv) Availability fee, profile registration fee and mono cartoon registration fee under Assam Excise Rules have been introduced.

(v) Entry Tax w.e.f. 1st June, 2008 under Assam Entry Tax Act, 2008 was introduced, as the earlier Act was struck down by the Gauhati High Court on 30.08.07.

(vi) Rationalisation of duty structure under Assam Motor Vehicles Taxation Act and Rules to counter the losses due to lower rates of taxes in the neighbuoring N.E. states has been done.

(vii) Incorporation of effective provisions to check undervaluation of properties transaction by inserting a new section 27-A vide Indian Stamp (Assam Amendment) Act, 2004.

(viii) Objective Valuation Method (O.V.M) for fixation of the value of land - both in towns and rural areas have been introduced.

Although these measures have resulted in generation of some additional resources, they are not sufficient enough to make any substantial impact on our overall revenue generation.

3.5 Tax-GSDP Ratio

As a result of above measures taken during the last seven years, the Tax-GSDP ratio, which was 5.44% in 2005-06 has increased to 6.04% in 2011-12 come down to 5.75% in 2012-13. However, the Tax-GSDP Ratio is higher than the projected tax-GSDP ratio of first three years of the 13th Finance Commission. Table below shows the position of trend of own tax revenue and corresponding Tax-GSDP ratio from 2005-06 to 2012-13.

Table-3.2

Trend in Growth of Own Tax Revenue and Tax-GSDP Ratio

Year	Tax Revenue Collection (Rs. in Crore)	GSDP at current prices (Rs. in Crore)	Percentage of Tax Revenues to GSDP	Projected Tax-GSDP ratio of 13th F.C. (%)
2005-06	3231.98	59384.59	5.44	
2006-07	3483.33	64692.20	5.38	
2007-08	3359.50	71076.19	4.73	
2008-09	4150.20	81073.67	5.12	
2009-10	4986.71	95974.57	5.20	4.70
2010-11	5929.83	112466.25 (P)	5.27	4.80
2011-12	7638.23	126543.65 (Q)	6.04	4.90
2012-13	8250.21	143566.82 (Ad)	5.75	5.00

Proposal for increase in rate of Professional Tax

3.6 Article 276 of the Constitution of India prescribes a ceiling of Rs.2500/- per annum on the professional tax payable by a person. This ceiling was fixed by 60th amendment in 1988. This rate is applicable for salaried persons, self-employed persons, firms and companies. The ceiling can be increased to Rs.5000/- for salaried persons and self employed persons and Rs.50000/- for firms and companies. This will not only improve revenue collection of the States but also dramatically improve finances of the urban local bodies.

Non-Tax Revenue

3.7 The Non-Tax revenue of the State has grown more than two times from Rs.1459.28 crore in 2005-06 to Rs.2866.76 crore in 2011-12 and has declined to Rs.2455.59 crore in 2012-13. This decline in 2012-13 is due to fall in collection from crude oil royalty. Although non-tax revenues in absolute figure has increased over the years, but share of non-tax in the total revenue receipts has decreased from 12.11% in 2005-06 to 8.01% in 2012-13. Non-tax-GSDP ratio all along remains below 3% for the period from 2005-06 to 2012-13 except for one year 2007-08. Total non-tax collection as assessed by the 12th Finance Commission was Rs.7080.22 crore, whereas actual collection during the same period (2005-10) was Rs.10,477.99 crore, which increased by Rs.3397.77 crore. The trend in growth of Non-Tax Revenue and their share in total own taxes of the State and their corresponding Non-tax GSDP are shown in the Table below.

Table –3.3
Trend in Growth of Non-Tax Revenue

Year	Non-Tax Revenue (Rs. in crore)	Total Revenue Receipts (Rs in crore)	Percentage Share in Total Revenue Receipt	Non-Tax Revenue as Percentage of GSDP
2005-06	1459.28	12045.39	12.11%	2.46%
2006-07	1859.27	13666.95	13.60%	2.87%
2007-08	2134.59	15324.92	13.93%	3.00%
2008-09	2271.90	18077.04	12.57%	2.80%
2009-10	2752.95	19884.49	13.84%	2.87%
2010-11	2373.33	23004.94	10.32%	2.11%
2011-12	2866.76	27455.40	10.44%	2.27%
2012-13	2455.59	30672.98	8.01%	1.71%

3.8 Non-tax revenue increased over the years from 2005-06 to 2012-13, mainly due to increase in interest receipts on investment of cash balance by State government and moderate increase in royalty on crude oil. However, oil royalty is likely to decline in the near future with the present trend of fall in international prices of oil. This will adversely affect our non tax revenue. In the sphere of forest, tax collection cannot be increased due to continuation of ban by Supreme Court on tree felling and lumbering activity.

3.9 We would like to highlight the following issues with regard to the Non-Tax Revenue Receipts of the state.

(i) **Sharing of Profit Petroleum with the States:-**

As per demands of the State Governments the Twelfth Finance Commission had recommended that

a. The Union Government should share the Profit Petroleum arising out of Production Sharing Contracts (PSC) in respect of onshore New Exploration Licensing Policy (NELP) blocks with the states from where the mineral oil and natural gas are produced in the ratio of 50:50.

b. The revenues earned by the Union Government on Production Sharing Contracts signed under the Coal Bed Methane (CBM) Policy may also be shared with the producing states in the same manner as profit petroleum.

c. In respect of any mineral, if a loss of revenue is anticipated for a State in the process of implementation of a policy which involves production sharing, a similar compensation mechanism should be adopted by the Central Government.

At present ten NELP blocks are in operation in Assam. Exploration for crude oil and natural gas is in progress in these NELP blocks from which production of hydrocarbons is anticipated soon in the event of successful commercial discovery. Further there is possibility of allocation of CBM blocks under PSC in Assam for exploration in near future. Hence, it is urged that the recommendations given by the Twelfth Finance Commission should be maintained by the Fourteenth Finance Commission also to safeguard the interests of the States.

(ii) **Royalty on coal and other minerals:-**

The Ministry of Coal, Government of India revised the royalty on coal w.e.f. 01-08-2007 switching over to ad-valorem system as per which royalty is based on the price of coal. But while revising the royalty, the Government of India imposed a condition that "for states that levy cess or other taxes specific to coal bearing lands, the royalty allowed shall be adjusted for the local cesses or such taxes so as to limit the overall revenue to the formula based yield." Due to this new condition the State of Assam is deprived of the full benefit of revised royalty on coal, the actual benefit being very marginal due to the fact that the Assam Tax (on specified lands) at the rate of Rs.50/- per Tonne of annual productivity of coal bearing land is being adjusted in the revised royalty on coal. This has defeated the very objective of imposing the Assam Tax (on specified lands). The annual production of coal in Assam is about 12.40 lakh tonnes. So the annual loss of royalty on coal due to the adjustment of Assam Land Tax @ Rs.50/- per tonne would be Rs.6.20 crore. The State is thus deprived of this significant sum from royalty. Similar adjustment is also anticipated in case of royalty on other minerals due for revision.

It is therefore urged that the condition of adjustment of cess or other taxes specific to coal and other minerals bearing lands be withdrawn so that the States gets due share of royalty.

(iii) **Rate of Royalty on crude oil:**

As per provision of Section 6A (4) of oil fields [Regulation and Development] Act, 1948 the rate of royalty in respect of any mineral oil is not to exceed 20% of the sale price of the mineral oil at the oil fields or the oil well-head, as the case maybe.

Para VI (b) of clause 2 of the Resolution issued by the Ministry of Petroleum and Natural Gas, Government of India vide notification No. 0-22013/1/2001ONG-III dated 17th March, 2003, stipulated that royalty on crude oil production from on land and shallow water offshore areas will be paid @ 20% of the wellhead price for the period from 01-04-1998 to 31-03-2002.

Para VII (b) of the said clause has further stated that for crude oil production from on land areas, royalty will be paid @ 20% of the well-head price determined at sub-para (a) of clause VII of the Resolution w.e.f. 01-04-2002.

According to the provision of the above clause, the Government of Assam should get royalty @ 20% of the well-head price w.e.f. 01-04-1998. On the contrary, para (III) of clause 2 of the Resolution stipulated that royalty will be calculated in accordance with the existing methodology i.e. on cum-royalty basis given at Note - 1 of the Resolution as follows:-

Royalty amount = Well head price x Royalty rate /100 + Royalty rate

With the application of the above methodology the Government of Assam actually gets royalty @ 16.66% on the well head price instead of 20% as stipulated above. This discriminatory provision of the Resolution has reduced the rate of royalty by 3.34% to the oil producing state of Assam causing huge loss of revenue. Moreover, due to policy shift by Government of India from 2008-09, State Government has been getting royalty from crude oil at discounted price, which resulted in reduction of collection of royalty from crude oil from 2008-09.

The Government of Assam, therefore, urge the 14th Finance Commission to kindly verify and amend the existing methodology for

calculation of rate of royalty on crude oil so that the state actually receives royalty @ 20% of the well head price of crude oil w.e.f. 01-04-1998. The Commission is also requested to slash the discounted price on crude oil and restore the original price.

(iv) We will also like to request that royalty on coal and all other minerals should be revised more frequently and paid appropriately on ad-valorem basis and without any discrimination among the States. Similarly, there should not be any denial of legitimate share of the States on account of oil royalty including basis of pricing and power royalty related to hydel projects.

(v) As already mentioned crude oil and natural gas are the only major natural resources of the State, and that too non renewable ones. Because of the wide gap between the cost of exploration and extraction on the one hand and the market price on the other, ONGCL, OIL and other oil producing companies in the State have been making windfall profits which have been going to the Central Government as dividends. Over and above this, the Central Government is also realizing Cess on crude oil produced in the State. Compared to this the royalty received by the State Government is quite low. **We request the 14th Finance Commission to recommend enhancement of royalty on crude oil produced in Assam from present 20% to at least 30%, which can be easily accommodated within the existing profit margins of oil producing companies.**

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Chapter- 4

Devolution Criteria – Central Taxes

As per paragraph 4 (i) of the Presidential Order dated 2nd January, 2013, the 14th Finance Commission is required to recommend "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".

Vertical Devolution

4.1 The Constitution of India assigns important task of laying down the principles of vertical and horizontal distribution of resources to the Finance Commission. The Constitution provides independent revenue raising and spending powers to both the Central and the State Governments. But the basic financial imbalances in Centre-State relations arises from the fact that, while the Constitution gives the States the major responsibilities in the sphere of development expenditure on maintenance of capital assets, education, health etc and administrative expenditure on law and order, general administration etc., the important powers of revenue raising remains concentrated in the hands of the Centre. As a result, there is a major problem of vertical imbalance and inadequate devolution. Hence, inter-governmental fiscal transfer based on the recommendations of the Finance Commission serves to redress these fiscal imbalances.

4.2 There is a strong case for increase in transfer of resources to the States. During the last six years (2006-07 to 2011-12) the burden of development expenditure has been shifted to the States in the ratio 57:43 for States and Centre respectively. In absolute terms the burden on the States has risen from Rs.392165 crore in 2006-07 to Rs.878362 crore in 2011-12 whereas for the Central Government the figures were Rs.255718 crore and Rs.662256 crore respectively. Thus, development expenditure as proportion to total expenditure is always high for States in comparison to Centre.

4.3 Unlike shift in developmental expenditure burden to States, the receipt side is heavily tilted in favor of the Union. While the burden of development expenditure has disproportionately transferred to the States, the same trend cannot be seen on tax receipts. In 2011-12, the total tax revenues of all States as a percentage of combined tax revenues of Centre (gross) and States was 36%, whereas States were required to meet 57% of the development expenditure as against the Centre which met the remaining 43% of development expenditure.

4.4 The Central Government, in the past has introduced a large number of Centrally Sponsored Schemes (CSS) even on the subjects in the State and Concurrent lists of the Seventh Schedule of the Constitution of India, leaving the States with no other option but to implement them. These CSS impose conditions which include contributions of State's share to such schemes in order to access such Central funds, making it difficult for States to provide the required level of budgetary support from its own resources. The States often get penalized for being unable to provide matching share and thus cannot access such CSS. The matching contribution from the State's own resources has burdened the States with a heavy doses of expenditure which constrains it from taking other development initiatives on its own.

4.5 State Governments have been transferring huge funds to Local Bodies (PRIs and ULBs) as per recommendations of the States' Finance Commissions. In case of Assam, 3rd State finance Commission recommended 15% of net proceeds of State's Tax revenues for divisible pool, 4th State Finance Commission recommended 14% of net proceeds of State taxes for the divisible pool for Local Bodies. Such recommendations of the State Finance Commissions have increased expenditure of States enormously.

4.6 There is an emerging trend of large collection by way of cesses and surcharges which are not a part of sharable pool of resources. As per the budget estimates, 2013-14, Government of India's collection is estimated at Rs.97,966 crore as cess and surcharges. Had it been a part of sharable pool of resources, the States would have received Rs.31,350 crore additional fund. **Hence the Commission is requested to take a considered view to rectify vertical imbalances between Centre and States by way of bringing cess and surcharges to the sharable pool of resources.**

4.7 As the development and administrative expenditure responsibility and also outgo of huge funds through State Finance Commissions' awards have been increasing over the years, **the 14th Finance Commission is requested to make recommendation to increase the size of the divisible pool of Central taxes from 32% to 50% to enable the States fulfill their service delivery responsibilities towards the citizens of this country.**

Transfer of Resources out of Non-Tax Revenue Receipts:

4.8 The divisible pool of resources so far is limited to net tax receipts – net of cost collections and surcharges and cesses attached to these taxes. However, the non-tax receipts of the Central Government have grown by 10.93% during 2004-05 to 2013-14 from Rs.81,193 crore in 2004-05 to Rs.1,72,252 crore in 2013-14. Therefore, there arises a need to consider the transfer of such revenues from the Centre to the States in view of the fact that many such receipts are collected due to support structure created by the States. Hence, for the sake of equity considerations, we request the 14th Finance Commission to exercise its mandate under Article 280 3(b) of the Constitution and to lay down the principles governing the allocation of the non-tax proceeds of the Centre to the States.

Special Earmarking of Funds for Special Category States:

4.9 Special Category States face altogether different kind of problems as compared to other States and earlier Finance Commissions have recognized the need to treat these States differently from Non-Special category states while recommending devolution of resources to them. Inherent problems associated with geographical location, sensitive international border, climatic condition, difficult terrains and unique ethnic and political problems coming down the decades signify most of the Special category States. These conditions are beyond their control. These factors have severely impaired their economic development. Although, some of the needs of the Special Category States are being taken care of by providing special purpose grants, there is still a strong case for enhancing the share of Special Category States in the total devolutions. **We request the Commission to set aside at least 30% of the sharable pool for distribution amongst the Special Category States.**

4.10 Flow of funds for development purposes is not confined to Central transfers only. Resource flow to the States takes place from various routes such as private investors, banks and financial institutions, external agencies and FDI, and a large proportion of these resources is directed towards the economically well off States or States which do not suffer from locational or cost disadvantages. The low CD ratio of Assam compared to economically well off States is a case to this point. In 2011-12, CD ratio of Assam is 37.11 as against 118.15 of Tamil Nadu, 108.94 of Andhra Pradesh, 53.50 of Maharasthra, 71.90 of Kerala, 65.87 of Gujarat. CD ratio of all 11 Special Category State is below the All India average of 75.44. These surpluses/savings are made available to the entrepreneurs and companies which have their corporate offices situated outside Special Category States and only some small units are established in these States just to avail the incentives and subsidies that these States offer to the investors to boost the industrial activities within these States. This has led to flight of huge amount of bank deposits for investment from these States to elsewhere. Thus, the economy of most of the well off States is also prospering on the savings of the people living in the Special Category States. This fact makes a very strong case for keeping a sizeable portion of the divisible pool for devolution to the Special Category States.

4.11 Special Category States get the benefit of low amount of fertilizer subsidy compared to well off States due to low consumption of fertiliser. Due to economic backwardness of vast 85% Small and Marginal Farming community in Assam, the fertilizer consumption in

Assam is not at all comparable with the national level which is only 74.58 Kg/ha against 141 kg/ha at National Level (2011-12). More than half of the total fertiliser subsidy is consumed by the top five States namely, Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Punjab. The share of these States was about 54.5 % in 2007-2008. Other major beneficiary States were Gujarat, Karnataka, West Bengal, Bihar, Haryana and Tamil Nadu which has a share of 36.4% in 2007-2008. The share of less developed States like Orissa, Assam, Jammu and Kashmir and Himachal Pradesh was low and they amounted for only 7.9% in 2007-2008. In fact, Assam had only a share of 1% in 2007-2008. Table below indicates share of major States in total fertiliser subsidy of Rs.11,400 crore, provided in the Union Budget Estimate of 2007-08.

Table –4.1

Share of Major States in Total Fertiliser Subsidy in India, 2007-08

States	**2007-08**	
	Share in %	Share out of Rs.11,400 crore
Uttar Pradesh	17.5	1995.00
Andhra Pradesh	11.3	1288.20
Maharasthra	10.2	1162.80
Madhya Pradesh	7.8	889.20
Punjab	7.7	877.80
Gujrat	7.0	798.00
Karnataka	6.5	741.00
West Bengal	6.4	729.60
Bihar	6.2	706.80
Haryana	5.5	627.00
Tamil Nadu	4.8	547.20
Rajasthan	4.4	501.60
Orissa	1.9	216.60
Assam	**1.0**	**114.00**

4.12 The above facts also justify for setting aside a sizeable amount for divisible pool for devolution to Special Category States.

4.13 In case of Food Subsidy, Assam's share is the lowest in the country. Since FCI does not do procurement of rice in Assam, farmers in Assam do not get benefit of Minimum Support Price (MSP). Table below shows the position of food subsidy availed by Assam.

Table-4.2

Position of Rice Procurement by FCI and Food Subsidy availed by Major States.

(Average MSP for Paddy per Quintal 2010-11=Rs.1015 and 2011-12=Rs.1095)

States	Quantity (Lakh Tonne) 2010-11	Quantity (Lakh Tonne) 2011-12	2010-11 (Rs. in crore)	2011-12 (Rs.in crore)
Andhra Pradesh	96.09	75.48	975.31	826.51
Assam	0.16	0.23	1.62	2.52
Punjab	86.35	77.30	876.45	846.43
Haryana	16.87	20.07	171.23	219.77
Chattisgarh	37.46	41.15	380.22	450.59
U.P.	25.54	33.57	259.23	367.59
West Bengal	13.10	20.41	132.96	223.49

Horizontal Distribution – States' Inter-se share

4.14 The earlier Finance Commissions have experimented with a number of criteria for horizontal distribution of taxes across States. For example, the criteria and weights used by the last six Finance Commissions are given below in Table.

Table-4.3

States' Inter-se share

Parameter	**8th FC**	**9th FC**	**10th FC**	**11th FC**	**12th FC**	**13th FC**
Population	25	25	20	10	25	25
Area			5	7.5	10	10
Distance Per capita Income	50	50	60	62.5	50	
Inverse Income	25	12.5				
Poverty/Backwardness		12.5				
Index of Infrastructure			5	7.5		
Tax Effort			10	5	7.5	
Fiscal Discipline				7.5	7.5	17.5
Fiscal capacity Distance						47.5
Collection within State						
Total	100	100	100	100	100	100
Assam's Share in Central Taxes	4.07	3.73	3.67	3.285	3.235	3.685

4.15 Above Table shows that Assam's share in tax devolution has steadily declined from 4.07% in the 8th Finance Commission to 3.235% in the 12th Finance Commission and moderately improved to 3.685% in the 13th Finance Commission for adoption of new criteria, namely, Fiscal Capacity Distance. This has resulted in substantial loss of revenue to Assam. We suggest the following criteria along with rationale for the 14th Finance Commission to consider for determining shares of the States in the tax devolutions.

The Fiscal Capacity Distance

4.16 The 13th Finance Commission made an innovation by taking per capita fiscal capacity distance based on the tax-GSDP ratio in comparison to earlier Finance Commissions which adopted the per capita income distance as the entitlement criteria for different States. A weight of 47.5% was assigned to this factor. Separate calculation of average tax to GSDP ratios for Special Category States and non-Special Category States and then taking distance from the highest ratio has resulted in more tax devolution to Special Category States. Hence, the 14th Finance Commission is requested to continue with this criteria with the weightage of 47.5% to ensure that the needs of the non-developed and poor States are taken care of while simultaneously ensuring that the developed States are not excessively penalized.

Population

4.17 The 13th Finance Commission had assigned a weight of 25% to the population as per the 1971 Census while working out the tax devolution to the States. The population alone without considering dispersal along the geographical expanse and its composition does not give the demographic features of the States particularly of hill States where the prevailing geographical and climate conditions give peculiar character to the demography of these States. Further, within the States there are pockets with extremely low population density making it a difficult task to formulate development policy for two distinctly placed areas with entirely different development needs and challenges.

The population density will further fall if the undulating folds of the surface area of the hilly regions are straightened and three dimensional surface area of the State is used to reach the population density. In addition to that, relatively weaker sections of society like SC and ST people spreading over the States need different and special kinds of development policy for their upliftment. The financial resources required for preparing a separate plan for the welfare of SC and ST population varies from across the States. We like to suggest to the 14th Finance Commission to give a weightage of at least 10% to the population and 5% to the dispersal of population within the States and another 5% weightage may be given to SC and ST population.

4.18 Population in Assam after 1971 has registered a moderate growth, whereas decadal growth is on decreasing trend. 14th Finance Commission's adoption of population census of 1971, taking into consideration the demographic changes that have taken place after 1971 will adversely affect the resource transfer to Assam. As such, 14th Finance Commission is requested to take 1971 census for determination of horizontal transfer of resources to States. Population trend in Assam and India is shown in the Table below.

Table-4.4

Population Trend in Assam and India

Year	Population (in lakh)		Percentage Decadal Variation	
	Assam	India	Assam	India
1901	33	2384	-	-
1911	38	2521	17.0	5.8
1921	46	2513	20.5	0.3
1931	56	2789	19.9	11.0
1941	67	3186	20.4	14.2
1951	80	3611	19.9	13.3
1961	108	4392	35.0	21.5
1971	146	5481	35.0	24.8
1981	180	6833	23.4	24.7
1991	224	8463	24.2	23.9
2001	266	10270	18.9	21.5
2011	311	12102	16.9	17.6

Source : Economic Survey of Assam, 2012-13

Area

4.19 The 12th and 13th Finance Commission had given weightage of 10% to Area. Assam has two hills districts with an area of 15,322 sq.km out of total 78, 438 sq.km area. The geographical expanse in the hilly areas consists of numerous folds and undulations along the steep slopes of the hills. The conventional two dimensional area as recorded by the Surveyor General of India is not an indicator of the development process at the local level. The development indicators depicted in terms of per unit of area do not present an adequate picture of the development nor does the two dimensional area give an picture of the costs involved in creating physical infrastructure in the sloped hilly areas. In fact, the folds and the undulations of the hilly area are when stretched to give a plain surface, the exact area of hilly region is obtained and that is what has been termed as the three dimensional surface area. We request the 14th Finance Commission to assign a weight of 10% to it while determining the share of the States in the total tax devolutions.

Forest Area

4.20 Forest is a natural capital and their ecological and environmental protection play an important role in well-being of mankind. In the recent past the importance of environment protection and conservation of natural resources has been given wide attention at State and national level. The cost of maintaining the forest is gradually increasing and compensation for maintaining the existing forest cover is a legitimate right of those States, which have not undertaken green felling and lumbering as a commercial activity. The stringent norms for getting forest clearance from the Government of India and extra ordinary long time taken to grant these clearances for construction of roads, hydel projects and basic infrastructure projects stand in the way of achieving faster pace of development. The States are, therefore, loosing potential sources of revenue at least on two counts. First, the revenues forgone due to ban on undertaking lumbering as a commercial activity have both immediate and long term adverse ramifications on the resource base of those States. Second, the development of infrastructure is moving at a tardy pace due to delays in getting necessary forest clearances which, in turn, acts as disincentive for the entrepreneur to invest in a State with a weak infrastructure base. Thus, the 14th Finance Commission is requested to adequately compensate the Special Category States for the revenue forgone on the above grounds and assign at least 5% weightage to percentage of forest area in the total area, while determining the share of a State in the total devolutions.

Fiscal Discipline

4.21 Fiscal discipline criterion carries a weightage of 17.5% under 13th Finance Commission. This criterion on the one hand incentivizes States for adherence to fiscal discipline and on the other hand penalizes those States which do not achieve the same. The 13th Finance Commission has given too much emphasis on fiscal discipline. The States which are not able to adhere to the fiscal consolidation path – mainly revenue deficit are put to double jeopardy. For example, they not only stand to lose on account of this criterion, they are also subjected to forego State specific grants as well as the benefit of resetting of interest on NSSF loans. **We request the 14th Finance Commission to assign a weight of 17.5% to the fiscal discipline and work out a mechanism where the limitations of the Special Sategory States are taken care of.**

4.22 In our opinion the following criteria with relative weightage shown against each may be adequate and reasonable for resource devolution during the award period.

Sl No	Indicator	Weightage
1	Fiscal Capacity Distance	47.5%
2	(i) Population	10%
	(ii) Dispersal of Population for hilly areas	5%
	(iii) SC/ST Population	5%
3	Area	10%
4	Forest Area	5%
5	Fiscal discipline	17.5%
	Total	100%

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Chapter – 5

Grants-in-aid –
Assessment of Revenue Receipts and Revenue Expenditure

As per Paragraph 4 (ii) of the Presidential Order dated 2nd January, 2013, the 14th Finance Commission is to make recommendations regarding "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 that article."

5.1 Grants-in-aid play a significant role in the scheme of resource transfer from the Centre to the States which are left with a revenue deficit even after the devolution of taxes and duties have been made or where the standard of administration and development of physical infrastructure are found to be below the all India average. Grants-in-aid may be either general or specific. General purpose grants are intended to cover the estimated post-devolution revenue deficit of a State, whereas specific purpose grants are intended to upgrade the standard of administration and physical infrastructure in different States or provide funds for alleviating special problems of a State. The existence of inter-state disparities in the level of economic development as also special problems faced by some of them which are matters of national concern, make grants-in-aid an effective instrument to reduce horizontal fiscal imbalance and to ensure distributive justice.

Underestimation of deficit by Finance Commissions -

5.2 It has been observed that grants-in-aid still continue to be regarded as mere gap filling device. It has, however, consistently failed to fulfill even this limited role assigned to it in any meaningful way. The real malady, however, is that very often the actual revenue gaps turn out to be larger than the gaps determined by the Finance Commission due to unavoidable or unforeseen development, and the grants recommended fall far short of the requirement, leaving the revenue gap uncovered. The previous Finance Commissions have overestimated our revenues and underestimated our revenue expenditure. The position is that assessment made by the earlier Finance Commissions has not been able to cover our actual yawning gaps in our non-plan revenue account. The actual position that emerged is illustrated in the Table-5.1 given below.

Table-5.1
Post-Devolution Non-Plan Revenue Gap Assessed by the Finance Commissions vis-à-vis the Actual Position

(Rs. in crore)

Finance Commission	Gap Assessed by Finance Commission	Actual Gap
Ninth (1990-95)	560.32	1368
Tenth (1995-2000)	712.03	1152
Eleventh (2000-05)	110.68	6514
Twelfth (2005-10)	305.67	(-) 85.81

N.B. (-)sign indicates surplus

5.3 During the 12th Finance Commission award period (2005-10), actual non-plan revenue gap turned into surplus of Rs 85.81 crore. This was due to several fiscal reform measures adopted by the State Government including enactment of Assam FRBM Act in May, 2005 in pursuance of Debt Consolidation and Reform Facility (DCRF) of 12th Finance Commission.

5.4 The available trends indicate that the position will be no better in respect of assessment made by the Thirteenth Finance Commission for the period 2010-15. Actual for 2010-11 and 2011-12 shows a non-plan revenue gap of Rs.657 crore and Rs.1290 crore respectively, while the Commission assessed a post-devolution revenue surplus of Rs.248 crores and Rs.1466 crore for those two years. In 2012-13 non-plan revenue account has turned into surplus of Rs.45.51 crore as against surplus of Rs.986 crore assessed by the 13th Finance Commission. The position has been shown in the Table-4.2 below.

Table-5.2

(Rs. in crore)

Thirteenth Finance Commission	Gap Assessed by Finance Commission	Actual Gap
2010-11	(-)248	657.26
2011-12	(-)1466	1290.16
2012-13	(-) 986	(-) 45.51

N.B. (-)sign indicates surplus

5.5 Moreover, an issue in the report of the Thirteenth Finance Commission is causing considerable disquiet for Government of Assam. In Chapter-7.72 of the report it is stated that budget estimates of 2009-10 has been adopted as the base for projection of expenditure under the head Compensation and Assignment to Local Bodies and an annual growth of 8 percent is assumed over the base. On the contrary, in case of Assam the base adopted is the actual of 2007-08 which was only Rs.8.94 crores and the assessment made for five years is a meagre sum of Rs.66 crore vide Annexure- 7.7 in Vol.-II. In contrast, the budget estimates for 2009-10 was more than Rs.900 crore. It has been ascertained that in case of other States the budget estimates of 2009-10 has been adopted as the base. It has thus deprived the State of considerable amount to the tune of Rs.926 crore. Government of India did not agree to the request of the Government of Assam for compensating the loss sustained on the ground that the recommendations of the Central Finance Commission have been accepted in accordance with convention. It would be inappropriate to make departure from accepted recommendations.

Restoration of Practice of Additional Central Assistance

5.6 Up to 1988-89, the deficit on revenue account or the negative balance from current revenues of Special Category States including Assam was met either through the non-plan grants recommended by the Finance Commissions or through Central Plan assistance. This practice was discontinued from 1989-90 by the Planning Commission on the assumption that the award recommended by the Ninth Finance Commission would fully meet the requirements of the State on non-plan revenue account. In reality, the discontinuation of the practice of bridging the non-plan gap by additional Central assistance has made the matters worse for the Government of Assam because of the underestimation of the expenditure requirements of the State by the earlier Finance Commissions. This forced the State to depend on borrowings for plan as well as for non-plan requirements. As the ToR allows the Fourteenth Finance Commission to take into account both plan and non-plan revenue accounts of the State, the Commission is urged to remove this lacuna and recommend the restoration of the practice prevailing before 1988-89.

Equalization Grant –

5.7 The two basic objectives of fiscal transfers in a federation are (i) to bridge the vertical gap that is common in federations, and (ii) to redress the horizontal imbalances among the Federating units. The principal instruments used for this purpose are sharing of Central taxes and grant-in-aid. As far as possible, the design of fiscal transfers should be such as can serve the objectives of closing the vertical gap and reducing, if not removing, the horizontal disparities simultaneously, so that all States can provide basic public services to their people at reasonably comparable levels. Equalization in a federation is done primarily by equalizing the revenue capacity of the States. For this purpose the revenue that can be generated by a State and the non-plan revenue expenditure that is likely to be incurred by it are assessed normatively. However, such normatively assessed non-plan revenue receipts and expenditure levels do not capture the real picture. For a host of reasons it is not possible to apply the normative principles fully. Moreover, the starting point for the normative exercises remains largely the actual of the past - which vary widely across the States. Further, States like Assam suffer from serious cost disabilities in providing public services to their people for a number of reasons beyond their control. Tax devolution now is based on a formula, which the successive Finance Commissions have attempted to make more and more progressive. But there is a point beyond which progressivity cannot be pushed through tax devolution. Since all States are entitled to a share in Centre's taxes - which is necessitated by vertical imbalances, States with relatively strong revenue bases are able to generate handsome surpluses in their non-plan revenue budget. The burden of revenue capacity equalization thus falls heavily on the grant-in-aid. Herein lies the importance of grant-in-aid. Over the years devolution of Central taxes as a percentage of the statutory transfers from Centre to the States has stabilized around 90%. This leaves only about 10% for devolution by way of grant-in-aid. What is required is that the needs of the States should be determined on the basis of average per capita revenue expenditure, adjusted for appropriate cost disabilities or disadvantages of different States, multiplied by their population. This is so because per capita revenue expenditure is perhaps the best available indicator of the level of public services provided by a State. The gap between the requirements of revenue to meet the needs so determined and what the States could be expected to raise as revenue by making optimum effort, should be provided as grant. Unfortunately, the transfers schemes based on normative principles adopted by the previous Finance Commissions have fallen short of such equalization. Although grants are also given for up-gradation of general administration and redress special problems of individual States, these are only marginal and do not go far to reduce the disparities in revenue capacity of the State to the extent necessary to enable them to provide public services at an equal or reasonably comparable level. This calls for adequate Equalization Grants to the deserving States to equalize the revenue capacities across the States. Because of 12th Finance Commission Equalization Grants, Assam has been able to increase substantially its revenue expenditure on Health and Education. If these grants are not continued during the Fourteenth Finance Commission award period also, then the State will slip back to the position of poor service delivery in these two vital sectors.

5.8 **We request the Fourteenth Finance Commission to make realistic assessments of our revenue capacity and actual expenditure requirements so that the State does not have to feel discriminated against once again when it comes to non-plan revenue deficit grant.**

5.9 In view of the above, we would like to propose the following principles for consideration of the Fourteenth Finance Commission:

(a) The relative share of grant-in-aid in statutory transfers from the Centre to the States should be raised from the present level of 10% to 20%.

(b) Instead of giving grant-in-aid to the deficit States only for filling the gaps in their post-devolution non-plan revenue accounts, there should be comprehensive Equalization Grant to equalize the revenue capacities across the States as suggested above. Such Equalization Grants introduced by the 12th Finance Commission in Health and Education sectors for a few deficient States should continue for the 14th Finance Commission Award period also. Otherwise the equalization process initiated by the 12th Finance Commission will come to a premature halt putting the concerned States at a very difficult position, besides lowering the standards and quality of health and educational services provided to the common man in those States. In this connection we would like to request that the Equalization Grants should not come with vexed plethora of conditionalities. Because of such conditionalities most of the beneficiary States have not been able to fully avail the grants during the 12th Finance Commission Award period. If at all the 14th Finance Commission puts any conditionalities for release of the Equalization Grants, they should be minimal, simple and straight.

Grant to implement Shukla Commission recommendations –

5.10 The Shukla Commission was set up by the Government of India at the initiative of the then Hon'ble Prime Minister of India. The Commission recommended an amount of Rs.22,758.80 crore at 1997-98 prices for Assam to bridge its gap in infrastructure and basic minimum services. At current price it will be equivalent to at least two and half times that amount. Since adequate funds from no other sources are visible and the recommendations of the Commission remain largely unimplemented, we earnestly request the Fourteenth Finance Commission to make appropriate grants so that the said recommendations can be implemented within a reasonable time frame, say the next 10 years.

Grant to neutralize cost of Economic Reform :

5.11 The per capita income of Assam in 2012-13 was only 68% of the per capita income for the country as a whole. We have observed that an unintended consequence of the Reform Process initiated in the early 1990's is growing regional imbalance in the country. The reforms process has not only bypassed, but have also adversely affected land-locked peripheral States like Assam. On the other hand, States with advanced infrastructure and more convenient locations, particularly the coastal States have benefited immensely from the process of economic reforms. There is no doubt that the problem of regional disparity in the country has been accentuated by the reforms process to such an extent that it cannot be neutralized by the revenue equalizing capacity of normal devolutions any more. We strongly request the Fourteenth Finance Commission to recommend a special compensatory grant-in-aid to Assam and other similarly affected States. This Special grant should be commensurate to the economic cost of the reforms, which these States have suffered.

Grant to neutralize economic damages caused by insurgency –

5.12 Despite a rich natural resource base including oil and natural gas, Assam's economic growth story has not been impressive due to insurgency and terrorist activities. We have also mentioned that insurgency and terrorism in the State has international dimensions. What Assam is fighting for today is not only maintenance of law and order and public peace in the State, but also national security and integrity. For this the State is paying dearly not only in terms of loss of life and property, but also in terms of loss of investment, production and an environment congenial for promotion of economic growth and development. We, therefore, request for Rs.25,000 crore over the next five years for neutralization of the economic damages caused by insurgency in the State.

Promotion of Tourism –

5.13 Assam is very rich in its tourism potential. Out of five World Natural Heritage Sites in the country, two are located in Assam. They are Manas and Kaziranga National Parks. There are three more national parks in the State. The Brahmaputra is considered to be one of the top eight rivers in the world in terms of river cruise potential. With its wide range of flora and fauna it is a bio-diversity hot spot. The State Government has taken a number of steps to promote Assam as a Nature and Eco-tourism destination in the world. Religious and cultural tourism also have great potential. However, due to poor infrastructure the State has not so far been able to realize its full tourism potential. Recently, on 26th August, 2008 Hon'ble Prime Minister of India announced preparation of a blue print for integrated development of tourism for the North East with Guwahati as the hub. Meanwhile the State Government have also formulated an ambitious Tourism Policy for the State with emphasis on PPP. With a view to promoting investment in the tourism sector, an attractive Package of Incentives has been incorporated in the State Tourism Policy. Some of the important incentives are - (a) Reimbursement of VAT up to 25% of tax paid during a financial year subject to a ceiling of Rs.10 lakh, (b) Reimbursement of Luxury Tax for new hotels upto 25% of tax paid subject to a ceiling of Rs.10 lakh, (c) State Capital Investment Subsidy @ 30% of investment made subject to a ceiling of Rs.I0 lakh, (d) 25% subsidy on drawal of power line subject to a ceiling of Rs.5 lakh, and (e) 50% subsidy on construction and improvement of approach roads to hotels and resorts subject to a ceiling of Rs.5 lakh. The new policy has become effective from 1st January, 2009. We request the Fourteenth Finance Commission for a grant of Rs.250 crore for improvement of tourism infrastructure in the State and for successful implementation of State Tourism Policy.

Grants for up-gradation, modernization and Special Problems –

5.14 Grants for up-gradation of the standard of administration and for addressing special problems of individual States have not been included as one of the terms of reference for the Fourteenth Finance Commission. But previous Finance Commissions made such recommendations, although their impacts were of marginal nature. We feel that the need for such grants still exists. While the revenue deficit grant or equalization grant are of revenue nature which address the problem of disparity in revenue capacity among the States, up-gradation and special problem grants are essentially meant for capital investment in the respective spheres. We request the Fourteenth Finance Commission to consider our submissions on merit and make suitable recommendations.

5.15 Although Assam is a medium level State in terms of area and population, it is perhaps the most difficult State in the country from the point of view of governance and administration. No other State in the country has as much ethnic diversity as Assam. In recent times, no other State in the country has seen so much of ethnic conflicts, manifesting into violent ethnic clashes that have been occurring in the State with unfailing regularity.

5.16 As already mentioned, Assam has a very mixed population, most of which is rural with low level of economic skill and income. Inclusive and meaningful economic development based on skill up-gradation, gainful employment and higher income generation is the only viable long term secular solution to the problem. The 14th Finance Commission is therefore requested to view the problems of Assam as well as our request and demands made in this Memorandum from this perspective.

5.17 We would like to reiterate our request for the following grants :

Development Deficit Grant equivalent to the negative BCR of a year, Insurgency Damages Neutralization Grant to neutralize the economic costs of decades old insurgency in the State.

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Chapter-6

Goods and Services Tax and Central Sale Tax

Para 6 (xi) of the Terms of Reference requires the 14th Finance Commission to examine the impact of the proposed Goods and Services Taxes on the finances of Centre and States and the mechanism for compensation in case of any revenue loss.

6.1 The Government of Assam, in principle, agrees with introduction of Goods and Services Tax in the country. The Empowered Committee of Finance Ministers, which has played a vital role in implementing VAT has also been spearheading the implementation of GST in close consultation with Government of India. Government of Assam has actively participated in all deliberations of Empowered Committee of Finance Ministers on implementation of GST. Further, the reports of various committees and sub-committees of Empowered Committee of Finance Ministers, 115th Constitutional Amendment Bill and the first discussion paper on GST have been examined in detail.

6.2 However, there are some issues which are of serious concern to States and these issues should be resolved before GST is implemented in the country. These issues are discussed in the following paragraphs.

Fiscal Autonomy of States:

6.3 The 115th Constitutional Amendment Bill has certain provisions that severely restrict the fiscal autonomy of the States. These provisions include power of Central Government to levy tax on sale of goods (Article 246A), formation of GST Council (Article 279A) and GST Dispute Settlement (Article 279B). Taxes on sale or purchase of goods other than newspaper except in course of inter-state trade or commerce is in the State List in the Seventh Schedule of Indian Constitution and States are competent to legislate on it. However, with introduction of GST, States will lose autonomy on this major source of revenue.

IGST Model:

6.4 While numerous models of IGST have been suggested by different State Governments and Government of India, there is no consensus on any model. All the differences must be settled amicably before implementing GST.

Impact of GST on revenues of Assam

(a) Loss of revenue on account of subsuming of various State taxes under GST:

6.5 By replacing a large number of taxes levied both by the Centre and the States, Goods & Services Taxes (GST) would integrate the tax base and allow seamless flow of input tax credit across the value chain of goods & services. The Central taxes proposed to be subsumed under GST are – Central Excise Duty, Service Tax & Counter-Veiling Duty (CVD) levied on import. On the other hand, State taxes proposed to be subsumed under GST are VAT, Luxury Tax, Entertainment Tax & Entry Tax.

6.6 From the various discussions in meetings of the Empowered Committee, it can be gathered that there will be dual structure or two tier GST comprising the Central GST (CGST) levied by the Centre and State GST (SGST) levied by the State simultaneously on every transactions of goods and service except the exempted goods on a common base. There will be two rate structure under GST, which would be around 8% and 20% (having both CGST & SGST component). Therefore, State component of GST (SGST) will be lower than the prevailing rate of tax under VAT. The SGST rates under GST regime will be lower than the prevailing rate of tax under VAT. The SGST rates under GST regime are expected to be near 4% & 10%. Hence, on introduction of GST, the State of Assam would suffer substantial loss of revenue since items currently taxed at 5% is likely to have 4%, State GST and items presently taxed at 13.5% are anticipated to be taxed at 10% State GST.

6.7 Central Sales Tax (CST) will have no application under GST regime and CST is expected to become zero from current rate of 2%.

6.8 Luxury tax (Rs. 8 crore) and Entertainment tax (Rs.63 crore) will also be subsumed under GST. However, there may not be any substantial loss since the tax rate structure under the existing system and State component of GST under GST regime is expected to be more or less similar

6.9 The present taxable base of the State will get eroded since Central levies (assuming at conservative tax rate of 8%) will be excluded from the taxable amount for the purpose of calculation of State levy because for both Central & State levies, there will be common taxable base.

6.10 Undoubtedly, all these factors taken together will impact upon State's own tax in a very substantial way. The loss of revenue on account of all these factors cannot be totally offset/compensated by the tax that will accrue to the State of Assam. From service sector, Introduction of GST would enable States to levy tax on services, which is at present the prerogative of the Centre. But, the loss of revenue on account of all these factors cannot be totally compensated by the tax that will accrue to the State of Assam from Service Sector, because collection of Service Tax in North Eastern State is very low in comparison to other developed States like Gujarat, Karnataka, Maharasthra, Tamilnadu etc. due to non emergence of organized service sector. Even taking into account the figure of tax collection of 2012-13, the total loss of revenue on introduction of GST, without considering the impact of inclusion of petroleum products under GST regime is estimated to be around Rs.1735.13 Crore.

Table-6.1

	Collection during 2012-13	Estimated Loss
	(In crores)	
Gross VAT collection	5689.88	
Less: Tax from non VAT items	2354.37	
Net VAT collection (excluding revenue from Non VAT items)	3335.51	
Collection from 5% (Approx. 1/3 of VAT revenue)	1111.73	
Collection from 13.5% (Approx. 2/3 of VAT revenue)	2223.78	
1% estimated loss from 5% items		222.35
3.5% estimates loss from 13.5% items		576.54
Loss for shrinking of taxable base due to exclusion of central levies		
a) on 5% taxable items (assuming 8% central levies)		82.35
a) 13.5% taxable items (assuming 8% central levies)		164.72
Loss from CST abolition		533.25

Loss from subsuming of Entry Tax		364.14
Collection from tobacco & its products @ 20%	183.57	
10% estimated loss on tobacco & its products		91.79
Gross estimated loss of revenue without service tax		2035.13
Less: Estimated Service Tax realization		300.00
Net estimated loss of revenue after considering service tax		1735.13

6.11 Obviously, this loss will be much more in subsequent years if we take into account a minimum annual revenue growth of 20%.

6.12 The Hon'ble Union Finance Minister in his D.O. letter No. S.32011/113/2011-SO(ST) written to Hon'ble Chief Minister, Assam made it clear that the Center is committed to provide compensation to the States for losses of revenue resulting from introduction of GST. He said that an announcement to this effect has already been made on the floor of the Parliament and in the meeting of the Empowered Committee. It was also made clear that the exact compensation formulae and modalities for reimbursement will be worked out in consultation with the States.

6.13 The Empowered Committee of State Finance Minister vide its letter No.1376 dated 01/12/2010 circulated a discussion note on GST compensation guidelines which, inter alia, includes 100% compensation for five years.

(b) Loss of revenue on account of bringing petroleum products within the ambit of GST:

6.14 The Empowered Committee of State Finance Minister after a long threadbare deliberation in the various meetings in the last five years took the decision to keep petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel outside the purview of GST.

6.15 The First Discussion Paper circulated by the Empowered Committee on GST on 10th November, 2009 clearly mentioned that the basket of petroleum products would be kept outside GST. As a sequel, in the 115th Constitutional Bill, provision has been proposed by way of insertion of clause (12A) in Article 366 of the Constitution of India to keep petroleum products outside GST.

6.16 But in a sharp contrast to the above position, a Committee on GST Design, constituted by the Empowered Committee recommended that petroleum crude and petroleum products should be kept inside GST. In view of such recommendation of the Committee on GST Design, the Empowered Committee in its meeting held in Bhubaneswar on 28th and 29th January, 2013 took the decision to include petroleum products under GST.

6.17 The State of Assam has already strongly opposed such a move to bring these petroleum products within the ambit of GST. In this regard, Hon'ble Chief Minister of Assam has urged upon the Hon'ble Prime Minister, Government of India and the Chairman, Empowered Committee by writing DO letters requesting not to tamper with the existing provision of the Clause (12A) in Article 366 of the proposed 115th Constitutional Amendment Bill, which seeks these products outside the ambit of GST.

6.18 It may be mentioned that Assam collects about one-third of its total revenue from petroleum products. Besides, being a significant source of revenue, oil has always been emotive issue in Assam and the State has a history of agitation on this sensitive issue. Inclusion of petroleum products under GST regime will erode the taxing capacity of the State considerably & the State of Assam might suffer significant loss of revenue.

6.19 The revenue collections during 2012-13 from petroleum products under Assam VAT Act alone amounted to Rs.1761 crore (approx) and under CST Act it amounted to Rs.124 crore (approx) and under the Assam Entry Tax it was about Rs.210 crore. But in spite of such protest from Assam, the major oil producing State, the Empowered Committee recommended to the Hon'ble Union Finance Minister to bring an amendment in the 115th Constitutional Bill so as to include petroleum products under GST. The Parliamentary Standing Committee on Finance has already taken cognizance of the decision of the Empowered Committee to include petroleum products under GST.

6.20 In the wake of these recent developments, there appears strong possibility that petroleum products may be kept inside GST. It is apprehended that inclusion of petroleum products under GST regime will erode the taxing capacity of the State considerably and the State of Assam might suffer significant loss of revenue of about Rs.1069 crore on three counts:

6.21 Firstly, SGST paid on purchase of crude oil in Assam will be available for set off/rebate against tax payable on sales of finished petroleum products made by Refineries, which would result in lowering the tax collection of the State to the extent of Rs.513 crore based on provisional collection of revenue from crude during 2012-13; secondly, because of tax rate of State GST (assuming 10% SGST, which is not yet framed up) being lower than the rates prevailing under VAT on Petrol, Diesel, Aviation Turbine Fuel (ATF) and natural gas, which are currently taxed at 27.5%, 16.5%, 22% and 12% respectively, tax collection will be adversely hit by around Rs.555 crore based on provisional tax collections of 2012-13 from these items; and thirdly, SGST paid on petroleum products like diesel, natural gas etc. would be further rebatable when such items will be used as inputs, which will also impact revenue collection though difficult to estimate at this stage.

(b) Loss of revenue on account of bringing Alcoholic Liquor within the ambit of GST:

6.22 It merits to mention here that the “Alcoholic liquor” was proposed to be kept outside GST and accordingly it was included in clause (12A) of Article 366 of the 115th Constitutional Amendment Bill. Even according to the minutes of the meeting of the empowered Committee held at Bhubneswar, it was decided to keep Alcoholic liquor outside GST by retaining the same in clause (12A) of Article 366, as proposed in the Constitutional Amendment Bill relating to GST. But, the recommendation of the Hon’ble Parliamentary Standing Committee on Finance to delete clause (12A) would mean inclusion of Alcoholic liquor under GST and in that case the Centre will get the right to levy tax on Alcoholic liquor which they do not have under the present dispensation and the State’s power of taxing Alcoholic liquor would get further eroded since SGST rate may be around 10% under GST regime whereas the current rate of tax is 30% and considering the present collection of revenue from Alcoholic liquor, which is around Rs.350 crore, the revenue loss to the State would be to the extent of Rs.233 crore.

6.23 In a nutshell, the negative impact on State's revenue as a result of introduction of GST would be around Rs.3036 crore because of subsuming of various taxes, lower SGST rates compared to prevailing tax rates, inclusion of petroleum products & alcoholic liquor.

Compensation Mechanism:

6.24 In the meeting of the empowered committee of State Finance Ministers, the issue of GST compensation/guidelines were discussed several times. The committee recommended a well-defined automatic compensation mechanism, which would ensure that trajectories of revenues are maintained at least in the short run. Suitable amendments may accordingly be made in the Bill, providing for built-in permanent compensation mechanism with a view to addressing the legitimate revenue concerns of States. For this purpose, a GST Compensation Fund may be created under the administrative control of GST Council.

6.25 At this juncture, it may be mentioned that in regard to getting the CST compensation, Assam's experience with Centre has not been pleasant. Hence, before GST is implemented there must be an unambiguous commitment from Centre to compensate the States for loss emanating from introduction of GST and that too, for a definite time frame.

6.26 **The 14th Finance Commission is urged upon to recommend an unambiguous and well defined compensation mechanism for the revenue loss consequent upon introduction of GST regime on perpetual basis. This should be constitutionally mandated. Further, such compensation should also take into account the Compounded Annual Growth Rate (CAGR) over the current revenue collection.**

Revenue Neutral Rate (RNR):

6.27 The estimation of Revenue Neutral Rate for the States and the Centre is essential to determine the rate of tax on services during the GST regime. The estimate/anticipated loss of revenue on account of implementation of GST has been worked out on the assumption that the State GST rate would be around 10%. It is felt that if the GST rate is fixed somewhere near RNR, which is determined after taking into account all the factors like subsuming of taxes, lower SGST rates under GST regime, inclusion of petroleum products and alcoholic liquor under GST regime and similar other issues/aspects, the revenue loss of the State on introduction of GST would come down sharply and in that case the compensation to be paid by the Government of India to the State would be minimum. Hence, it is felt that as an alternative the GST rate can be based on RNR of the Central Government and the State Governments to avoid the possible loss of revenue to the States and it would mitigate the burden of Central Government to a great extent.

6.28 NIPFP has worked out RNR for all the States for the year 2009-10 based on the data supplied by the Empowered Committee as well as on the basis of the Finance Accounts data with Three Rate Structure as well as with Two Rate Structure. It is acknowledged that there is difficulty in arriving at the Revenue Neutral Rate for the States due to the issue of exempted services. However, NIPFP has relied on production data rather than consumption, which places serious limitations in its calculations.

6.29 It is observed that RNR with three rate structure (with CST rate at 2%) has been worked out at around 16% (against the national average of 13.70%). However, the RNR with three rate structure (without CST rate) has been worked out at 12% (against national average of 11%). Accordingly, to keep the RNR of the State at a reasonable level of 14% to 15%, CST rare at 2% has to be retained even after the GST is actually implemented.

6.30 Further, basic premise of RNR of the NIPFP report is that GST would be destination based consumption type tax to be implemented with a credit invoice method. However, there is neither agreement nor consensus on the GST design and hence working out RNR would amount to placing the cart before the horse. It may also be noted that a final decision has to be taken regarding subsumption of taxes on petroleum products and Alcoholic liquor within GST and any calculation of RNR without finality on these points would be of limited purpose to State like Assam.

6.31 The introduction of GST will remove multiple taxation, distribute tax burden between manufacturing and services equitably and create a transparent and corruption-free tax administration. It is also hoped that GST will result in a unified, single India market that would promote exports, enhance employment opportunities and boost economic growth. However, for successful introduction of GST, Government of India needs to address the critical issues highlighted by the States.

Impact of phasing out of Central Sales Tax (CST) :

6.32 All States implemented VAT following the commitment given by the Centre to compensate the States for loss resulting from introduction of VAT and eventual abolition of CST.

6.33 It may be recalled that post VAT, the rate of CST has been reduced from 4% to 2% in phased manner. This has resulted in the loss of revenue to the States. Accordingly, the Govt. of Assam submitted its claim for CST compensation from time to time. However, the amount of Central Sales Tax (CST) compensation received by Assam is very meagre compared to its actual claim, which is evident from the following Table:

Table-6.2
Claim for CST for Loss of VAT and Entry Tax

(Rs. in crore)

Year	Compensation claimed	Compensation released	Outstanding
2007-08	155.47	70.89	84.58
2008-09	286.76	200.74	86.02
2009-10	228.10	178.95	49.15
2010-11	270.35	34.99	235.36
2011-12	377.06	0.00	377.06
Total	1317.74	485.57	832.17

6.34 The reasons given by the Centre for deductions in CST compensations are : (a) notional additional revenue to the extent of Rs.175.51 crore that would have accrued to the State of Assam had the VAT rate been raised from 4% to 5%, (b) notional revenue of Rs.182.11 crore for abolition of “D” Form under CST Act.

6.35 All the States have in one voice raised objections to such unilateral deductions which were not part of compensation guidelines and therefore, the august body of the Empowered Committee of State Finance Ministers took up the issue of CST compensation with

Government of India. A Committee was formed by the Government of India to look into this aspect.

6.36 **The Committee on CST compensation recommended that:**

(a) for the year 2010-11, 100% compensation shall be paid as per August, 2008 guidelines.
(b) For the year 2011-12, CST compensation shall be restricted to 75% of the CST loss as per August, 2008 guidelines.
(c) For the year 2012-13, CST compensation shall be limited to 50% of the loss amount.

6.37 In the meeting of the Empowered Committee held on 28-29 January, 2013 at Bhubaneswar, after considering the recommendations of the Committee on CST compensation, the Empowered Committee took the following decisions:

(a) For the year 2010-11, CST compensation should be worked out as per 22nd August, 2008 guidelines and 100% payment of CST compensation to be made to the States immediately, preferably during the current financial itself or at the most by May, 2013.

(b) For the year 2011-12, the CST compensation should be worked out as per the 22nd August 2008 guidelines and payment of the 75% of the CST compensation amount so worked out be made during the year 2013-14 in instalments to the States. A schedule of payment should be clearly indicated by the Government of India so that the same could be taken into account by the States in their Budgets.

(c) For the year 2011-12, the CST compensation should be worked out as per 22nd August, 2008 guidelines and payment of 50% of the CST compensation so worked out should be made to the States, preferably during the 2013-14. A schedule of payment in this regard may also be indicated by the Government of India

(d) In case, GST is not implemented during the year 2013-14, then the position should be reviewed for payment of full CST compensation for the year 2013-14 and 2014-15. In case, due to financial constraint, the Government of India is not in a position to make full payment of CST compensation to the States then 2% CST rate should be increased to 4% to avoid further need of payment of CST compensation to the States in future.

(e) Only “GST Compensation” has been referred to the 14th Finance Commission and no mention has been made for the “CST Compensation”

(f) All unsettled CST compensation claims of the individual States of earlier years should be decided by the Government of India on case to case basis at the earliest.

(g) The issue pertaining to double deduction on account of abolition of ‘D’ Form should be resolved immediately.

6.38 It is felt that CST compensation for the years 2010-11 to 2012-13 should not be linked, in any manner, to the roll out of GST and the amount of CST compensation should be released by the Government of India as per above decision of the Empowered Committee. It is to be mentioned that till GST is introduced there will be continuous loss of CST revenue in addition to the losses already incurred by the State because of reduction of CST rate.

6.39 **The 14th Finance Commission is, therefore, requested to kindly consider the issue of CST compensation in financial devolution to the States in terms of the recommendations of the Empowered Committee with regard to CST compensation for losses of past years and also to have adequate financial provision for compensating the State for future CST loss till GST is introduced.**

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Chapter – 7

Debt Position and Debt Relief

Paragraph 2 of the Terms of Reference of the Fourteenth Finance Commission requires it to review the state of finances, deficit and debt levels of the Union and the States, keeping in view, in particular, the fiscal consolidation roadmap recommended by the Thirteenth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth including suggestions to amend the Fiscal Responsibility and Budget Management Acts currently in force and while doing so, the Commission may consider the effect of the receipts and expenditure in the form of grants for creation of capital assets on the deficits; and the Commission shall also consider and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility Budget Management Acts.

Debt Position

7.1 The standard criteria for determining the debt sustainability of the States has been to arrive at the acceptable level of the debt-GSDP ratio and the ratio of interest payment to total revenue receipts. Twelfth Finance Commission recommended 28% and 15% as the acceptable levels of debt-GSDP ratio and the ratio of interest payment to total revenue receipts respectively. The debt position of Assam has started improving considerably since 2006-07. The debt-GSDP ratio has come down from 30.83% in 2005-06 to 18.52% in 2012-13. Similarly, the ratio of interest payment to total revenue receipts has declined from 18.62% to 6.87% in 2012-13. The Table below summarizes the debt position of the State from 2005-06 to 2012-13.

Table-7.1
Debt-GSDP Ratio

(Rs. in crore)

Year	Market Loan	Institutional Loan	NSSF Loan	Central Loan	State Provident Fund	Yearend total outstanding debt	Debt-GSDP Ratio (%)
2005-06	6704.51	375.12	4602.21	2875.02	3265.39	17822.25	30.83
2006-07	7296.53	417.74	4688.26	2775.31	3614.78	18792.62	29.17
2007-08	7841.09	511.80	4679.66	2708.44	3932.74	19673.73	27.47
2008-09	9855.85	645.26	4697.03	2639.56	4322.97	22160.67	27.95
2009-10	11261.30	690.92	4721.82	2346.38	4812.52	23832.94	25.77
2010-11	11561.34	760.05	5582.28	2238.69	5352.93	25495.28	24.46
2011-12	10906.58	841.39	6057.14	2143.48	5987.91	25936.50	22.47
2012-13	10210.19	837.06	6700.39	2056.55	6788.36	26592.55	18.52

Table—7.2

Assam's per capita debt much lower than that of some major debt stressed States & All States Average

States	2000-01 (Per Capita debt (In Rs.)	2010-11 (Per Capita debt (In Rs.)
Kerala	8258	25,138
Gujrat	8471	23678
West Bengal	6849	21,130
Maharasthra	6991	20,519
Andhra Pradesh	5523	16,471
Tamil Nadu	5562	15,877
Assam	3785	8171
All States	5785	15,091

Table—7.3

Ratio of Interest Payment to Total Revenue Receipts

(Rs. in crore)

Year	Total Revenue Receipts	Interest Payment	Interest Payment to Revenue Receipts Ratio
2003-04	7765.10	1446.10	18.62%
2004-05	9937.27	1403.53	14.12%
2005-06	12045.39	1510.12	12.54%
2006-07	13666.95	1515.67	11.09%
2007-08	15324.93	1512.24	9.87%
2008-09	18077.04	1593.33	8.80%
2009-10	19884.49	1832.58	9.22%
2010-11	23004.94	1912.12	8.31%
2011-12	27455.40	2074.40	7.56%
2012-13	30672.98	2107.85	6.87%

7.2 The reduction of debt stock has been possible by Government of Assam because of the adoption of the Government of India's debt swap policy in 2002-03 and relentless effort to bring down the revenue and fiscal deficits , as envisaged in the Fiscal Reform Facility of 11th Finance Commission and FRBM Act, 2005 of 12th and 13th Finance Commissions.

Debt Swap Scheme:

7.3 Ministry of Finance under Government of India introduced Debt Swap Scheme for the years 2002-03 to 2004-05 for liquidation of high cost small savings loans and block loans, carrying interest rate of 13% and above. Under the scheme 20%, 30% and 40% of net small savings loans released by Government of India to the States for the years 2002-03, 2003-04 and 2004-05 and additional open market borrowings raised during these three years were utilized towards liquidation of high cost small savings loans and block loans of Government of India. Government of Assam participated in the Debt Swap Scheme of Government of India with effect from 2002-03 and availed the benefit of debt relief under the Scheme. Government of Assam swapped high cost loan of Rs.293.16 crore in 2002-03, Rs.815.90 crore in 2003-04 and Rs.576.42 crore in 2004-05 by availing low cost loan. The net interest relief of Rs.203.01 crore was enjoyed by the Government of Assam under the debt swap scheme.

Fiscal Reform Facility of 11th Finance Commission.

7.4 The Eleventh Finance Commission proposed a monitorable fiscal reform programme to be implemented over the period 2000-01 to 2004-05 to improve the fiscal position of States. As per recommendation of the Eleventh Finance Commission, a sum of Rs.159.44 crore was earmarked for Assam from the Incentive Fund over the period 2000-05. The quantum of funds to be released to a State was linked with the progress achieved by it in the implementation of Medium Term Fiscal Reform Plan (MTFRP). In particular, releases from the incentive fund was based on a single monitorable fiscal indicator, viz. achievement of a minimum reduction of 5% in the revenue deficit as a proportion to revenue receipts each year till 2004-05. In recognition of the problem of the Special Category State, Government of India subsequently reduced the target of achievement of 5% annual improvement in the ratio of revenue deficit to total revenue receipts to 2% for the last three years of Eleventh Finance Commission period for the Special Category States. The State Government achieved cumulative target of 16% improvement for reduction of revenue deficit to revenue receipt for the period 2000-05 and received full amount of Rs.159.44 crore from the Incentive Fund. The year-wise amount received under Part A & B of the Incentive Fund is indicated below.

Table-7.4
Fiscal Reform Facility under 11th FC

(Rs. in crore)

Year	Amount earmarked for Assam under Incentive Fund			Amount received	
	Part - A	Part - B	Total	Year	Amount
2000-01	16.60	16.32	32.72	2000-03	32.72
2001-02	0.00	28.02	28.02		0.00
2002-03	0.00	30.35	30.35		0.00
2003-04	0.00	33.95	33.95	2003-04	58.39
2004-05	0.00	34.40	34.40	2006-07	68.33
Total	**16.60**	**142.84**	**159.44**	**Total**	**159.44**

7.5 Although we appreciated the initiative taken by Government of India for correcting the fiscal imbalances of the States through MTFRPs, but we did not support the stipulation of withholding 15% of the non-plan revenue deficit grants of the States to finance Fiscal Reform Facility.

Debt Relief Facility of 12th Finance Commission :

7.6 The 12th Finance Commission introduced Debt Consolidation and Relief Facility (DCRF) in order to continue fiscal consolidation for maintaining fiscal stability.

7.7 Salient features of the DCRF recommended by 12th FC are as follows:

(i) Enactment of Fiscal Responsibility legislation, a pre-condition for availing debt relief.

(ii) The central loans under the Ministry of Finance to States contracted till 31.03.04 and outstanding on 31.03.05 to be consolidated and rescheduled for a fresh term of 20 years (resulting in repayment in 20 equal installments) at an interest rate of 7.5% w.e.f. the year of the fiscal responsibility legislation.

(iii) Repayments due from 2005-06 to 2009-10 recommended to be consolidated and to be eligible to write off to the extent of the absolute amount by which the revenue deficit is reduced in each successive year during the award period.

(iv) Central Government to allow States to approach the market directly.

(v) External assistance to be transferred to States on the same terms and conditions as attached to such assistance by external funding agencies with provision prescribed for the special category States.

(vi) All states to set up sinking funds for amortization of loans outside the consolidate fund and public account.

(vii) States to set up guarantee redemption fund.

Impact and implications of the operationalisation of DCRF is summarized below

7.8 Government of Assam enacted the Assam Fiscal Responsibility and Budget Management (FRBM) Act in May, 2005. This Act came into effect from 1st September, 2005. It was amended in September 2005 and again in August 2007. With these amendments, the Assam FRBM Act has provided for meeting all the conditions for claiming debt relief as provided by the Twelfth Finance Commission. The main objective of the AFRBM Act, 2005 was to eliminate revenue deficit and reduce fiscal deficit to 3% of GSDP within four years beginning from 2005-06 to 2008-09. Government of Assam not only eliminated revenue deficit and fiscal deficit in the beginning year of 2005-06 but also attained revenue surplus and fiscal surplus in 2005-06. This trend of revenue surplus and fiscal surplus continued up to 2008-09. For the enactment of AFRBM Act, 2005, Assam availed debt relief of Rs.692.35 crore over the five years from 2005-06 to 2009-10. Assam also received debt waiver @ Rs.105.41 crore during each year from 2005-06 to 2008-09 for achieving fiscal targets as per AFRBM Act, 2005.

7.9 In 2009-10, the fiscal scenario of the State deteriorated. The revenue surplus and fiscal surplus of the four years 2005-09 of 12th Finance Commission turned into negative. In 2009-10 there was global economic recession which affected the national as well as the State economy adversely. As a result, Government of India relaxed the limit of fiscal deficit-GSDP ratio for the year 2009-10. Government of India first raised the fiscal deficit limit from 3% to 3.5% of GSDP and then to 4% of GSDP as a part of stimulus package to facilitate more borrowings for increasing capital expenditure for recovery from economic recession. Accordingly, Government of Assam raised the fiscal deficit limit from 3% of GSDP to 3.5% of GSDP for the year 2009-10 by enacting the AFRBM (Amendment) Act, 2009. But the fiscal deficit of Assam stood at 4.37% of GSDP in 2009-10, which not only crossed the 3.5% of GSDP limit of AFRBM (Amendment) Act, 2009, but also crossed the 4% of GSDP limit fixed by the Government of India. This heavy downslide is largely accountable to the revision of pay and pension and global economic slowdown. As a result, Assam lost debt waiver of Rs.105.41 crore for 2009-10.

7.10 The DCRF of 12th Finance Commission excluded two categories of loans, viz. loans given to the States from NSSF and central loans given to State Governments for centrally sponsored schemes and central sector schemes through central ministries/departments other than Ministry of Finance. NSSF loans were excluded from the scope of debt relief on the grouds that NSSF is maintained in the public account of the Government of India. Similarly, central loans not administered by Ministry of Finance were excluded on the grounds that data for the same were not available.

Debt Relief under 13th Finance Commission :

7.11 Thirteenth Finance Commission recommended waiver of central loans outstanding as at the end of 2009-10, extended for centrally sponsored and central sector schemes to the States through the Central Ministries other than Ministry of Finance. The recommended waiver of loan amount for Assam is Rs.502 crore. But the Government of India has actually waived loan amount of Rs.306.02 crore for Assam in respect of centrally sponsored and central sector schemes only. This has left loan amount of Rs.195.28 crore yet to be written off. Government of India did not extend debt waiver scheme to other loans extended to Assam through the Central Ministries other than Ministry of Finance for non-plan schemes and NEC schemes. Central Ministry-wise loans outstanding at the end of 2009-10 left unwritten off are indicated below:

Table-7.5
Debt not Written off

Name of Ministry	Loan amount (Rs.in crore)
Ministry of Home Affairs	175.00
Ministry of Personnel, PG & Pension	2.00

Ministry of Agriculture	7.00
Ministry of Water Resources	8.00
Ministry of Commerce & Textile	1.15
Total	**193.15**

7.12 Further, 13th Finance Commission has recommended that interest rate of NSSF loans contracted by the States till 2006-07 and outstanding at the end of 2009-10 will be re-set at interest rate of 9 per cent per annum in place of 10.5 per cent or 9.5 per cent and the repayment schedule shall remain unchanged. A State will be considered eligible for debt relief measures recommended by 13th FC on NSSF loans from the date of respective FRBM Act is amended/enacted, incorporating each State's fiscal consolidation targets.

7.13 As the Government of Assam notified The Assam FRBM (Amendment) Act, 2011 in The Assam Gazette dated 05.09.2011, Assam has become eligible for NSSF interest relief from 5/9/2011. Interest relief due to each State on NSSF loans is examined by the Central Monitoring Committee and interest relief so recommended to eligible States is on provisional basis. Performance of all States will be re-assessed at the Revised Estimates stage so that adjustments, if any, may be made at the earliest.

7.14 The 13th Finance Commission has worked out a fiscal consolidation roadmap for each State to support States towards urgent fiscal correction, requiring States to eliminate revenue deficit, achieve fiscal deficit of 3% of their respective GSDP and reduce outstanding debt to GSDP within its award period. States are required to enact/amend their FRBM Acts to conform to the fiscal reform path.

7.15 As per recommendations of 13th Finance Commission, State Government amended the Assam FRBM Act in 2011. The Assam FRBM (Amendment) Act, 2011 has prescribed the following fiscal targets for the State Government.

(i) Eliminate revenue deficit by 2011-12 and maintain revenue balance or attain surplus thereafter.

(ii) Reduce fiscal deficit to 3% of GSDP by 2010-11 and maintain the same level thereafter.

(iii) Attain the total outstanding debt of the State Government to GSDP ratio at 28.2% in 2010-11, 28.3% in 2011-12, 28.4% in 2012-13, 28.4% in 2013-14 and 28.5% in 2014-15 and maintain the same level thereafter.

7.16 The States' enactment/amendment of their FRBM Acts, incorporating the fiscal targets set by the 13^{th} Finance Commission for each State will be a pre-condition for release of all State-specific grants and debt relief measures.

Government Guarantees:

7.17 State Government has long since been providing Government guarantees to various State PSUs and Cooperative Institutions for investment in different sectors of the economy against loans given by Banks and Financial Institutions. Since most of the borrowing PSUs failed to discharge guarantee liabilities in time due to their weak financial conditions and became defaulters, Banks and Financial Institutions started invoking the Government guarantees. To honour the Government guarantees invoked by the Banks and Financial Institutions, State Government had initiated a process of one time settlement with the Banks and the Financial Institutions and liquidated major amount of Government guaranteed debt on behalf of the defaulted PSUs and misguided youths. In this way, State Government was able to reduce the outstanding contingent liability arising out of Government guarantees. The Table below shows the position.

Table-7.6
Outstanding Government Guarantees

Year	**Outstanding Government guarantees at the end of the financial year (Rs. in crore)**	
	Principal	**Interest**
2005-06	1220.56	52.37
2006-07	863.49	40.92
2007-08	897.63	53.68
2008-09	735.42	60.45
2009-10	246.53	61.22
2010-11	186.26	60.79
2011-12	161.50	97.53
2012-13	71.83	42.35

Consolidated Sinking Fund and Guarantee Redemption Fund:

7.18 Government of Assam joined the Consolidated Sinking Fund (CSF), a scheme set up by the Reserve Bank of India to facilitate redemption of matured State Development Bonds, by constituting a CSF in 1999-2000. Government of Assam revised the scheme of CSF for redemption of all outstanding loans of the State Government commencing from 2007-08. Under the revised scheme, State Government is to contribute to the CSF on a modest scale of at least 0.5 percent of the outstanding liabilities as at the end of the previous year beginning with the financial year 2007-08. The Corpus comprising the periodic contributions as well as the interest accruing to the Fund has been kept outside the General Revenues of the Government. The Fund is administered by the Reserve Bank of India subject to such directions / instructions as the Government may issue from time to time. The year-wise contribution of the Government towards CSF is indicated below:

Table-7.7
Consolidated Sinking Fund

Year	**Amount (Rs. in Crore)**
1999-2000	15.32
2000-01	20.00
2001-02	60.00
2002-03	72.00
2003-04	96.00
2004-05	44.00
2005-06	144.00
2006-07	176.00
2007-08	204.00
2008-09	108.00
2009-10	108.00
2010-11	120.00
2011-12	133.00
2012-13	134.00
Total	**1434.32**

7.19 The total contribution of the Government towards CSF as on 31.03.2013 is Rs.1434.32 crore. State Government has not yet utilized the interest amount of CSF towards redemption of loans of the State Government.

7.20 To liquidate future contingent liabilities arising out of Government guarantees, State Government has constituted Guarantee Redemption Fund in 2012-13 vide Notification dated 15.03.2013. Government of Assam has made contribution of Rs.19.74 crore to Guarantee Redemption Fund in 2012-13.

7.21 The contribution towards Sinking Fund and Guarantee Redemption Fund has enabled the Government to meet its debt obligation services in the event of future financial crisis and also provided safeguard against shift of debt burden to the future generation.

7.22 We are all aware that slowdown in the Indian economy that began in 2009-10 has been continuing. This slowdown is all pervasive and almost all the sectors of economy have been affected. Slowdown in Central revenue collection will also adversely affect the Finance Commission mandated devolution to the States. Growth rate of tax collection of Assam has come down significantly. On the other hand, expenditure has increased manifold. This will adversely affect fiscal targets of our FRBM Act. The zero revenue deficit and 3 per cent fiscal deficit of GSDP of targets set in the FRBM Act as per award of the Thirteenth Finance Commission seem to be a difficult task to achieve during 2013-14.

7.23 We, therefore, request the Fourteenth Finance Commission to kindly consider our following suggestions:

(1) To relax the FRBM Act targets, raising the limit of revenue deficit limit to 3% of revenue receipts and fiscal deficit form 3 percent of GSDP to 5 per cent of GSDP and debt-GSDP ratio to 30% in order to facilitate more borrowings for increasing capital expenditure for development purpose.

(2) To write off all outstanding central loans provided by the Central ministries for non-plan schemes and NEC schemes, as the Government of Assam has defaulted in debt servicing of those loans since 1990-91 and 1991-92.

(3) Cost of NSSF loans is very high and we urge the Commission to reset all the outstanding NSSF loans at a common rate of interest of 7.25%. Rate of interest on future NSSF loans may either be kept at 7.25% or

the States may not be saddled with this and allow options to the States whether to borrow from this fund or not.

(4) The outstanding block loans of Ministry of Finance, Government of India may be consolidated and reset at 7.50% rate of interest.

Interest relief on NSSF loans provided by the 13th Finance Commission may be linked to actuals of Finance Account of A.G and not to Revised Estimate, which often exceeds the prescribed fiscal targets. Assam has been able to avail the incentive grant under the 11th Finance Commission and debt write-off against repayment of principal amount under the 12th Finance Commission not on the revised estimate but on the actuals.

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Chapter-8

Maintenance of Capital Assets and Completed Plan Schemes

Paragraph 6(vii) of the Terms of Reference mandated the Fourteenth Finance Commission to have regard while making its recommendations about "the expenditure on the non-salary component of maintenance and upkeep of capital assets and non-wage related maintenance expenditure on plan schemes to be completed by 31st March, 2015 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".

8.1 After implementation of the plan schemes by the implementing line departments various category of Assets are created which are to be maintained under Non-Plan Revenue Expenditure Account. These are mainly - viz. (i) buildings- both functional and residential, (ii) roads and bridges, (iii) irrigation projects- major, medium and minor and (iv) flood control projects. The physical infrastructure so created under the plan ultimately get transferred to the non-plan account on its completion or at the end of a particular plan period. Consequently, on the completion of a scheme, its maintenance and upkeep devolves on the non-plan account. Most often, due to budgetary constraints, the provision made under non-plan for maintenance of assets is woefully inadequate. Usually other pressing public needs always get priority over the needs for maintenance of assets resulting in poor delivery of services below the expected level. Undeniably, maintenance of assets is equally, if not more, important than its creation. Prolonged neglect in maintenance leads to deterioration of assets already created and its eventual ruin necessitating its replacement involving heavy capital cost. Again resource constraint stand in the way of mobilizing required funds for fresh investment. The poor state of maintenance of capital assets, created at considerable cost to the community, has evoked widespread concern in recent years which needs to be addressed in a time bound manner.

8.2 The 13th FC assessed the maintenance requirements of irrigation works, both major and minor, on a normative basis. For each State the norm-based estimates for 2009-10 have been compared with those of 2009-10 (BE), and the higher of the two has been adopted as the base year estimate. An annual growth rate of 5 per cent has been applied over the base year estimates so worked out to generate projected expenditure levels in the forecast period. Maintenance of roads and bridges has been projected for the base year as part of overall economic services i.e. expenditure in 2007-08 has been projected to grow on the basis of Trend Growth Rate (TGR) to arrive at 2009-10 estimates. The base year amount has been projected to grow 5% for general category States and 7% for special category States. However, the 13th Finance Commission did not make any assessment for maintenance expenditure for Buildings and Flood Control.

8.3 As a matter of fact, maintenance requirement worked out on the basis of budget estimates is detrimental particularly to the interest of the resource poor States. Due to perennial resource problem they are compelled to make budget provision much below the required level. Any projection based on such depressed level of expenditure will not be adequate to safeguard their interest. More importantly, the assumption of a meagre 5 percent annual rate of growth has made matter worse for them. In this context, the glaring mis-match between the maintenance fund provided/projected by the Finance Commissions and the actual expenditure incurred by the State is highlighted in the Table below:

Table-8.1
Fund Provided/Projected by Finance Commission for maintenance vis-à-vis actual expenditure

(Rs. in Crore)

Capital Assets		11th FC		12th FC		13th FC					
		2000 – 2005		2005-10		2010-11		2011-12		2012-13	
		Porj.	Act.	Proj.	Act.	Proj.	Act.	Proj.	Act.	Proj.	RE
1	Major / medium irrigation	47.98	118.35	220.75	948.92	411.17	360.15	431.73	367.27	475.31	516.38
2	Minor Irrigation	169.53	301.72	616.78							
3	Roads & Bridges	849.92	966.61	1661.10	1825.59	492.14	645.71	526.59	592.39	563.45	724.63
4	Buildings	330.78	416.30	627.04	742.65	Nil	162.34	Nil	240.34	Nil	301.83
5	Flood Control	nil	360.32	nil	522.05	Nil	360.15	Nil	367.28	Nil	224.93

8.4 It will appear from the above Table that the actual expenditure on maintenance during the period 2000 – 2013 against all types of assets had far exceeded the amount recommended by the preceding Finance Commissions. In regard to the award of 13th FC, actual position is available for the first three years only. The trend of actual expenditure on maintenance of all types of assets has been rising much above the level recommended by the Finance Commission. However, the final position in regard to 13th FC will emerge at the end of the five year period. It may be pointed out that the 13th Finance Commissions did not make any normative assessment or specific recommendations in respect of maintenance of assets created against Flood Control projects, and PWD (Buildings).

(A) Norms for Maintenance of various types of Irrigation Works:

8.5 In regard to maintenance of irrigation works, the potential created under different categories as on 31.03.2008, the norms for maintenance per hectare and the annual cost of maintenance are indicated in the following Table:

Table-8.2

	Type of Irrigation Projects	Potential created as on 31.03.2013 (in hectare)	Potential Utilised (in hectare)	Potential Unutilised (in hectare)	Rate Per Hectare (in Rs.)	Annual Cost (Rs. In crore)
A.	**Major & Medium Works**					
	Surface Flow & Surface Lift	254343	67675		1500	10.15
				186668	750	14.00
B.	**Minor Works**					
	Surface Flow & Surface Lift	364569				
	2. Minor Irrigation Schemes (Surface Lift)		90010		588	5.29
C	**Minor Ground Water Irrigation Schemes**		**61456**		588	3.61
	Total					**33.05**

8.6 The above norms include about 40% for regular wage component. The above norms have been continuing since Ninth Finance Commission and no revision of above norms have been made as yet and the norms have not been put to a subject of study / review recently.

8.7 Normally the beneficiaries are not directly responsible for maintaining the field channels of irrigation schemes except in schemes handed over to the Water Users' Associations with such responsibilities under a Memorandum of Understanding. However, the beneficiary farmers are liable to bear the cost of operation and maintenance of irrigation schemes by payment of water rates as per provisions contained in the Assam Irrigation Act, 1983 and the Assam Irrigation Rules, 1997.The State Government vide Notification No. IGN (W) 446/91/16 dated 18.06.1992 first imposed Irrigation Service Charges at different rates for different crops to be realized from the beneficiary cultivators. Thereafter, State Government re-fixed irrigation charges for realization from the beneficiaries vide Notification No.IGN (W) 286/89/332 dated 28.12.1993 and then last re-fixed the irrigation charges vide Notification No.IGN (W) 3/2000/Pt/28 dated 30.03.2000. The irrigation service charges realized since 2007-08 are given below:

Table-8.3

Year	Amount Realized *(In Rupees)*
2007-08	1,96,292
2008-09	2,01,497
2009-10	3,39,568
2010-11	4,75,873
2011-12	12,06,105
2012-13	6,25,814 (Provisional)

(B) Flood Control:

8.8 The prevailing norms for maintenance of flood embankments, drainage channels, river training and bank protection works are worked out on the basis of recommendation of the **"Report of Expert Committee of Maintenance of Different Type of Flood Protection and Drainage Works" held on December 1982 at Guwahati,** headed by Mr. P.L. Gumani, Member (floods), Central Water Commission & Chairman of the Expert Committee. The cost of maintenance is worked out by the State Government as per norms on the basis of height of embankment, age of embankment and discharge of the river. It is seen that amount received for maintenance of embankment (non-wage component) is too less in comparison to the amount calculated as per norms. For example, in 2012-13, the requirement of fund as per norms was Rs.140.94 crore, whereas the Water Resources Department received Rs.55.12 crore. Due to paucity of fund, proper maintenance of the flood control structures could not be taken up for years together resulting in frequent breaches of embankment.

8.9 Regarding wage component, norms are followed as per the "Manual for Maintenance of Embankment" of Government of Assam as per which patroller is required @1 no. per 6 Km of embankment of all categories (A. B. C, D) of river. Similarly, Muster Roll labour is required @1.5 nos. per Km for A-Category; @1.25 nos. per Km for B-Category; @1 no. per Km for C & D-Category rivers. Patroller-cum-casual labour for 4 months was allowed as per the manual which was 2 Nos. per Km for A-Category; 1.5 nos. Per Km for B-Category; 1 no. per Km for C-Category & ¾ no. per Km for D-Category rivers. But the above norms are not followed in Water Resources Department now as the Muster Roll labourer, Patrollers etc. have been banned by the Government of Assam w.e.f. 01/04/1993. Hence the Department is to depend fully on the regular field staff like Section Assistants & Khalasi and other 4th Grade Staff for maintenance of embankment. The norms have been in force since 1977 (on the basis of guidelines approved by the Central Flood Control Board in its 16th Meeting held in November 1977), which was later revised in 1982.

Table-8.4
Norms for maintenance of existing Flood Control Works (both non-wage and wage component):

		Non-Wages Component	Length in Km.	Rate as per norms Per Km. (Rs. in lakh)	Amount in lakh.
A		**Embankment**			
I	Discharge less than 10,000 Cumec				
	i	Year of construction less than 3 years			
	Height of Embankment upto 3.00 M		---	2.30	---
	Height above 3.00 M		17.97	3.26	58.64
	ii	Year of construction more than 3 years			
	Height upto 3.00 M		848.60	1.73	1465.93
	Height above 3.00 M		2420.25	2.30	5574.56
II	Discharge more than 10,000 Cumec.				
	i	Year of construction less than 3 years			
	Height of Embankment upto 3.00 M		---	3.22	---
	Height above 3.00 M		17.00	4.57	77.66
	ii	Year of construction more than 3 years			
	Height Embankment upto 3.00 M		---	2.42	---
	Height above 3.00 M		1170.00	3.22	3772.85
	TOTAL		**4473.82**		**10,950.00**
B	**Drainage channel**				
	a	Discharge upto 5 Cumec	136.90	0.35	47.78
	b	5 to 15 Cumec.	434.55	0.44	189.56

	c	Above 15 Cumec.	282.74	0.87	246.68
	TOTAL		**854.19**		**484.02**
C	**Protection and River Training Works**				
1	5% of capital cost for Permanent & Heavy protection less than 3 years				180.00
2	3% of capital cost for subsequent years				1085.00
3	10% of capital cost for Temporary and light protection				1395.00
	Total				**2660.00**
	Grand Total for Non-Wage Component (A+B+C)				**14093.66**

Say Rs.140.94 crore

8.10 The need for adequate maintenance has been stressed from time to time by several High Level Committees / Commissions including Rashtriya Bund Ayog. The Water Resources Department in 1983 adopted the recommendation of "Expert Committee on Norm for maintenance of different types of embankment, protection works and drainage works" for maintenance of flood management structures. Above norms were adopted after reviewing the norms for maintenance during departmental Flood Drill Meeting on 24th June, 2002.

(C) BUILDINGS:

8.11 As per APWD SOR 2013-14, the following norms are followed for maintenance of buildings. However, the rates are subject to revision as the price of essential construction materials are in increasing trend over the years. This norm also includes essential repairs and renovation works in isolated cases.

Table-8.5
Maintenance Norms for Buildings in terms of Plinth Area

(Rate in Rs. Per Sq. m.)

Types of Building	Plinth Area Cum for RCC and Sqm for Assam Type	Rate for Civil Works, per Cum/Sq M Sanitary & Water Supply Works	Rate for Electrical Works	Total	Annual cost (Rs. in crore)
A. Non-Residential					
(i) Assam Type					
(a) Plains	**2730513**	**354**	**46.5**	**400.5**	**109.36**
(a) **Hills**	**341312**	**424.8**	**55.8**	**480.6**	**16.4**
(ii) RCC					
(a) Plains	**6258535**	**100.5**	**13.5**	**114**	**71.35**
(b) **Hills**	**782316**	**120.6**	**16.2**	**136.8**	**10.7**
Total-A					
B. Residential					

(i) Assam Type					
(a) Plains	**481485**	**236**	**31**	**267**	**12.87**
(b) Hills	**60230**	**283.2**	**37.2**	**320.4**	**1.93**
(ii) RCC					
(a) Plains	**1104445**	**67**	**9**	**76**	**8.39**
(b)Hills	**138055**	**80.4**	**10.8**	**91.2**	**1.26**
Total-B					24.45
Grand Total (A+B)					**232.26**

N.B. :- For proper maintenance of important buildings such as Hospitals, Dispensaries, Schools, Court Buildings, residences of High Court Judges, Rajbhavans and jails etc., where standard of maintenance is high, 50% additional maintenance cost over the above mentioned rates are to be taken.

(D) ROADS:

8.12 The norms accepted by the Ministry of Road Transport and Highways vide the "Report of the Committee of Norms for Maintenance of Roads in India" has been adopted. Under the recommendations, specific rates of annual cost of maintenance per km of roads are considered separately for different terrains, different road class and different traffic volumes.

8.13 The procedure of updating the maintenance norms is prescribed in the form of a mathematical model in the above-mentioned publication itself as under:

$$\{ F\,L\,(I1 - I0) / I0 + Fm\,(W1 - W0)/ W0 + F\,F\,(f1 - f0) / f0\} * 100$$

Where

F L = labour component

Fm = Material component

F F = Machinery component

I1 = Average annual consumer price index for the year under consideration

W1 = Average annual wholesale price index for the year under consideration

f1 = Average annual fuel price index for the year under consideration

I0 = Average annual consumer price index for 1999-2000

W0 = Average annual wholesale price index 1999-2000

f0 = Average annual fuel price index 1999-2000

Study/ review of the norms:

8.14 The above mentioned norms have been discussed with experts of the country on several occasions and no significant changes have been suggested so far.

Table-8.6

Summary of maintenance requirement for Roads and Bridges under PWRD

Road	Terrain	Surface	Lane width	Unit	Qnty	Unit cost (Rs. In Lakh)	Cost (Rs. In Lakh)
SH	Hills	Earthen	SL	Km	136	0.65	87.99
SH	Hills	BT	SL	Km	599	8.63	5168.63
SH	Hills	BT	DL	Km	20	10.50	210.04
SH	Plains	Earthen	SL	Km	159	0.65	102.87
SH	Plains	BT	SL	Km	1427	4.70	6706.61
SH	Plains	BT	DL	Km	793	5.79	4592.04
MDR+RR+UR	Hills	Earthen	SL	Km	3786	0.52	1980.33
MDR+RR+UR	Hills	BT	SL	Km	1284	4.76	6114.65
MDR+RR+UR	Plains	Earthen	SL	Km	18719	0.34	6354.48
MDR+RR+UR	Plains	BT	SL	Km	18014	2.12	38272.35
MDR+RR+UR	Plains	BT	DL	Km	563	3.03	1704.53
SPT Bridge				No	3250	3.00	9750
					Total		**81044.54**

Wage & Non wage break up:

20% of the amount so calculated is considered as wage component and the rest 80% as non-wage component. There is no direct beneficiary of the roads.

Maintenance of PMGSY roads and State Highways

8.15 The roads completed under PMGSY are under routine maintenance contract with the contractor of the PMGSY project up to a period of 5(five) years from completion of the work. After expiry of this routine maintenance period, periodic renewal is undertaken under the maintenance schemes.

8.16 All the other categories of roads including State Highways are maintained under an annual maintenance plan. One part of the maintenance budget allocation is earmarked for the roads divisions normally in the proportion of the road lengths under the divisions. Specific amounts are earmarked for emergent nature of repair works, periodic renewal of PMGSY roads, Election urgent repair works, etc. The roads or road sections are prioritized based on the importance, traffic volume, time since construction or last renewal, road condition, etc. Recently, the Performance based Maintenance contract has been introduced in 5 (five) districts.

8.17 The Government servants residing in the allotted Government residential buildings are liable to pay rent to the Government as per admissible rule during their service period. But in case of roads, the beneficiaries are not liable to pay user charges for maintenance of roads.

8.18 **The picture reflected above in connection with maintenance of capital Assets clearly reveals that the assessments as well as the recommendations made by the successive Finance Commissions have been quite insignificant in terms of the actual expenditure incurred by the State Government against the sectors. In view of above, the 14th Finance Commission is urged upon to make a realistic assessment of maintenance expenditure against the sectors of PWD (Roads), PWD (Building), Flood Control, Irrigation and Public Health Engineering and recommend maintenance grant accordingly against these sectors.**

Maintenance of Completed Plan Schemes

8.19 With a view to increasing the development content in plan schemes, the States are expected to transfer the committed liabilities of completed plan schemes to non-plan on the completion of a five year plan period. The Eleventh Finance Commission did not recommend any committed liability grant in case of Special Category States. However, the 12th FC recommended transfer of 30 per cent of the plan revenue expenditure of the last year of the Tenth Five Year Plan to non-plan side in 2007-08. But in case of Special Category States the recommended transfer to non-plan side was 10 per cent of the plan revenue component. The lower percentage transfer was recommended for the Special Category States on the assumption that the Planning Commission allows them to divert 20 per cent of Central Plan

Assistance for meeting non-plan expenditure. Further, in order to determine the plan revenue component in 2006-07, the 12th FC applied 5 per cent annual growth rate in the plan revenue expenditure.

8.20 In this context, it may be mentioned that during the last five year plan periods beginning from 12th Plan, Assam did not take recourse to diversion of Central Plan Assistance for meeting non-plan expenditure. In order to ensure that more plan funds are available for taking up more developmental works and to reduce plan salary component, Government of Assam transferred about 90,000 State plan posts involving a hefty sum of Rs.850 crore from plan to non-plan revenue account, even though the 11th FC did not recommend any committed liability grant to Assam. Moreover, the annual rate of growth in plan revenue expenditure is far above 5 per cent as assumed by the 12th FC and 13th FC. Hence, on both these counts Assam stand to loose a substantial amount. **It is requested that the Fourteenth Finance Commission would remove this anomalous situation.**

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Chapter-9

Disaster Management

Para 9 of the Terms of Reference requires the 14th Finance Commission to review the present arrangements as regards financing of Disaster Management with reference to the funds constituted under the Disaster Management Act 2005 (53 of 2005) and make appropriate recommendation.

9.1 Assam is one of the most disaster prone States in India. The State is affected by almost every type of natural disaster taking heavy toll of life and causing enormous damages to dwelling houses and other basic infrastructures. The climate change and its effect has further compounded the problems of natural disaster. Assam is perennially plagued by the phenomenon of recurrent floods and river bank erosion. While flood in Assam is a major problem, river bank erosion has also posed serious problems. The extent of this problem can be gauzed from the fact that in 1910s, the river Brahmaputra had an average of width of 6 Km., while now the average width is about 9 Km.

9.2 It is this erosion that is systematically destroying the old system of embankments, which initially provided relief from annual floods. However, as per SDRF guidelines, 'erosion' has not been included as a natural calamity, due to which the families affected by river erosion have been deprived from getting rehabilitation grant under SDRF. **Taking into consideration the seriousness of the problem of 'erosion' as mentioned above, the 14th Finance Commission is requested to recommend inclusion of 'erosion' as a natural calamity under SDRF and also provide Rs.1000 crore for rehabilitation of the river erosion affected families in Assam.**

9.3 Further, Assam being in the monsoon region, frequent lightening occurs during the rainy season causing death and injury to human lives and cattle. However, as 'lightening' is not included as a natural calamity under SDRF guidelines, therefore, the families of the deceased persons and the persons injured due to lightening are also deprived of financial assistance under SDRF norms. As such, the 14th Finance Commission should also recommend inclusion of lightening as a natural calamity under SDRF.

Enhancement of the percentage of expenditure on equipments

9.4 At present, the existing quantum of expenditure permitted on the purchase of equipments from the allocation of the State under SDRF is 5%. This needs to be enhanced in order to enable the State Government to be adequately prepared to undertake relief and rescue operations during catastrophic disasters.

9.5 Successive Finance Commissions have been seized with the issue of financing disaster management by the States. The 2nd Finance Commission innovated the concept of Margin Money as a separate fund for meeting expenses on natural calamities. This system continued till 8th Finance Commission.

9.6 The 9th Finance Commission (1990-95) constituted the Calamity Relief Fund (CRF) to be contributed by the Central Government and the State Government on 75:25 basis as non-plan grant. The quantum of fund to be allocated to the States was determined with reference to the actual expenses on relief incurred during the previous decade. The 10th Finance Commission retained the CRF scheme with minor modifications. The 10th Finance Commission constituted also the National Fund for Calamity Relief (NFCR) to deal with catastrophic disasters, which was substituted by National Calamity Contingency Fund (NCCF) by the 11th Finance Commission. Subsequently, the NCCF has been substituted by the National Disaster Response Fund (NDRF) and the Calamity Relief Fund has been substituted by the State Disaster Response Fund (SDRF) by the 13th Finance Commission.

Paradigm Shift in Disaster Management

9.7 The Disaster Management Act, 2005 has ushered in a complete shift in disaster management in India. Not only has disaster been defined to include all calamities, natural and manmade, the scope of disaster management itself has changed from disaster relief to holistic management of disasters which includes prevention, mitigation, preparedness and reconstruction. The Act has also created Disaster Management Authorities at national, state and district levels defining their specific responsibilities and further laid down the principles for administration of the National Disaster Response Fund and State Response Fund and also creation of Disaster Mitigation Fund, at all these three levels.

9.8 Keeping these changes in view, the 14th Finance Commission may specifically review the present arrangements as regards financing of Disaster Management with reference to National Disaster Response Fund and the State Disaster Response Fund and the other funds envisaged in the Disaster Management Act, 2005 and make appropriate recommendations thereon. As mentioned earlier, Assam suffers from both natural and manmade calamities. Though occurrence of floods is a recurrent problem in Assam, the floods were of high magnitude in particular years such as 1998, 2004, 2008 and 2012, causing massive devastation in the State. Therefore, adequate attention is to be paid to the holistic management of such disasters i.e. prevention, mitigation, preparedness and reconstruction, for which sufficient funds should be earmarked to enable the State Government to undertake the entire gamut of activities required for disaster management in the wake of occurrence of natural calamities of high magnitude as mentioned above.

Manmade Calamities

9.9 Under the existing system, for manmade calamities like extremist violence, State Government, out of its own resources, provides funds for relief and rehabilitation of affected people. The allocation for this purpose in the last 5 years is given in the Table below :

Table-9.1

Financial Year	Budget Allocation (Rs in crore)
2009-10	40.02
2010-11	42.02
2011-12	42.45
2012-13	50.87
2013-14	55.03

9.10 Budget allocation for this purpose will have to be suitably augmented by the 14th Finance Commission to meet, in particular, the requirement of prevention and mitigation of manmade calamities.

9.11 In this connection, mention may be made that over one lakh people rendered homeless in the ethnic violences in 1993, 1996 and 1998 in erstwhile Kokrajhar District are yet to be rehabilitated. They are being provided gratuitous relief and other amenities for more than last ten years. In 2012 there was also ethnic violence, which rendered more than one lakh people homeless. A huge amount of money will be required to provide land, homestead and employment opportunities to these people. 14th Finance Commission may consider such problems occurring frequently in the State while considering the award for disaster management of manmade calamities.

Natural Calamities

9.12 For dealing with the requirement of relief and rehabilitation arising from natural calamities, recourse is taken to the Calamity Relief Fund/State Disaster Response Fund. The allocation to this Fund in the last five years is given below :

Table-9.2

Year	Budget Allocation (Rs. in crore)
2009-10	217.07
2010-11	263.77
2011-12	276.96
2012-13	290.81
2013-14	305.35

9.13 Needless to say, the funds provided under CRF/SDRF have been extremely inadequate to meet the requirements for reconstruction and restoration of damaged infrastructures after the natural calamities, particularly floods. The relief and rehabilitation provided to the affected people have also been at a very low scale as per SDRF guidelines. Further, the provision for prevention, mitigation, preparedness and reconstruction after natural calamities is very inadequate. Therefore, there is need for substantial increase in the provision of fund for the purposes mentioned above.

Disaster Mitigation Fund

9.14 The Disaster Management Act, 2005 provides for constitution of a Disaster Mitigation Fund at national, State and district levels.

9.15 In spite of the fact that the 13th Finance Commission had recommended creation of the State Disaster Mitigation Fund, no decision in this regard has been taken so far by the Government of India. Assam State Disaster Management Authority (ASDMA) has undertaken a couple of technical studies in collaboration with knowledge institutes which have suggested mitigation works like:

- Status Survey of School and Hospital Buildings of Guwahati City and Retrofitting Solutions : The retrofitting works as well as non-structural mitigation works suggested in the report could not be implemented instantly due to non-availability of funds.
- Non-Destructive Test in Government Lifeline Buildings: According to the project findings, to retrofit those buildings, concerned Government Departments do not have fund allocation and couldn't take mitigation works as suggested.

9.16 Regarding mitigation works, based on the study outcome as in the above studies, ASDMA couldn't carry forward the implementation part due to fund constraint. Thus the **14^{th} Finance Commission may recommend the creation of the State Disaster Mitigation Fund to enable the State Government to undertake mitigation works. It has to be created for making the State Disaster resilient**. For this purpose at least Rs.1000 crore per annum will be required in the State Disaster Mitigation Fund taking the total requirement during the award period of 14^{th} Finance Commission to Rs.5000 crore. This amount will be distributed to various District Disaster Mitigation Funds as per need.

State Disaster Response Fund

9.17 As per para-4 of the Notification No.RGR.386/2010/51 Dt. 27.7.2011, State Disaster Response Fund (SDRF) has been constituted in Assam. Consequent upon the creation of SDRF, funds under CRF have been transferred to SDRF account by the office of the Principal Accountant General, Assam. An amount of Rs.947.47 crore being closing balance of CRF as on 31/03/2010, was transferred to the new fund (SDRF). At present, departmental proposals are approved under SDRF norms.

9.18 The details of funds provided from the CRF, NCCF for funding the different kinds of assistance from 2007-08 are indicated in the Table below :

Table-9.3

(Rs. in crore)

Year	CRF			NCCF	Total	Amount Sanctioned
1	2	3	4	5	6	7
	Central share	State Share	Total		(4+5)	Total
2007-08	153.36	51.12	204.48		204.48	385.60
2008-09	157.97	49.53	207.50	300.00	507.50	367.74
2009-10	162.80	54.27	217.07		217.08	497.40
2010-11	237.39	26.38	263.77		263.77	127.84
2011-12	124.63	27.70	276.96		276.96	70.36
2012-13	455.00*	29.08	484.08		484.08	519.31

** This includes Rs.261.73 crore as Central share of 2012-13, Rs124.63 crore as 2nd instalment of 2011-12 and Rs.68.64 crore as advance payment of part of 1st instalment of 2013-14.*

9.19 The allocation of the State Disaster Response Fund should be enhanced from the present allocation of combined 90% Central share and 10% of State's share under the award of 13th Finance Commission to 100% fixed amount of Central share of Rs.600 crore per annum taking the total requirement during the award period of 14th Finance Commission to Rs.3000 crore, so that the State Government will be in a position to meet the requirement of fund to tackle relief and rehabilitation problems arising out of recurrent floods and other natural calamities.

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Chapter-10

Ecology & Environment Management

Paragraph 6 (x) of Terms of Reference requires the 14th Finance Commission to examine the need to manage ecology, environment & climate change consistent with sustainable development.

10.1 Global warming and climate change have posed new challenges to sustainable development, particularly in the less developed countries and more so in ecologically sensitive and less developed regions like Assam. It has now become necessary that we manage our ecology in the interest of long term sustainable development.

A. **Climate Change Mitigation Action Plan:**

10.2 With increasing evidences of climatic changes, the focus is fast shifting to practices that mitigate undesirable change in the most economical way. The best way of doing so is by expanding the carbon sink i.e. the forest cover. Forests in the country are known to be sequestering enough carbon to neutralize nearly all emissions arising from the automobile sector.

10.3 However, loss of forests cover or decrease in forests density contributes to build up of large scale emission. Therefore, maintaining forest cover density and area becomes the first priority/step in mitigating climatic changes. Expansion of forests cover is the second step to neutralize climatic changes effectively.

10.4 In so far as forestry sector is concerned, it can play a lead role in mitigation of climate change in the most economical way as compared to other possible strategies. The Green India Mission, one of the eight missions of the National Action Plan on Climate Change, aims at increasing the Carbon stock of forests by a two pronged strategy i.e. improving the density of existing forest cover (5 m. ha.) and expanding forests cover (5 m. ha.). The State Governments need to respond to these goals.

10.5 In Assam, there is a need to take up action in a big way both for forests cover density improvement and for expansion of forests cover. Taking a clue from the National Forestry Action Plan about 1.1 m. ha. area needs to be taken up in twenty years, at an annual target of 55,000 ha. comprising the following tasks:

(a) Quality improvement of moderately dense forests
(b) Quality improvement of open degraded forests
(c) New plantation works

10.6 The financial requirement at 1999 estimation is Rs.103 Crore annually. By adding 10% annual growth over that costs, this amount will now come to Rs.155 Crore.

10.7 The above mentioned targets have to be as an additional over the usual business. Therefore, the requirement for fund need to be met from a grant over and above the usual budget allocation. **With this view, the 14th Finance Commission may consider a grant to the tune of Rs. 775 Crore @ Rs. 155 Crore per annum for the purpose of implementation of State Action Plan for Mitigating Climate Change.**

B. **Biodiversity Conservation & Management to mitigate Climate Change**:

10.8 The predictions of climate through various studies/models indicate serious threats to the biodiversity. The immediate effects of these would be on the livelihoods of the section of society that depend on these biodiversity. It is therefore, imperative that commensurate efforts are made to not only protect the biodiversity against the adverse effects of climate change but also to build capacities of the local people for sustainable utilization of their natural resources.

10.9 The Assam State Biodiversity Board has been mandated to empower the local people and build their capacities for conservation, sustainable management of their biological resources and derive benefit from commercial use of these resources. The Assam Biodiversity Board was set up in the year 2008 and has been functioning in a limited manner with a grant to the tune of Rs.0.5 Crore per annum from the State Government. This is grossly inadequate for launching a field programme across the State.

10.10 It is proposed that the 14th Finance Commission may provide financial assistance for the following activities:

i) Capacity building and strengthening of Biodiversity Management Committee (100 BMCs per year) @ Rs.40,000 = 40.00 Lakh/yr X 5 years = Rs.2.00 Crore.

ii) Preparation of people's biodiversity Registers- 150 registers @ Rs.70,000 per PBR = Rs.1.05 Crore.

iii) Field Studies on status of threatened species and launch of conservation programmes @ Rs.0.75 Crore per year = 3.75 Crore.

iv) One time grant for construction of multi-purpose complex comprising a State Biodiversity Garden cum Interpretation Centre, Biodiversity Board office =Rs.10.00 Crore.

Total = Rs.16.80 Crore for 5 years (including one time grant)

C. **Research Education and Working Plan**:

10.11 The vast biodiversity resources, including flora and fauna which are found in the forested tracts of the State are yet to be fully documented, especially their role in regulation of climate, microclimate and carbon regulation (including sequestration and release of CO_2). The gamut of activities required to be undertaken include well coordinated research, setting up of communication networks, strengthening of resources mapping capabilities by deploying state of the art technologies equipped with air-borne thermal and visual band sensors, dedicated outreach and IEC programmes for the fringe population tribal areas and the population settled within the forest areas (including enhancement of their livelihoods and raising their standards of living, providing them modern amenities such as health care and education, access to clean drinking water, and nutrition). The research capabilities of the Department need to be augmented by setting up a dedicated State Forest Research Institute (SFRI) with a State specific mandate catering to biodiversity conservation, climate change and its mitigation. It has been recognized worldwide that forests are the mainstay of mitigation of climate change measures. The forest resources, in future, would be required for even regulating clean air, habitable temperatures, regulation of the water cycle, mitigation of impending disasters such as floods and drought. In absence of investments in forestry conservation at this stage, the mitigation of the harmful effects of dwindling forests are projected to be so huge that any Government in future would not be in a position to muster resources to combat the disastrous consequences. With a focus on the above activities in mind for the next 5 years, the following initiatives are proposed in the Table below as a matter of strategic planning and action for biodiversity conservation and climate change:

Table10.1

Sl. No.	Proposed Scheme under 14^{th} F.C.	Amount (Rs. In crore)	Remarks
1	New plantations @25000 ha per annum for 5 years for CO_2 regulation	6.00	
2	R&D for understanding, mitigation and sustainable development, Climate Change with local to global focus	1.00	
3	Setting up of State Forest research Institute	0.90	
4	IEC for climate change and mitigation etc.	0.10	
5	Enhancement of livelihoods and living standards of the forest dwelling population	0.85	
6	State of the art technologies for resource mapping and conservation etc.	1.00	
7	Communication and data networks including Wireless, Mobile, WAN etc.	0.50	
	Total	10.35	

The abstract of the total requirement of fund needed to manage ecology/environment & climate change consistent with sustainable development to this Department is as below:

A. Climate Change Mitigation Action Plan - Rs. 775.00 crore
B. Biodiversity Conservation & Management to mitigate Climate Change - Rs. 16.80 crore
C. Research Education and Working Plan - Rs. 10.35 crore

Total **Rs. 802.15 crore**

Constitution of One Ecological Region for North Eastern States :

10.12 Preservation of ecological and forest resources may be given high priority, particularly for the North Eastern States. For this purpose, the entire North East may be treated as one ecological region. Deforestation and hill cutting for development in the surrounding Hill States has caused severe siltation and raising of the river beds in Assam, causing severe floods and erosion, whose intensity has been increasing with every passing year. Generous provisions may be made for preservation of ecological and forest resources.

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Chapter- 11

Resources of Local Bodies

The terms of reference under paragraph 4(iii) of the Presidential Order dated 02.01.2013 mandated the Fourteenth Finance Commission to make recommendations as to 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 recommendations made by the Finance Commission of the State.

11.1 So long the Central Finance Commission (CFC) has been unable to adopt the findings of the State Finance Commission (SFC) as the basis of their recommendations. Among other considerations, this was mainly due to non-synchronization of the period of recommendations of the SFC and CFC and non-availability of the report of the SFC in time to the latter. This long felt impasse has now been somewhat removed by Government of Assam (GOA) by constituting the Fourth SFC of Assam. It has been constituted ahead of time, curtailing one fiscal year of the previous SFC, with a view to ensuring synchronicity with Fourteenth CFC. The Commission is expected to submit its report by 30th April, 2014. Hopefully, the Fourteenth Finance Commission will get the report of the SFC before finalizing its recommendations.

11.2 There are 27 districts in Assam of which 21 districts falling within the General Areas are within the ambit of the 73rd and 74th Constitutional Amendments. The remaining 6 districts constituting the Schedule VI areas are treated as excluded areas by virtue of Articles 243 M and 243 ZC. Notwithstanding the exclusion of these areas the earlier CFCs had earmarked sums on adhoc basis against local body grant to supplement the resources of similar local level representative bodies functioning in the excluded areas. Pending extension of the 73rd and 74th constitutional amendments to the Schedule VI areas, we urge that the Fourteenth Finance Commission would also make special dispensation for the local bodies in excluded areas.

11.3 Since the enactment of the 73rd and 74th Constitutional Amendments, four CFCs had recommended financial support to augment the Consolidated Fund of the State to supplement the resources of Panchayats and Municipalities in the State.

11.4 In this regard the Tenth CFC recommended Rs.133.36 crore for the PRIs in Assam during the period 1995-2000 at the rate of Rs.100 per capita of rural population as per 1991 census. The amount recommended for the Urban Local Bodies (ULB) during the same period was Rs.14.20 crore based on the inter-State ratio of slum population as per 1991 census. The grant recommended by them was applicable to the excluded areas also. The State Government intends to take up different schemes for development of small and medium towns and for rural housing specially for development of slums .However, fund constraints severely limited its capacity to take up such programmes. **14th Finance Commission may kindly consider such needs towards building an inclusive society and recommend funds in generous manner.**

11.5 The Eleventh CFC adopted the following criteria and weightage for inter se distribution among the States of the local body grant recommended by them.

Sl. No.	Criteria	Weightage (%)
1	Population	40
2	Area	10
3	Income Distance	20
4	Decentralization Work	20
5	Revenue Effort	10
	Total	100
Percentage Share of Assam		2.918

11.6 On the above basis, the grant recommended for PRIs in Assam during 2000-2005 amounted to Rs.233.45 crore. Out of which Rs.225.15 crore was for normal areas and Rs.8.30 crore for excluded areas. The share of ULBs amounted to Rs.21.54 crore consisting of Rs.20.63 crore for normal areas and Rs.0.91 crore for excluded areas.

11.7 The criteria and weightage adopted by the Twelfth CFC for inter se distribution of the recommended amount among the States was as follows:

Sl. No.	Criteria	Weightage (%)
1	Population	40
2	Area	10
3	Income Distance	20
4	Deprivation Index	10

5	Revenue Effort	20
	Total	100
Percentage Share of Assam		2.63

11.8 Based on the above criteria, the share of PRIs in Assam during the period 2005-10 worked out to Rs.526 crore and that of ULBs to Rs.55 crore. Unlike the Eleventh CFC, separate grant for normal and excluded areas was not indicated. It was left to the discretion of the respective States to distribute the amount among the local bodies of normal and excluded areas in a fair and just manner.

11.9 The Thirteenth CFC adopted different set of criteria and weightage for PRIs and ULBs as shown below:

Sl. No.	Criteria	Weightage (%)	
		Rural	Urban
1	Population	50	50
2	Area	10	10
3	SC/ST Population	10	-
4	Income Distance	10	20
5	Devolution Index	15	15
6	Grant Utilisation Index	5	5
	Total	100	100
Percentage Share of Assam		2.50	1.10
Composite Share		2.13	

11.10 Based on the above, the share of Assam during the period 2010-15 worked out to Rs.1577.40 crore for PRIs and Rs.253.60 crore for ULBs. That apart another sum of Rs.62 crore was recommended for special areas consisting of Rs.57.72 crore for PRIs and Rs.4.28 crore for ULBs. Again, the recommended amount is broken down into two parts - basic grant and performance grant. Release of performance grant is subject to fulfillment of nine conditions prescribed by the Commission. The Status of local body grant recommended by the CFCs and the amount released by Government of India (GOI) is summarized in Table- 11.1 below:

Table-11.1
Local Body Grant by CFC

(Rs. in Crore)

Finance Commission	**Period Cover**	**Award by CFC**			**Release by GOI**		
		PRI	ULB	Total	PRI	ULB	Total
Tenth	1995-2000	133.36	14.20	147.56	41.67	4.44	46.11
Eleventh	2000-2005	233.45	21.54	254.99	116.72	10.70	127.42

Twelfth	2005-2010	526.00	55.00	581.00	368.20	38.50	406.70
Thirteenth	2010-2015	1635.12	257.88	1893.00			
Year-wise allocation of release	2010-2011	153.71	24.09	177.80	151.91	23.80	175.71
	2011-2012	238.75	37.45	276.20	*278.10	*45.19	323.29
	2012-2013	349.39	54.91	404.30	102.94	16.23	119.17
	2013-2014	255.81	39.89	295.70	-	-	-

*Includes Rs.21.98 Crore for PRI and Rs.4.67 crore for ULB as diversion of performance grant from non-performing States

11.11 It will be seen from the foregoing paragraphs that the percentage share of Assam in the divisible pool of local body grant has been gradually declining from 2.918 percent in 11th FC to 2.63 percent in 12th and further to 2.13 percent in 13th FC. The more the weightage given to population or revenue effort, the scale is tilted against small States like Assam. We urge that the Fourteenth Finance Commission would revisit the criteria enunciated by the earlier CFCs and put added emphasis on variables like deprivation index, infrastructure index etc so that backward States with less population are benefited.

Status of Previous SFCs

11.12 During the post amendment period, Government of Assam had constituted five SFCs. The last one was constituted on 05.03.2013 with a view to ensuring synchronicity with Fourteenth Finance Commission. As a result, the tenure of the preceding SFC is curtailed by one year. The following Table - 11.2 summarises the position.

Table- 11.2

No of SFC	Date of Constitution	Date of Report submission	Date of ATR	Period Covered
First SFC	23.06.1995	29.02.1996	18.03.1996	1996-97 to 2000-01
Second SFC	18.04.2001	18.08.2003	07.02.2006	2001-02 to 2005-06
Third SFC	06.02.2006 Reconstituted 03.07.2006	Interim Report 31.03.2007 Final Report 27.03.2008	25.09.2009	2006-07 to 2007-08 2008-09 to 2010-11
Fourth SFC	23.04.2010	Interim Report 25.03.2011 Final Report 18.02.2012	13.07.2011 Not yet finalized	2011-2012 2012-13 to 2015-16
Fifth SFC	05.03.2013	Due on 30.04.2014		2015-16 to 2019-20

11.13 In the matter of tax devolution, the First SFC favoured continuation of the prevailing practice of sharing the proceeds of some selected taxes viz. Motor Vehicle Tax, Entertainment Tax and Land Revenue. However, they recommended increase in rate so that total devolution conforms to 2 percent of the gross proceeds of State taxes. This was supplemented by nominal amount of grant-in-aid.

11.14 The Second SFC augmented the quantum of devolution to 3.5 percent of the net proceeds of taxes and duties collected by the State Government and supplemented by compensatory grant-in-aid to ULBs in lieu of check gates operated by them, but abolished by Government of Assam.

11.15 The recommendations of the First and the Second SFC though accepted by Government of Assam remained largely unimplemented due to a number of reasons. In the first place, the basis for determination of gap of the resources of the local bodies could not be worked out due to absence of data. In case of ULBs the existing procedure of sharing the net proceeds of a few selected taxes continued as usual. Moreover, in times of extreme financial difficulty the ultimate responsibility devolved on Government of Assam to bail them out. In view of this, it was not considered necessary to make any further dispensation under the award of 1st and 2nd SFC.

11.16 The Third SFC submitted an interim report covering the first two years of its award period. There was no recommendation for the first year (2007-08) as it came to a close before the report was laid down. For the second year they recommended devolution of 10 percent of the net proceeds of State taxes amounting to Rs.363.77 crore supplemented by grant of Rs.81.24 crore. However, by the time the necessary formalities were completed the second fiscal year (2008-09) also came to a close. Eventually, first two years of Third SFC went by default.

11.17 In their final report for the remaining three years they recommended devolution at the rate of 25 percent of the net proceeds of State taxes amounting to Rs.2800.33 crore. This was supplemented by specific purpose grant of Rs.512.22 crore. Besides this, an additional devolution of Rs.258.26 crore was recommended for absorption of block staff with the APs and the DRDA staff with the ZPs.

11.18 The final report of the third SFC was accepted by Government of Assam without any modification and implementation began in right earnest from 2008-09. Against the recommended devolution, an amount of Rs.532.08 crore was released. However, much head way could not be made in respect of grant due to non-receipt of proposal from the concerned local bodies in time.

Only an amount of Rs.39.29 crore was released representing deferred liabilities of the PRIs and ULBs. As regards additional devolution the merger of DRDA with ZP and Block with AP did not take place hence it was not considered necessary to pass this amount on to the respective tier of PRIs. Apart from SFC award, separate allocations have been made annually in the State budget earmarking funds to PRI and ULBs on account of transferred subjects as per activity mapping. Such allocations have been made both under non-plan and State plan including State's share of Central plan. **The amount earmarked annually in the State budget is quite substantial and accounts for nearly 25 percent and 20 percent respectively of the non-plan and plan under revenue account of the State budget.**

11.19 The Fourth SFC also submitted an interim report for the fiscal 2011-12. They recommended 14 percent of the net proceeds of taxes excluding entertainment tax, entry tax and electricity duty collected by the State during that fiscal as devolution to PRIs and ULBs. This amounted to Rs.674.60 crore. Out of this, Rs.33.73 crore was set apart as incentive fund, Rs.334.28 crore as specific purpose grant for upgradation of physical infrastructure and improvement of service delivery. The remaining amount of Rs.306.59 crore was treated as untied devolution.

11.20 Apart from the incentive fund, all other recommendations of the interim report of the Fourth SFC have been accepted by Government of Assam and Action Taken Report (ATR) laid before the State Legislature on 13.07.2011. Against untied devolution, an amount of Rs.217.08 crore has been released during the year. Against grant, Rs.200.55 crore has been released.

11.21 In the final report covering the remaining four years the Fourth SFC recommended 15 percent of the net proceeds of State taxes excluding entertainment tax, entry tax and electricity duty as devolution to local bodies. The amount was arrived at Rs.4165.62 crore. Out of this amount, Rs.2173.62 crore was set apart for special purpose grant to PRIs and ULBs. The remaining amount of Rs.1992 crore treated as untied devolution was apportioned between PRIs and ULBs at the ratio of their respective population and density of population. On this basis rural and urban allocation was Rs.1448.50 crore and Rs.543.50 crore respectively. The year-wise break up the recommended amount is shown at Table-11.3 below.

Table-11.3
Devolution Recommended by Fourth SFC

(Rs. in Crore)

Year	Net State Taxes	Divisible Pool 15%	Tied Grant	Balance	Rural Part	Urban Part
2012-13	5896.48	884.47	549.98	334.49	243.23	91.26
2013-14	6545.09	981.76	540.41	441.35	320.93	120.42
2014-15	7265.05	1089.76	539.76	550.00	399.94	150.06
2015-16	8064.22	1209.63	543.47	666.16	484.40	181.76
Total	27770.84	4165.62	2173.62	1992.00	1448.50	543.50

11.22 In regard to inter se distribution of the rural part between the three tiers of PRIs, at the first instance the rural pool was allocated among different districts based on the weighted average of three indicators viz, population- 50 percent, geographical area- 25 percent and per capita district domestic product net of mining and quarrying- 25 percent.

11.23 At the second stage, the district-wise allocation is vertically apportioned among the three tiers at the ratio of 10:25:65 for ZP, AP and GP respectively.

11.24 In the final stage, the share of each AP and GP is determined on the basis of their respective population as per 2001 census.

11.25 In regard to the distribution of urban pool among Municipal Corporation, Municipal Boards and Town Committees, it was determined on the basis of a composite index having four variables viz, population- 50 percent, area- 25 percent, per capita tax collection- 12.5 percent and index of infrastructure- 12.5 percent. The infrastructure index consisted of three indicators viz length of surface road, length of pacca drains and number of street lights giving equal weight to each.

11.26 The terms of reference of the Fourth SFC mandated that it would recommend an appropriate staffing pattern for the employees of PRIs and ULBs along with corresponding revised scales of pay and allowances. Accordingly, the Commission submitted a Supplementary Report on 30.04.2012 on staffing pattern of PRIs and ULBs.

11.27 The Government of Assam has, in principle, accepted the major recommendations of the Fourth SFC contained in its final report. However, in respect of a few issues, those were referred to a Committee of Group of Ministers constituted by the State Cabinet as per decision of the Cabinet dated 19.09.2012. The concerned issues are provincialisation of services of local body employees, revised pay scales to the employees of ULBs, staffing pattern of PRIs and ULBs and above all recommendation of fund for excluded areas. As a result of such gross references, finalization of ATR on the final report of Fourth SFC has got delayed. After threadbare discussions Group of Ministers finalized their recommendations and Government of Assam vide Cabinet decision dated 04.09.2013 approved the following.

11.28 As of now, the services of panchayat employees only are provincialised. In this regard, the supplementary report of Fourth SFC recommended against provincialization. However, Government of Assam decided that provincialisation would continue in respect of panchayat employees and extended it further to cover the employees of ULBs including Gauhati Municipal Corporation (GMC). Henceforth, the salary expenditure of the proposed provincialised employees will be booked under the respective functional major head instead of the head of account “3604- Compensation and Assignment to Local Bodies”.

11.29 The Fourth SFC recommended extension of the benefit of revised scales of pay as per ROP Rules, 2010 to the employees of ULBs with effect from 01.04.2009. This recommendation has been accepted but with prospective effect from the date of issue of the notification.

11.30 The staffing pattern for PRIs as recommended by SFC has been accepted by the State Government in a Cabinet decision dated 28/10/2013.

11.31 The staffing pattern for ULBs and GMC has been accepted with slight modification.

11.32 More importantly, it has been decided to allot fund for Schedule VI areas and for this additional financial burden devolving on the State will be Rs.63.34 crore, Rs.66.48 crore and Rs.69.78 crore respectively for the fiscals 2013-14, 2014-15 and 2015-16.

11.33 As already stated, based on the interim report of Fourth SFC, Government of Assam has released Rs.217.08 crore as devolution and Rs.200.55 crore as specific grant for the fiscal 2011-12. The amount released during the fiscal 2012-13 was Rs.195.69 crore as devolution and Rs.62.13 crore as grant. Release of any further grant has been handicapped due to non-receipt of utilization certificate from the concerned bodies for the previous instalments released.

11.34 In this context, it may be noted that Fourth State Finance Commission in its final report recommended more than Rs.1300 crore for upgradation of physical infrastructure of PRIs. It included construction of office buildings for ZP, AP and GP, multipurpose hall for AP, staff quarters for AP and GP and also construction of markets, burial grounds etc at all level of PRIs. Similarly, for ULBs about Rs.800 crore was recommended for upgradation of physical infrastructure. Due to delay in finalization of ATR and other procedural matter this amount could not be passed on to the PRIs and ULBs. We urge the 14th FC to make specific recommendations for upgradation of physical infrastructure of PRIs involving Rs.1500 crore for five years and Rs.1000 crore for ULBs.

Resources of PRIs in General Areas

11.35 Following the 73rd Constitutional Amendment, Assam adopted a three tier Panchayati Raj system comprising Gaon Panchayat (GP) at the base level, Anchalik Panchayat (AP) at the Block level and Zilla Parishad (ZP) at the district level. There are 21 districts in the General Areas of Assam. Taking Kamrup and Kamrup (Metro) as a single entity, the total numbers of ZP is 20. The number of APs co-terminus with Block are 185. At the base level the total number of GPs are 2202. As per 2011 census, average number of village per GP is 12 and average population is 12000.

11.36 As per relevant provision of the Assam Panchayat Act, 1994 the number of elected representatives of PRIs at all level are 26,844. Election to these bodies has been held in 2013. The number of elected representatives tier-wise are shown in Table-11.4 below.

Table- 11.4

Elected Representatives of PRIs

Designation	ZP	AP	GP	Total
President	20	185	2202	2407
Vice-President	20	185	2202	2407
Member	380	1832	19818	22030
Total	**420**	**2202**	**24222**	**26844**

11.37 The main sources of revenue of PRIs are (i) tax and non-tax sources allocated to them under relevant Act, (ii) resource transfer in the shape of tax devolution and grant under the award of SFCs, (iii) grant-in-aid from GOI under the award of CFC and (iv) grant from different Ministries for implementation of various Centrally Sponsored Schemes relating to poverty alleviation programmes.

Tax and Non-Tax Revenue of PRI

11.38 The Assam Panchayat Act, 1994 vested taxation power simultaneously to all tiers of PRI. The taxation powers of GP, AP and ZP are listed under Section 25, 57 and 95 respectively of the said Act. However, the major items of taxes like tax on house and structure, trades etc supplemented by other fees, cess, duty, rates etc are vested with the GP. On the contrary, AP and ZP are given residual power to collect tolls and fees within their jurisdiction.

11.39 Though the Act and Rules framed thereunder stipulate the taxation domain of each tier of PRI, the relevant Bye-Laws laying down rates etc are still pending. This has left the functionaries of PRIs to have a non-commital approach in the matter of tax collection and dampen any enthusiasm they might have had in augmenting their internal revenue mobilization. More importantly, the GPs which are vested with wide powers of taxation are totally starved of manpower. As per existing staffing pattern a GP is manned by one Secretary and one Tax Collector assisted by one Grade IV. However, in most cases, the post of Tax Collector is lying vacant and in some cases even the Secretary is not there. In order to motivate the PRIs to become pro-active, the required administrative and logistical support need to be put in place forthwith.

11.40 Given the above ground reality, the internal revenue of PRIs accrue mainly from non-tax sources like hats, ferries and fisheries located within their respective jurisdiction. These are leased out annually by inviting scaled tender. Under the existing arrangement, hats, ferries and fisheries, annual sale value of which is upto Rs.1 lakh, are settled by the respective AP; while those exceeding Rs.1 lakh and upto Rs.3 lakh are settled by the ZP. The yield therefrom is apportioned between the ZP, AP and GP in the ratio of 20:40:40 respectively.

11.41 It is reported that the actual level of own revenue collection by the PRIs at all levels during 2011-12 was Rs.87.85 crore. Tier-wise, ZP collected Rs.22.27 crore, AP Rs.29.92 crore and GP Rs.35.67 crore. The reported overall collection during 2009-10 was barely Rs.21 crore and in 2010-11 it was about Rs.42 crore. Thus, it is evident that the trend growth rate of own revenue collection by the PRIs is not acceptable without moderation. Moreover, audited figure of collection is not available as Accountant General conducts only test audit at random. In the absence of audited figure we are constrained to adopt the reported actual of 2011-12 as the base. Having regard to the limited flexibility of local taxes, a modest annual growth of 5 percent is assumed over the base year level. On this basis projection is made for the forecast period 2015-2020.

Resource Transfer under Award of SFC and CFC

11.42 Besides their internal revenue, the next important source of revenue of the PRIs is transfer from the State Government under the award of SFC. There are two components in such transfer i.e., tax devolution which is untied and grant-in-aid tied to specific projects, works etc. On the contrary, transfer from Government of India under the award of CFC consists of grant only. These amounts are released to PRIs by the State Government for specific purposes. However, during the forecast period 2015-2020, transfer of funds to PRIs on account of SFC and CFC award is not assumed.

Grant under Centrally Sponsored Scheme

11.43 The PRIs receive substantial sum annually from the Union Ministries for performing agency function relating to various Centrally Sponsored Schemes (CSS) sponsored by them. These funds are not routed through

State budget. As such, authentic data of receipt and expenditure is not available. However, it is gathered from DRDA that during last four years from 2009-10 to 2012-13 a whopping sum of Rs.5848 crore has been released by GOI for various CSS like MGNREGA, BRGF, IAY, PMGSY etc. Ministry of Panchayati Raj rightly observed that this has led to an incongruous situation of PRIs having substantial funds to implement these CSS, on the other hand little by way of discretionary funds for adequately meeting their administrative costs. These funds are invested to create tangible assets like roads, buildings, dwelling units etc. The maintenance liability of the assets so created will eventually devolve on the PRIs. It would therefore be absolutely necessary to make adequate provision in the expenditure side for maintenance of these assets.

Non-Plan Revenue Expenditure of PRIs

11.44 By and large, the non-plan revenue expenditure of PRIs can be broadly categorized under (i) pay and allowances of provincialised panchayat employees, (ii) wages of casual employees, (iii) remuneration and sitting allowance of elected representatives, (iv) establishment expenditure and (v) maintenance expenditure.

Salary Expenditure

11.45 As per existing norm, the number of staff admissible to ZP, AP and GP is 29, 9 and 3 respectively. This norm seems to be inadequate compared to actual requirement. Based on this modest yardstick the total number of staff for 20 ZPs, 185 APs and 2202 GPs works out to 8691. Regrettably the staff in position now is only 3769 which are far below this inadequate norm. The total outgo on account of salary of the existing employees during 2011-12 was Rs.97 crore. This has been adopted as the base and an annual growth of 14 percent has been assumed for the purpose of projection during the forecast period of 2015-2020.

11.46 Apart from the statutory allocated functions, PRIs at all level are entrusted with growing agency functions relating to a number of CSS running into thousands of crores of rupees. Following the enactment of the National Food Security Act, 2013 the functional canvas of the PRIs, particularly of the GPs, will assume a new dimension. Against the national coverage of 75 percent rural population under the Act, in case of Assam 84.17 percent of rural population is expected to be covered. Therefore, as per 2011 census about 2.25 crore of rural population will be brought within the fold of the Act. The job of identification of beneficiary will devolve on the GPs. In rural sector, GPs will be in the forefront to get the schemes implemented. It is imperative therefore to augment the capacity of the PRIs particularly in regard to human resources.

11.47 Government of Assam is keenly aware of the problem and referred the matter to Fourth SFC, for a revised staffing pattern with corresponding scales of pay for the local government. Accordingly, SFC in its supplementary report placed in April, 2012 recommended an appropriate staffing pattern. The recommendation for staffing pattern is accepted in principle. The additional financial burden on this account is estimated at Rs.340 crore per annum and Rs.2247 crore for five year period for the PRIs alone. We urge the Fourteenth Finance Commission to take this liability into consideration.

Wages

11.48 Apart from salary, wages of casual employees constitute an important element of revenue expenditure of the PRIs. The annual outgo for payment of wages is about Rs.9.79 crore.

Remuneration and Sitting Allowance of Elected Representatives

11.49 The current level of expenditure on payment of remuneration to President, Vice-President and Members of ZP, AP and GP is Rs.13.42 crore. The rates of remuneration fixed more than a decade ago is abnormally low. Hence, the rates have been revised recently and the annual financial implication works out to Rs.67.10 crore. Similarly, the annual financial impact for payment of sitting allowance has been enhanced from Rs.1.58 crore to Rs.3.16 crore.

Establishment Expenditure

11.50 It includes all expenditure to keep the offices running like stationery and printing, furniture and fixtures, rents and rates, telephone, postage, travelling and daily allowance and other contingent expenditure. The actual of 2011-12 is adopted as the base and projected at an annual growth of 10 percent.

Maintenance Expenditure

11.51 In the matter of maintenance or for that matter of delivery of civic functions, the level of expenditure always depends on availability of fund left after meeting the obligatory expenditure. As noted earlier, during the last four years a substantial sum of about Rs.6000 crore has been invested under CSS which will create tangible assets like roads, buildings etc. Even at a modest scale of 5 percent, the annual maintenance requirement would be Rs.300 crore per year and Rs.1832 crore during the forecast period.

Net Budgetary Position of PRIs

11.52 Based on the foregoing analysis and assumptions the net budgetary position of PRIs is summarized in Table-11.5 below.

Table-11.5
Net Budgetary Position

(Rs. in Crore)

Particulars	2011-12 Act	2015-16 Est.	2016-17 Est.	2017-18 Est.	2018-19 Est.	2019-20 Est.	2015-20 Total
A. Revenue Recipt							
1. Own Tax Rev	6.02	7.32	7.68	8.07	8.47	8.89	40.43
2. Own Non-Tax Rev	81.83	99.46	104.44	109.66	115.14	120.90	549.60
Total- A	87.85	106.78	112.12	117.73	123.61	129.79	590.03
B. Rev Expenditure							
1. Salary	97.09	163.98	186.94	213.11	242.95	276.96	1083.94
2. Addl Salary for Revised staffing pattern	-	340.00	387.60	441.86	503.72	574.25	2247.43
3. Wages	9.79	9.79	9.79	9.79	9.79	9.79	48.95
4. Remuneration of Elected Rep.	13.42	67.10	67.10	67.10	67.10	67.10	335.50
5. Sitting Allowance	1.58	3.16	3.16	3.16	3.16	3.16	15.80
6. Establishment Expenditure	26.10	38.21	42.03	46.24	50.86	55.95	233.29
7. Maintenance	55.12	80.70	88.77	97.65	107.41	118.15	492.68
8. Maintenance of newly created assets	-	300.00	330.00	363.00	399.30	439.23	1831.53
Total- B	203.10	1002.94	1115.39	1241.91	1384.29	1544.59	6289.12
C. Revenue Gap (A –B)	115.25	896.16	1003.27	1124.18	1260.68	1414.80	5699.09

11.53 It will appear from the above Table that the revenue gap of PRIs during 2011-12 was Rs.115.25 crore which was met from tax devolution under the award of SFC. **The revenue gap of the PRIs during the period 2015-20 is estimated at Rs.5700 crore approximately. It is requested that the 14th FC could look into this aspect.**

Rural Water Supply under PRI

11.54 Public Health Engineering Department (PHE), Assam is the agency facilitating provision of drinking water supply to rural areas mostly covering the PRIs. Till now, PHE has created 5240 Piped Water Supply Schemes (PWSS) and about 3.23 lakh spot sources of drinking water in the General Areas. The annual cost of routine maintenance of each PWSS is Rs.1.60 lakh and that of spot sources is Rs.800. At this rate the annual cost of routine maintenance works out to Rs.109.68 crore. Besides, another amount of Rs.6.85 crore is required for maintenance of light and heavy vehicles and all types of buildings connected to water supply operation. **Thus, the total requirement is estimated at Rs.116.53 crore annually and Rs.582.65 crore for five year period.**

Rural Roads under PRI

11.55 The total length of rural road in Assam is 36,544 KM. That apart, another 6000 KM of rural roads are within the jurisdiction of PRIs. These are mostly gravel roads. Taking the annual cost of routine maintenance of gravel road with concrete materials at Rs.25 lakh per KM, **the requirement of fund per year is Rs.300 crore and Rs.1500 crore for five year period.**

PRIs in Sixth Schedule Areas

11.56 Schedule VI areas of Assam consist of 6 districts, 4 within BTC apart from 2 hill districts of Karbi-Anglong and Dima Hasao. The total area under Schedule VI is about 24,000 Sq. KM representing roughly 31 percent of the total area of the State. As per 2011 census, the total population is about 43.34 lakh constituting about 14 percent of State's total population.

11.57 Among the 6 districts of Sixth Schedule areas, panchayati raj system never existed in two autonomous hill districts of Karbi-Anglong and Dima Hasao. In the remaining 4 districts of Kokrajhar, Udalguri, Chirang and Baksa falling under BTAD, panchayati raj system was prevalent before the creation of BTC. However, with the creation of BTC, these bodies gradually became defunct. The 73rd Amendment treated them as excluded areas, hence they were totally deprived of the benefit of SFC award. Notwithstanding the exclusion factor, some amount of CFC grant was earmarked for them.

11.58 During the post amendment period the Autonomous Councils felt the necessity of having some grass root level institutional arrangements. Accordingly, 415 VCDC in BTC and 26 VDC in Karbi-Anglong was constituted. Dima Hasao district is also contemplating to constitute village council, VCDC and VDC is analogous to GP in normal areas. Thus with the constitution of these bodies, the excluded areas are having a single tier panchayati raj system. In fact, all the Autonomous Councils have expressed their willingness to the extension of 73rd amendment to the excluded areas.

11.59 Although Village Councils have been constituted in the excluded areas, they are not provided with supporting staff or even office accommodation. At the first instance, office accommodation may be arranged for the village councils. Assuming that another 20 Village Councils are set up in Dima Hasao, the total financial involvement may be of the order of Rs.115.25 crore at the rate of Rs.25 lakh per office building. Further, a Committee of the Group of Ministers appointed by the Cabinet favoured the inclusion of these areas within the ambit of SFC award. They also recommended a grant of Rs.56 crore during 2015-16 to the PRIs of excluded areas. On this basis, Rs.300 crore at the rate of Rs.60 crore per year may be provided as grant to the PRIs during 2015-20. **We urge that 14th F.C. would consider a grant of Rs.415.25 crore for the excluded areas.**

Rural Water Supply

11.60 PHE has created 1246 PWSS and about 57,000 spot sources of drinking water in Assam covering the PRIs including 6th Schedule area. The annual cost of routine maintenance of each PWSS is Rs.1.16 lakh and Rs.800 per spot source. At this rate the annual cost of routine maintenance is Rs.24.50 crore. Another amount of Rs.2.06 crore is required for maintenance of vehicles and buildings. **Thus, the total requirement is Rs.26.55 crore annually and Rs.132.75 crore for a period of 5 years.**

ULBs in General Areas

11.61 In terms of the provision of the Constitution laid down under Article 243Q there are three categories of ULBs in Assam. These are:

1. Town Committee (TC) for a transitional or emerging urban area
2. Municipal Board (MB) for a comparatively smaller urban area and
3. Municipal Corporation (MC) for a large urban area.

11.62 At present there are 93 ULBs in Assam consisting of one Municipal Corporation i.e. Gauhati Municipal Corporation (GMC), 34 MBs and 58 TCs. Out of this, 74 ULBs consisting of 1 MC, 33 MBs and 41 TCs are within the General Areas. The remaining 18, 1 MB and 17 TCs fall within the jurisdiction of Schedule VI areas. These are all elected bodies and last election was held in August 2009. In case of GMC last election was held in 2013.

11.63 The total urban area of the State is about 962 Sq Km which accounts for nearly 1.23 per cent of State's total area. The total urban population of the State is 43.88 Lakh which constitutes about 14 per cent of total population. In the last decade it was 12.9 per cent. The decadal growth of urban population during 2001-2011 is 27.61 percent. The phenomenal growth of urban population imposes heavy burden on ULBs to put in place effective delivery systems to the satisfaction of the citizen. That apart, a large number of floating population enter the city and towns every day and make use of the municipal services making it difficult for the authorities to comply effectively. The role of municipalities have been growing at a much faster pace and this should be kept in view while determining their fiscal needs.

Resources of ULBs

11.64 For a realistic assessment of municipal finances, the MBs and TCs can be grouped under a single category as their duties and responsibilities and sources of revenue are similar. Moreover, they are governed by the provisions of the same Act i.e., The Assam Municipal Act, 1956 as amended. They are also under the administrative control of the same department i.e. Urban Development. The only difference between a MB and TC is in the number of wards. For MB it is 10 to 30 and for TC 4 to 10.

11.65 In the second category of ULB is the municipal corporation. There is only one municipal corporation i.e., Gauhati Municipal Corporation (GMC). The GMC is governed by the provisions of the Gauhati Municipal Corporation Act, 1971 and it is under the administrative control of the Guwahati Development Department (GDD).

Tax Revenue

11.66 The ULBs including GMC are empowered by the provisions of the relevant Acts to levy and collect taxes, duties, tolls and fees, or any of them, within their respective jurisdiction. Property tax indeed is a major source of tax revenue of the ULBs including GMC.

Property Tax

11.67 Property tax is the most potent source of revenue of the ULBs. It is an integrated system of taxation because many other levies are collected along with property tax. There are four components of property tax viz, (i) general property tax, (ii) water tax, (iii) scavenging tax and (iv) lighting tax. That apart, Urban Immovable Property tax which was assigned to the ULBs long back by the Government of Assam is also collected along with property tax.

11.68 The basis of assessment of property tax is Annual Rateable Value (ARV). ARV is equivalent to annual rent at which such property can reasonably expected to be let out. It is calculated at 7.5 percent of the total value of land and cost of construction of the building. Deduction of 10 percent of ARV is allowed for annual repair and maintenance of all types of buildings. Rebate of 25 percent of ARV is allowed for residential use. The land area not covered by the plinth area of the house is deemed as vacant land. In order to determine the ARV, 5 percent of land value of vacant land is added to the ARV of plinth area.

11.69 Once ARV is determined, general property tax is 15 percent annually on ARV if the property is used for commercial purpose or rented. It is 10 percent annually if the property is used for residential purpose. Water tax is collected at 10 percent of ARV provided the property is connected to piped water supply otherwise 7.5 percent. Scavenging tax and lighting tax are levied at 2.5 percent and 1 percent respectively of ARV. Urban Immovable Tax constitutes 3 percent of ARV.

11.70 As far as taxation of Central and State Governments properties are concerned, Articles 285 and 289 of the Constitution prevent the local bodies to impose property tax. In this regard the Eleventh Finance Commission recommended levy of service charges on Central Government properties. But by virtue of a ruling of the Hon'ble Supreme Court this option has become untenable. However, the constitutional restriction does not apply to the properties of Central and State Governments undertakings.

11.71 Based on the above procedure of assessment and the limitations noted, the actual yield from property tax during 2011-12 is Rs.23.84 crore as reported by GMC. It constitutes nearly 50 percent of their own revenue collection of Rs.48.15 crore. In per capita terms, it is Rs.247 which has increased from Rs.218 in 2008-09. Compared to some of the best performing corporations in the country this is insignificant. However, the actual collection of 2011-12 is adopted as the base and projected at an annual growth of 7 percent.

11.72 During the same period the combined collection of property tax by the MBs and TCs together amounted to Rs.28.87 crore. In per capita terms, the collection is only Rs.121 which has increased from Rs.70 during 2008-09. The actual collection of Rs.28.87 crore during 2011-12 is adopted as the base and projected at an annual growth of 10 percent.

11.73 In the matter of property tax, the performance profile of GMC and other ULBs has been a cause of concern for the Government. The general perception for this poor performance is that it is mainly due to clinging on to an out moded method of assessment like ARV. It is advocated that replacement of ARV by Unit Area Method (UAM) will bring in better result. In this method, the basic tax is related to plinth/carpet area of the building. Location, type and use to which a building is put constitute the three basic parameters of UAM. Location wise buildings may be classified into (i) buildings on principal main road, (ii) buildings on main road and (iii) buildings on other roads. The types of buildings may be (i) pucca buildings with RCC roof, (ii) pucca buildings with asbestos or corrugated sheets and (iii) other buildings. The uses of buildings may be (i) commercial or industrial, (ii) residential and (iii) others. These three parameters of location, type and use form the basis on which a reasonable rate per sq ft is determined. Under this method the disparity in assessment of similar types of property is eliminated. Periodic revision also becomes easier. The ULBs including GMC are contemplating to switch over to this method. Hopefully this will bring better result.

Non-Tax Revenue

11.74 By and large, the non-tax revenue of ULBs accrue from trade licence fees, fees from market, slow moving vehicles, parks, parking slots, water rates, advertisement, fines and penalties etc. From all these sources, GMC collected Rs.24.31 crore and other ULBs Rs.42.82 crore during 2010-11. The actual of 2010-11 is adopted as the base and projected at an annual growth of 7 percent.

11.75 Thus, the own revenue collection of GMC from both tax and non-tax sources amounted to Rs.48.15 crore. In per capita terms it is Rs.500 as against per capita collection of Rs.380 during 2008-09. In the same period other ULBs collected Rs.71.69 crore. In per capita terms it is Rs.300 as against Rs.167 during 2008-09.

Non-Plan Revenue Expenditure

11.76 The non-plan revenue expenditure of ULBs consists of salary of regular employees, wages of casual employees, remuneration of elected representatives, office expenses, expenditure on core civic services and maintenance of community assets.

Salary Expenditure of ULBs

11.77 Unlike the PRIs, the ULBs do not have any approved staffing pattern and the services of their employees are not provincialised either. Until SFC fund was made available to them, salary burden of ULB employees used to be met from their meagre internal resources. As a result, staff strength varied from unit to unit depending on their size and paying capacity of individual unit. The Fourth SFC recommended a staffing pattern for the ULBs with corresponding scales of pay. The staffing pattern has been accepted by Government of Assam with minor modifications. It is now estimated that the additional financial impact on account of this will be Rs.57 crore per year and Rs.377 crore during five years. That apart, Fourth SFC also recommended extension of State Government scales of pay to the existing ULB employees with effect from 01.04.2009. This is also accepted but with prospective effect from the date of notification. The actual expenditure on salary of existing staff during 2011-12 as reported is Rs.29.54 crore. This has been projected at an annual growth of 14 percent for subsequent years.

11.78 There is no approved staffing pattern for GMC also. The Fourth SFC recommended a staffing pattern for them. However, there will be no additional financial impact as in some cases the existing strength is downsized. The existing employees of GMC are getting the State Government scales of pay. The actual level of expenditure on salary during 2011-12 is Rs.56.74 crore which has been projected at 14 percent per year.

Wages of ULBs

11.79 Wages are paid at a fixed rate per month to the casual employees but the rate varies from one unit to another. It is reported that the actual level of expenditure for wages during 2011-12 is Rs.13.73 crore for the ULBs other than GMC. It is Rs.3 crore for GMC. The same amount is retained for the subsequent years.

Remuneration of Elected Representatives

11.80 Next to salary and wages, remuneration of elected representatives is an important element of obligatory expenditure of the ULBs. So long the elected representatives of ULBs were not entitled to any remuneration other than conveyance allowance to Chairman and Vice-Chairman. However, the Chairman, Vice-Chairman and the Commissioners are now entitled to remuneration at the rate of Rs.10,000, Rs.7000 and Rs.5000 per month respectively under Section 42 of the Assam Municipal (Amendment) Act, 2011. In view of the remuneration they will no longer be entitled to any other kind of financial benefit. The annual financial impact is estimated at Rs.4.81 crore. However, the elected representatives of GMC are not allowed any remuneration under the Act.

Other Expenditure of ULBs

11.81 Other expenditures include office expenses, expenditure for water supply, conservancy, roads, drains, street light etc. In the absence of details, these expenditure are clubbed together. The level of such expenditure during 2011-12 is Rs.65.72 crore for ULBs other than GMC and Rs.18.76 crore for GMC. This amount has been projected at 10 percent per year.

11.82 Based on the foregoing analysis and assumptions the net budgetary position separately of GMC and other ULBs and their estimated revenue gap during the forecast period 2015-20 is summarized below in Table-11.6.

11.83 It will appear from the Table-11.6 that the revenue gap of GMC during the forecast period is estimated at about Rs.438 crore and other ULBs at Rs.1363 crore. We urge the 14th Finance Commission to take this into consideration.

Table-11.6
Net Budgetary Position of GMC

(Rs. in Crore)

Items	2011-12 Act	2015-16 Est.	2016-17 Est.	2017-18 Est.	2018-19 Est.	2019-20 Est.	2015-20 Total
A. Revenue Receipt							
1. Own Tax Rev	23.84	31.25	33.44	35.78	38.28	40.96	179.71
2. Own Non-Tax Rev	24.31	31.87	34.10	36.48	39.04	41.77	183.26
Total- A	**48.15**	**63.12**	**67.54**	**72.26**	**77.32**	**82.73**	**362.97**
B. Rev Expenditure							
1. Salary	56.74	95.83	109.25	124.54	141.98	161.86	633.46
2. Wages	3.00	3.00	3.00	3.00	3.00	3.00	15.00
3. Other	18.76	24.97	27.47	30.21	33.23	36.56	152.44
Total- B	**78.50**	**123.80**	**139.72**	**157.75**	**178.21**	**201.42**	**800.90**
C. Revenue Gap (A –B)	**30.55**	**60.68**	**72.18**	**85.49**	**100.89**	**118.69**	**437.93**
Net Budgetary Position of ULBs							
A. Revenue Receipt							
1. Own Tax Rev	28.87	37.84	40.49	43.33	46.36	49.60	217.62
2. Own Non-Tax Rev	42.82	56.13	60.06	64.26	68.76	73.57	322.78
Total- A	**71.69**	**93.97**	**100.55**	**107.59**	**115.12**	**123.17**	**540.40**
B. Rev Expenditure							
1. Salary	29.54	49.89	56.88	64.84	73.92	84.27	329.80
2. Revised Staffing	-	57.00	64.98	74.08	84.45	96.27	376.78
3. Wages	13.73	13.73	13.73	13.73	13.73	13.73	68.65
4. Other	65.72	96.22	105.84	116.43	128.07	140.88	587.44
Total- B	**108.99**	**216.84**	**241.43**	**269.08**	**300.17**	**335.15**	**1362.67**

Urban Water Supply Scheme

11.84 There are 15 Urban Water Supply Schemes covering 6 districts viz Nagaon- 2, Cachar- 5, Kamrup- 2, Sivsagar- 3, Hailakandi- 1 and Karimganj- 2. These schemes are run by State Public Health Engineering Department. The annual cost of maintenance of these schemes is about Rs.21 crore. With a nominal annual growth the total requirement of fund is estimated at Rs.141 crore.

Municipal Roads

11.85 Urban roads falling within the jurisdiction of GMC and other ULBs is 1087 KM. Taking five year period as the renewal cycle and the cost of routine maintenance at Rs.25 lakh per KM, the requirement of fund works out to Rs.271.75 crore.

ULBs in Schedule VI Areas

11.86 In the excluded areas of Assam ULBs were functioning in the same manner as in the normal areas even before the enactment of 74th Constitutional Amendment. At present there are 17 ULBs in the excluded areas of which one is a MB and the remaining 16 TCs. In the two hill districts there are 7 TCs in Karbi-Anglong and 4 TCs in Dima Hasao. In BTC there is one MB at Kokrajhar and 5 TCs.

11.87 In the post amendment period they were treated as excluded from the ambit of SFC award. As a result, their financial position started deteriorating gradually over the period. In fact, their exclusion has driven a sharp wedge between them and their counterpart in the normal areas resulting in resentment and anguish. Accordingly, a Committee of the Group of Ministers appointed by the State Cabinet favoured their inclusion within the ambit of SFC award. They also recommended a grant of about Rs.14 crore during 2015-16. On this basis, Rs.75 crore at the rate of Rs.15 crore per year may be provided as grant during 2015-20 to the ULBs of excluded areas.

11.88 The ULBs in excluded areas are not eligible to any grant from the State Government other than Rs.50 lakh as Special Area basic grant annually under the award of 13th FC. The combined internal revenue generation of the 17 ULBs is about Rs.4 crore. As against this, their combined salary burden is about Rs.9 crore per year and other obligatory expenditure about Rs.2 crore per year. This leaves them with a revenue gap of Rs.7 crore approximately per year and Rs.35 crore for the five year period.

Permanent SFC Cell

11.89 There is an urgent need to maintain continuity between two SFCs as well as to forge a link between the SFC and the CFC. However, in the intervening period between two SFCs, there are time gaps and continuity of efforts at monitoring of action and data collection and collation get somewhat lost. This underscore the necessity of having a permanent SFC Cell in State Finance Department fully functional with required man and machinery.

11.90 This sort of eventuality was perceived by the CFC. Accordingly, successive CFCs stressed the need for creation of a permanent SFC Cell in State Finance Department. In this context, Twelfth Finance Commission observed that collection and collation of data need to be done constantly and that data would need to be made available to the SFC as and when it is constituted. Hence, they recommended setting up of a permanent SFC Cell in Finance Department, headed by a Secretary level officer who will eventually function as Secretary of the SFC. Similar recommendations had also been made by successive SFCs.

11.91 In spite of overwhelming concern expressed by the high powered bodies, the ground reality remained as before mainly because of fund constraint. As of now, there is a temporary SFC Cell in place under Finance Department. But it is not at all well staffed, well equipped and well accommodated. State Finance Department has already taken initiative for creation of required staff and accommodation for converting the temporary SFC Cell into a permanent one.

11.92 It is equally necessary to have similar SFC Cells in Panchayat and Urban Development Departments. **In order to strengthen the SFC Cell in Finance Department and also to set up similar cells in Panchayat and UDD, we urge the Commission to recommend a special dispensation of Rs.100 crore at the ratio of 5:3:2 between Finance, Panchayat and UDD respectively.**

Release of Local Body Grant

11.93 Under the guidelines circulated by the Ministry of Finance vide letter dated 23.09.2010 for release of fund recommended by the 13th Finance Commission one conditionality imposed is that funds have to be transferred to the local bodies within 5 days of receipt from the Central Government in case of States with easily accessible banking infrastructure and 10 days in case of States with inaccessible banking infrastructure. Any delay requires the State Government to release the instalment with interest at bank rate for the number of days of delay.

11.94 The limit of 5/10 days is counted from the date of issue of sanction by the Central Government. This has put the State Government in an embarrassing situation. Because by the time the sanction is received, a couple of days are already over. Then some time is required for processing and other procedural formalities. Moreover, 10 days limit is interspersed with Saturday, Sunday and other official holidays. We therefore, urge the Commission to recommend waiver of the condition of time limit or to extend it suitably say upto 60 days.

Computerisation and E-Governance for Local Bodies

11.95 Computerisation of all PRIs and all ULBs in Assam have been going on in a phased manner. In this connection, a uniform software for data maintenance has been developed by a Private Agency for PRIs and NIC for ULBs. For installing the software and dynamic website and for imparting training for uploading data as per data requirement of State Finance Commission and Central Finance Commission and also as per CAG formats, an amount of Rs.150 crore is required for five years for covering all units of PRIs (2941) and 93 ULBs. This amount will also be inclusive of public awareness campaign for holding regular Gram Sabha meeting for strengthening the decision making process.

Configuration of Financial and Other Assistance Sought

Proposal	Amount (Rs. in Crore)	Para
PRIs in General Areas		
1. Fourteenth Finance Commission may make special dispensation for local bodies in excluded areas	-	11.2
2. To revisit the criteria for inter-se distribution of Local body grant among the States	-	11.11

3. Creation of Physical Infrastructure of PRIs	1500	11.34
4. Creation of Physical Infrastructure for ULBs	1000	11.34
5. Revenue Gap of the PRIs	*5700	11.53
6. Maintenance of Rural Water Supply Scheme	583	11.54
7. Maintenance of Roads	1500	11.55
PRIs in Sixth Schedule Areas		
8. Office Buildings for Village Council	115	11.59
9. **Recommendation of Group of Ministers**	300	11.59
10. **Maintenance of Rural Water Supply**	133	11.60
ULBs in General Areas		
11. **Revenue Gap of GMC**	438	11.83
12. **Revenue Gap of ULBs**	**1363	11.83
13. **Maintenance of Urban Water Supply**	141	11.84
14. **Maintenance of Municipal Roads**	272	11.85
ULBs in Sixth Schedule		
15. Recommendation of Group of Ministers	75	11.87
16. Revenue Gap of ULBs	35	11.88
17. Strengthening of SFC Cell in Finance and Creation of SFC Cells in Panchayat and UDD	100	11.92
18. Computerisation & E-Governance for Local Bodies	150.	Para 11.95
Total	**12405**	

*** Includes Rs.2247 crore for revised scale of pay (para 11.47) and Rs.1832 crore for maintenance of new assets (para 11.51)**

**** Includes Rs.377 crore for revised pay scale (para 11.77)**

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Chapter- 12

Sixth Schedule Areas and other Autonomous Councils

12.1 During the pre-independence period, the tribal areas of the composite State of Assam confined, by and large, to the hill districts were administered differently in the sense that Government of India Act, 1919 classified these areas as Backward Tracts while Government of India Act, 1935 treated them as excluded and partially excluded areas. After independence, the Constitution of India also accorded special status to these areas by way of granting them the status of Sixth Schedule. However, the size of the Sixth Schedule areas of the composite State of Assam started to decline gradually in the wake of reorganization of the State. Following the enactment of the North Eastern Areas (Reorganization) Act, 1971, the Sixth Schedule areas of truncated Assam stood reduced to a couple of hill districts only viz, Karbi-Anglong and North Cachar. The latter was subsequently renamed as Dima Hasao district. The composition of Sixth Schedule areas of Assam remained as such till February 2003.

12.2 The prolonged agitation and unrest in the Bodo dominated areas eventually led to the creation of Bodoland Territorial Concil (BTC) in accordance with Memorandum of Settlement (MoS) signed between Government of India, Government of Assam and BLT on 10th February, 2003. The Bodoland Territorial Areas District (BTAD) was carved out of existing eight-plain districts of Assam viz, Kokrajhar, Dhubri, Bongaigaon, Barpeta, Nalbari, Kamrup, Darrang and Sonitpur. The BTC was created under Schedule VI by the Sixth Schedule to the Constitution of India (Amendment) Act, 2003. While the administrative unit is termed as BTC, the area covered under its jurisdiction is known as BTAD.

12.3 The BTAD consisted of four administrative districts viz, Kokrajhar, Udalguri, Chirang and Baksa covering 3082 villages. Out of the four districts, only Kokrajhar was an existing district headquarter, Udalguri a Sub-division, whereas Baksa and Chirang were below sub-divisional level. As a result, physical infrastructure was not commensurate with that of a district headquarter. One important feature to note is that for the first time in Assam Schedule VI areas extended beyond the boundaries of the hill districts.

12.4 As of now, Schedule VI areas of Assam comprise six districts, four within BTAD apart from two hill districts of Karbi-Anglong and Dima Hasao. The total area under Sixth Schedule now stands at 24,294 Sq. Kms which accounts for 30.97 percent of the total geographical area of the State. As per 2011 census, the total population under Schedule VI area is 43,34,168 which constitutes 13.90 percent of the total State population. The average density of population per Sq. Km is 178. The demographic feature of Schedule VI areas of Assam is summarized in Table- 12.1 below.

Table- 12.1

Demographic Features of Schedule VI Areas

Sl No	Demographic Feature	KAAC	DHAC	BTC	Total
1	Date of Creation	23-06-1952	29-04-1952	10-02-2003	
2	Area (Sq. Km)	10,434	4,890	8,970	24,294
3	Population (2011 Census)				
i)	Rural	8,51,158	1,52,302	30,15,330	40,18,790
ii)	Urban	1,14,122	61,227	1,40,029	3,15,378
	Total- 3	9,65,280	2,13,529	31,55,359	43,34,168
4	Density (per Sq Km)	93	44	374	178
5	No. of Village	2928	822	3082	6832
6	No. of VDC	26	-	415	441
7	No. of Sub-Division	3	2	10	15
8	No. of Revenue Circle	4	1	37	42
9	No. of Dev. Block	11	5	25	41
10	No. of Ex Council Member	30	28	46	104
11	No. of ULBs				
i)	MB			1	1
ii)	TC	7	4	5	16

12.5 It appears from the above Table that the total area of the two hill districts, which originally constituted the Sixth Schedule areas of the State, is 15324 Sq. Kms and accounts for nearly 19.5 percent of the total geographical area of the State. As per 2011 census, the total population of the two hill districts is 11,78,809 which constitutes 3.78

percent of the total population of the State. The population density per Sq. Km is 93 for Karbi-Anglong and 44 for Dima Hasao.

12.6 The composition of population in the two hill districts is such that majority belongs to the category of Scheduled Tribe (Hills). As per 2011 census nearly 56 percent and 71 percent of the population of Karbi-Anglong and Dima Hasao respectively belong to the category of Scheduled Tribe (Hills). Agriculture is the mainstay of the tribal communities. But agricultural operation is mostly carried on shifting method of cultivation, hence the yield is never economically remunerative. Consequently, the people are generally poor and deprived of basic amenities of life.

12.7 Since the commencement of the Constitution, the administration of the two hill districts has been vested with the Autonomous District Council (ADC) which was subsequently renamed as Autonomous Council (AC). The AC consisted of maximum 30 members both elected and nominated. In case of Karbi-Anglong 26 members are elected and 4 nominated. In Dima Hasao 24 members are elected and 4 nominated. Each AC, unless dissolved earlier, continues for a period of five years from the date of its first meeting. The AC is headed by a Chairman followed by a Deputy Chairman.

12.8 The ACs have been vested with enormous powers involving executive, legislative and judicial functions encompassing their inherent and entrusted subjects. Their inherent subjects consist of land use, jhum cultivation, primary education, forest, fisheries, market, cattle pound, ferries etc. Apart from the inherent subjects, 30 subjects are delegated to them by the Government of Assam (GOA) along with funds and functionaries.

12.9 Under the executive powers the ACs are authorized to manage primary education including language to be adopted, establishment and management of medical institutions, cattle pounds, ferries, roads, water ways etc. In the field of financial administration the ACs are authorized to assess, levy and collect taxes on land and buildings, tax on profession, trade, calling etc, extraction of minerals and royalty thereon, entry tax, tax on animals, boats and vehicles.

12.10 The legislative powers of the ACs include enactment of laws in respect of management of land, forests other than reserve forests, shifting cultivation, establishment of village councils, town committees, other customary laws such as appointment/succession of village chief or headman, inheritance of property, marriage and regulation and control of money lending and trading by non-tribal.

12.11 Under the judicial powers the ACs are authorized to constitute village councils or courts for trial of suits and cases between parties who belong to tribal communities only. The delegation of executive, legislative and judicial powers to the ACs make them a miniature State.

12.12 To carry on the administration of AC, there is an Executive Council (EC) headed by a Chief Executive Member (CEM). Besides the CEM, the EC has a fixed number of Executive Members. They are appointed by the Governor on the advice of CEM. All executive functions of the AC are vested with the EC. There is a Secretariat of the AC with a Principal Secretary as its head. The revenue administration and development activities of the Circle and Blocks are looked after by the Circle Officer and the Block Development Officer (BDO) respectively. In order to maintain liaison with the State Government there is a separate Hill Areas Department in the State Secretariat.

12.13 Consequent upon the 73^{rd} Amendment of the Constitution, a Memorandum of Understanding (MoU) was signed between the ACs and the Chief Minister of Assam. As per the MoU, apart from 30 entrusted subjects, 29 subjects listed in Schedule XI for PRIs were delegated to the ACs. The executive power of these subjects stood delegated to the ACs by a resolution of the State Legislature under Notification No. HAD/57/95/268-269 dated 25.09.1996.

12.14 The MoU further envisaged that to finance the expenditure on the delegated and entrusted subjects, Government of Assam will release funds to the ACs on a half yearly basis and in return the ACs will submit detailed accounts every month to the Accountant General, Assam.

12.15 As mentioned earlier, the BTC was created in February, 2003 under Schedule VI of the Constitution consisting of 4 districts viz, Kokrajhar, Udalguri, Chirang and Baksa. The total geographical area of BTAD is 8970 Sq. Km representing 11.4 percent of the total area of the State. As per 2011 census the total population of BTC is 31,55,359 which is nearly 10 percent of State total population. The population density is 374 per Sq. Km.

12.16 By enacting the Sixth Schedule to the Constitution of India (Amendment) Act, 2003, BTC has been entrusted with 40 departments which have been transferred to them along with funds and functionaries. Afterwards the number of subjects transferred has been reduced to 39 with the withdrawal of subject Finance. The BTC has legislative and executive powers over the subjects transferred to them.

12.17 The organizational structure of BTC is that the policy making level rests with the Council itself. The Council consists of 46 members, 40 directly elected on the basis of adult suffrage and 6 nominated by Government of Assam. Out of 40 elected representatives 30 seats are reserved for ST, 5 for non-tribal communities and 5 open to all communities.

12.18 The executive power of the BTC is vested with the Executive Council. The Executive Council is headed by the Chief Executive Member. Besides the CEM, there are 15 Executive Members. The BTC Secretariat is headed by the Principal Secretary deputed by the Government of Assam. The executive functions of BTC are exercised through the Principal Secretary. Liaison with GOA is maintained through a separate department of WPT&BC in the State Secretariat.

12.19 The BTC has been empowered to make appointment to all non-gazetted posts under its control. However, all gazetted posts in BTC Secretariat, Heads of Departments and District Offices are either appointed or deputed by Government of Assam.

12.20 The economic condition of the people living in Bodoland cannot be said to be satisfactory. Most of the people belong to ST and other backward communities. By and large, they depend on primitive agriculture for a living which cannot provide them subsistence for the whole year. On the other hand, the scope of other income generating activity is also extremely limited. Due to the absence of physical infrastructure trade, commerce and industry have not come up to the desired level to generate adequate employment opportunities. As a result, people in general are economically deprived.

12.21 In regard to financial empowerment, para 8 of the Sixth Schedule empowers the Autonomous Council to levy and collect (i) taxes on land and building and tolls on persons, (ii) taxes on professions, trades, callings and employments, (iii) taxes on animal, vehicles and boats, (iv) taxes on the entry of goods into a market for sale therein and tolls on passengers and goods carried in ferries and (v) taxes for the maintenance of schools, dispensaries or roads.

12.22 Apart from the above sources of tax allocated to the ACs, para 9 of the Sixth Schedule provides that such share of the royalties accruing each year from licences or leases for extraction of minerals granted by the State Government shall be made over to the respective Council where from such royalties accrued. Paras 8 and 9 together constitute the sources of own tax and non-tax revenue of the ACs. Table- 12.2 below shows the own revenue collection vis-à-vis non-plan revenue expenditure and revenue gap of the ACs.

Table- 12.2
Non-Plan Revenue Deficit of Autonomous Councils

(Rs. in Crore)

Autonomous Council	2010-11 Actuals	2011-12 RE	2012-13 BE
A. KAAC			
1. Own Tax Revenue	18.50	10.40	10.45
2. Own Non-Tax Revenue	21.13	16.73	16.38
3. Total Own Revenue	39.63	27.13	26.83
4. NPRE	96.66	147.26	160.02
5. Revenue Gap (3 - 4)	57.03	120.13	133.19
B. DHAC			
1. Own Tax Revenue	7.17	3.91	4.58
2. Own Non-Tax Revenue	14.25	27.13	48.37
3. Total Own Revenue	21.42	31.04	52.95
4. NPRE	34.44	53.67	62.51
5. Revenue Gap (3 - 4)	13.02	22.63	9.56
C. BTC			

1. Own Tax Revenue	2.00	1.75	1.80
2. Own Non-Tax Revenue	16.07	23.04	28.66
3. Total Own Revenue	18.07	24.79	30.46
4. NPRE	61.73	51.18	74.38
5. Revenue Gap (3 - 4)	43.66	26.39	43.92
D. Total (A+B+C)			
1. Own Tax Revenue	27.67	16.06	16.83
2. Own Non-Tax Revenue	51.45	66.90	93.41
3. Total Own Revenue	79.12	82.96	110.24
4. NPRE	192.83	252.11	296.91
5. Revenue Gap (3 - 4)	113.71	169.15	186.67

12.23 It will be seen from the above Table that the three ACs together collected own revenue amounting to Rs.79.12 crore during 2010-11. This is by no means encouraging. In per capita terms it works out to Rs.182 only. In contrast their non-plan revenue expenditure during the same period was Rs.192.83 crore. In per capita terms it is Rs.445. As a result, the combined non-plan revenue deficit of the Sixth Schedule areas amounted to Rs.113.71 crore. Taking this as the base and applying a modest annual growth of 10 percent, the anticipated revenue deficit of the Sixth Schedule areas during the forecast period 2015-20 is likely to be of the order of Rs.1118 crore. This would constitute a dead weight on the finances of State Government. **The Fourteenth Finance Commission is, therefore, urged to make appropriate recommendations to cover the revenue gap of the Sixth Schedule districts.**

12.24 It may be pointed out that the annual plan allocation of the Sixth Schedule areas are finalized in the following manner. Once the Annual Plan Outlay of the State is finalized the earmarked outlays and other components representing externally aided projects etc are deducted therefrom. Out of the balance, 7.27 percent is allocated to two ACs in the hill districts and distributed between them in the ratio of their respective population and also 12.19 percent is allocated to BTC. Thus the total allocation to ACs stands at 19.46 percent despite their population being barely 14 percent of State's total population. In this manner the respective allocation to KAAC, DHAC and BTC in Annual

Plan Outlay 2013-14 works out to Rs.356 crore, Rs.160 crore and Rs.447 crore respectively.

12.25 In this context, it may not be out of place to draw a comparison with the neighbouring States of Nagaland, Meghalaya and Mizoram which were carved out of composite Assam at different points of time. Table-12.3 brings out the comparative position.

Table-12.3
Annual State Plan Outlay 2013-14

State	Area Sq. Km	Population in lakh 2011 Census	Plan Outlay 2013-14 Rs. in Crore	Per Capita Rs.
1. **Nagaland**	16,579	19.79	2000	10,106
2. **Meghalaya**	22,429	29.64	4151	14,004
3. **Mizoram**	21,081	10.97	2500	22,789
4. **Sixth Schedule Assam**	24,294	43.34	963	2,222

12.26 It will be seen from the above Table that in respect of both area and population, the Sixth Schedule districts of Assam is much bigger than the neighbouring States. But in terms of per capita plan outlay they are placed much below the neighbouring States. This has given rise to a discriminatory situation accompanied by slow pace of development of these areas. The immediate fall out is a sense of deprivation among these people whose resentment and anguish very often found expression in political unrest leading to insurgency and demand for separate statehood. This wide divergence get further accentuated when the neighbouring hill States received whopping sums as revenue deficit grant under the award of the Thirteenth Finance Commission. For instance, Nagaland, Meghalaya and Mizoram received Rs.8146 crore, Rs.2811 crore and Rs.3991 crore respectively under the award for the period 2010-2015. Against this Sixth Schedule areas of Assam, the Government of Assam received nothing. This volatile situation needs immediate redressal. **We, therefore, urge upon the Fourteenth Finance Commission to recommend a suitable fiscal package for the Sixth Schedule Areas of Assam.**

12.27 Now coming to the status of rural and urban local bodies in Sixth Schedule areas, the 73rd and 74th Constitutional Amendments excluded these areas from the applicability of the provisions contained in the relevant Articles. Nevertheless, all Central Finance Commissions set up after the aforesaid amendments have earmarked a certain portion of the local body grant recommended by them for the Sixth Schedule areas albeit these areas being treated as excluded.

12.28 However the SFCs of Assam, so far, have not recommended any devolution or grant for the local bodies of Sixth Schedule areas. This has sharply distorted the parity of rural and urban local bodies as between General and Sixth Schedule areas. It has generated a lot of resentment and anguish among the people living in these areas which cannot be underplayed. The State Cabinet has therefore referred the recommendations of the 4th SFC to a Group of Ministers vide State Cabinet decision dated 19/09/2012. The Group of Ministers suggested specific amount for PRIs and ULBs as detailed below in Table-12.4.

Table-12.4
Fund Recommended by Group of Ministers

(Rs. in Crore)

Local Body	2013-14	2014-15	2015-16	Total (2013-16)
A. PRI				
i) BTC	38.39	40.30	42.31	121.00
ii) KAAC	10.52	11.04	11.59	33.15
iii) DHAC	1.88	1.97	2.06	5.91
Total- A	**50.79**	**53.31**	**55.96**	**160.06**
B. ULB				
i) BTC	5.00	5.25	5.51	15.76
ii) KAAC	4.66	4.89	5.13	14.68
iii) DHAC	2.89	3.03	3.18	9.10
Total- B	**12.55**	**13.17**	**13.82**	**39.54**
Grand Total- (A+B)	**63.34**	**66.48**	**69.78**	**199.60**

12.29 It will appear from the Table above that Group of Ministers suggested the amount for a period of 3 years commencing from 2013-14 covering the period of Fourth SFC. The calculation is based on respective population of PRIs & ULBs. It will put an additional financial burden of about Rs.200 crores on the State exchequer. **We would request the Fourteenth Finance Commission to take this into cognizance as per details shown at Chapter-11.**

12.30 In case of Sixth Schedule areas of Assam, PRIs never existed in the two autonomous hill districts of Karbi-Anglong and Dima Hasao. However, PRIs existed in BTAD areas prior to the creation of BTC. Along with the creation of BTC these bodies gradually became defunct and the staff and infrastructure remained with Council.

12.31 Following the Constitutional Amendments, the Autonomous Councils felt the need of having some institutions at the cutting edge level for the sake of decentralized administration. Accordingly, Government of Assam by notification No. TAD/BTC/129/2006/90 dated 30.06.2006 constituted 415 Village Council Development Committee (VCDC) covering 3082 villages in BTAD areas. Similarly, for Karbi-Anglong Autonomous Council 26 Village Development Council (VDC) covering 2928 villages were created. In both cases, these village councils are akin to the Gaon Panchayat (GP) in General Areas. But in place of 3 tiers PRI system in General Areas, it is a single tier system at the base level. Further, no additional post was created for these bodies and they are supposed to be manned by existing Block staff. Recently, DHAC has also been contemplating to set up VDCs.

12.32 In all Schedule VI areas Urban Local Bodies (ULB) function in the same manner as in the General Areas. There are a total of 17 ULBs in Schedule VI areas. Out of this, one is a Municipal Board (MB) at Kokrajhar in BTC. The remaining 16 are Town Committees (TCs) of which 7 in KAAC, 4 in DHAC and 5 in BTC. In the absence of any recompense from the SFC, the ULBs in excluded areas are somehow making both ends meet with their meagre income partially supplemented by CFC grant.

12.33 It is evident that both PRIs and ULBs in excluded areas are totally starved of fund and functionaries. The solution lies in bringing them within the ambit of recommendations of the SFC and CFC. In this regard, the respective Autonomous Councils have expressed their willingness and even taken necessary legislative measures in favour of extending the Constitutional Amendments to the Sixth Schedule Areas. However, fact remains that the ultimate authority for enacting any legislation in this matter is the Parliament. State Political Department has taken initiative with the Ministry of Home Affairs, Government of India for bringing the Sixth Schedule within the ambit of 73rd and 74th Constitutional Amendments. It will be a panchayat like institutions in rural areas of Sixth Schedule, not in full PRI system like general areas.

12.34 Pending any legislation regarding Panchayats/Municipalities Extension to Scheduled Areas, the total financial impact of supplementing the resources of PRIs and ULBs in excluded areas will rest with GOA. Amendment of the 6^{th} Schedule Constitution for bringing the local bodies under the ambit of 73^{rd} and 74^{th} Constitutional Amendments is under process in the Central Government. It will not be full panchayati like institutions in rural areas in 6^{th} Schedule and State Finance Commission will be given the jurisdiction for assessment and devolution of the funds to local bodies.

Other Autonomous and Development Councils

12.35 Apart from the Bodos, there are lots of other tribal communities and ethnic groups in the Brahmaputra Valley and Barak Valley regions of the State. These are Rabha Hasong, Mising, Lalung, Tiwa, Deori, Sonowal, Kachari, Thengal Kachari, Mech Kachari, Sarania Kachari, Tai Ahom, Chutia, Maran, Mattak, Koch Rajbangshi, Tea Tribes etc. In fact, Assam is a melting pot of different ethnic culture with diverse religions and social mooring. Each of these communities has their own cultural identities, aspirations and apprehensions. In recent times dis-satisfaction among these communities has been constantly growing generating demand for separation at times buttressed by armed action. In order to safeguard the interest of some of these ethnic groups Government of Assam had, some time back, created 6 Autonomous Councils under State Acts and provided them budgetary support annually as shown in Table-12.5.

Table- 12.5

Budgetary Support to Autonomous Councils in General Areas

(Rs. in Crore)

Name of Autonomous Council	2011-12 Act	2012-13 RE	2013-14 BE
1. Lalung Tiwa	29.49	32.60	34.02
2. Mising	42.63	47.19	49.27
3. Rabha Hasong	30.26	33.60	35.07
4. Dewri	18.77	21.45	22.39
5. **Sonowal Kachari**	18.38	20.34	21.23
6. Thengal Kachari	18.36	20.32	21.21
Total	**157.89**	**175.50**	**183.19**

12.36 It is evident from the above Table that the annual financial implication for extending budgetary support to these Councils is about Rs.200

crores. As such the requirement during the forecast period will be approximately Rs.1000 crore. It is hoped that this will be taken into consideration by the Commission.

12.37 As stated earlier, there are large number of other tribes and ethnic groups apart from the above six. All of them have been voicing their demand for autonomy, separate administrative unit or even statehood. Eventually, Government of Assam has been constrained to create 18 other Development Councils and provided then with budgetary support as listed against each in Table-12.6.

Table- 12.6
Budgetary Support to Development Council

(Rs. in Crore)

Name of Development Council	**2011-12 Act**	**2012-13 RE**	**2013-14 BE**
1. Barak Valley Hill Tribes	1.31	1.81	2.81
2. Sarania Kachari	12.20	6.20	14.20
3. Bishnupria Manipuri	0.10	1.60	1.60
4. Maimal	0.10	1.60	1.10
5. Moran	0.10	1.60	1.60
6. Mattak	0.10	1.60	1.60
7. Maria	0.10	1.60	1.60
8. Gorkha	1.10	2.50	2.80
9. Adivasi	0.10	2.40	2.40
10. Koch Rajbongshi	0.10	3.10	3.10
11. Chutia	0.10	3.10	3.10
12. Tai Ahom	0.10	3.10	3.10
13. Nath Yogi	0.10	3.10	3.10
14. Mech Kachari	0.10	1.60	1.60
15. Manipuri	0.10	2.40	2.60
16. Sadharan Jati Parishad	0.10	3.10	3.10
17. Singpho (Man Tai)	0.10	1.60	1.60
18. Amri Karbi	0.10	1.60	1.60
Total	**174.00**	**219.11**	**235.80**

12.38 It appears from the above Table that the annual financial implication for extending budgetary support to the Development Councils runs to about Rs.235 crore and Rs.1175 crore during the forecast period. **We urge the Commission to take this amount into consideration in their recommendations.**

Configuration of Assistance Sought

Proposal	Amount (Rs. in Crore)
1. Revenue Deficit of the Autonomous Councils	**1118**
2. Fiscal Package to compensate low level of per capita Plan Outlay	
3. Budgetary Support to Autonomous Councils in normal areas	**1000**
4. Budgetary Support to Development Councils in normal areas	**1175**
Total	**3293**

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Chapter-13

Subsidies

The 14th Finance Commission as per paragraph 6 (vi) of its Terms of Reference is required to have regard to "The level of subsidies that are required, having regard to the need for sustainable and inclusive growth, and an equitable sharing mechanism between the Central Government and the state Governments".

13.1 The Indian Government has, since Independence, subsidised many industries and products, from petrol to food. A subsidy, often viewed as the converse of a tax, is an instrument of fiscal policy. It literally implies coming to assistance from behind. However, their beneficial potentials are at its best when they are transparent, well targeted, and suitably designed for practical implementation.

Like indirect taxes, they can alter relative prices and budget constraints and thereby affect decisions concerning production, consumption and allocation of resources.

Major Central Government Subsidies in India are:

Fertilizer Subsidies:

13.2 Assam plains have a huge potential of food grain production due to its rich fertile soil covering more than 28 lakh ha. Rice being the staple food in the state as well as in the region shares 91% of total area covered under crop cultivation to boost up the state economy. With the increasing trend of food production, the State has achieved surplus in food production viz. in rice by 9 Lakh MT with the production of 55 Lakh MT rice during 2012-13 & targets to achieve 61 Lakh MT during 2013-14. The state targets to produce 346.24 Lakh MT food grains against total requirement of 239.40 Lakh MT for projected population from 316.97 Lakh nos to 338.98 Lakh nos during the 12th Plan period. Among the key required inputs viz. seeds, fertilizer and water, the most costly input will be fertilizers whose integrated use will trigger the process of accelerated growth of Agriculture in coming years. Due to economic backwardness of vast 85% Small and Marginal Farming community in the State, the fertilizer consumption in the State is not at all comparable with the national level which is only 74.58 Kg/ha against 141 kg/ha at National Level (2011-12).

13.3 Following two Tables show a comparative study of the State receiving fertiliser subsidies for the years 1992-93, 1999-2000 and 2007-08.

Table-13.1

Share of Major States in Total Fertiliser Subsidy in India, 1992-93 to 2007-08 (in %)

State	1992-1993	1999-2000	2007-2008
Uttar Pradesh	23.2	19.5	17.5
Andhra Pradesh	10.6	10.8	11.3
Maharashtra	8.5	10.3	10.2
Madhya Pradesh	3.2	6.6	7.8
Punjab	11.6	8.6	7.7
Gujarat	5.5	5.2	7.0
Karnataka	4.2	6.2	6.5
West Bengal	5.2	6.7	6.4
Bihar	6.0	5.8	6.2
Haryana	5.8	5.3	5.5
Tamil Nadu	5.0	5.4	4.8
Rajasthan	4.2	4.7	4.4
Orissa	1.6	2.0	1.9
Assam	0.2	0.6	1.0
Kerala	0.7	1.0	0.9
Others	0.9	0.5	0.4
Jammu and Kashmir	0.4	0.4	0.4
Himachal Pradesh	0.3	0.2	0.2

Source: Computed from Fertilizer Association of India (FAI)(2008)

Table 13.2

State-wise Trends in Intensity of Fertiliser Subsidy (Rs./ha of gross cropped area)

State	1992-1993	1999-2000	2007-2008
Punjab	946	1454	3924
Andhra Pradesh	512	1096	3561
Haryana	607	1164	3476
Tamil Nadu	430	1104	3307
West Bengal	373	931	2660
Uttar Pradesh	553	981	2617
Bihar	394	774	2432
Gujarat	304	651	2301
Karnataka	207	682	2107
Maharastra	247	637	1829
Jammu and Kashmir	242	457	1264
Kerala	150	455	1235
Madhya Pradesh	159	334	1213
Assam	35	206	1143
Himachal Pradesh	170	277	958
Orissa	102	314	894
Rajasthan	129	322	824
India	331	703	2083

Source: Computed from FAI(2008)

Table 13.1 shows that,

i) More than half of the total fertiliser subsidy is utilized by the top five States namely, Uttar Pradesh, Andhra Pradesh, Maharashtra, Madhya Pradesh and Punjab. The share of these states was about 54.5 % in 2007-2008.

ii) Other major beneficiary States were Gujarat, Karnataka, West Bengal, Bihar, Haryana and Tamil Nadu which has a share of 36.4% in 2007-2008.

iii) The share of less developed States like Rajasthan, Orissa, Assam, Jammu and Kashmir and Himachal Pradesh was low and they amounted for only 7.9% in 2007-2008.

iv) In fact, Assam had only a share of 1% in 2007-2008.

Table 13.2 shows that

i) Punjab, Andhra Pradesh, Haryana, Tamil Nadu, West Bengal and Uttar Pradesh are the main beneficiaries of fertiliser subsidy on per hectare basis and were receiving fertiliser subsidy higher than National average subsidy of Rs.2083/ha in 2007-2008.

ii) Assam received fertiliser subsidy of Rs.1143/ha in 2007-2008 which was significantly lower than National average.

Table below indicates share of major States in total fertiliser subsidy of Rs.11,400 crore, provided in the Union Budget Estimate of 2007-08.

Table –13.3

Share of Major States in Total Fertiliser Subsidy in India, 2007-08

States	2007-08	
	Share in %	Share out of Rs.11,400 crore
Uttar Pradesh	17.5	1995.00
Andhra Pradesh	11.3	1288.20
Maharasthra	10.2	1162.80
Madhya Pradesh	7.8	889.20
Punjab	7.7	877.80
Gujrat	7.0	798.00
Karnataka	6.5	741.00
West Bengal	6.4	729.60
Bihar	6.2	706.80

Haryana	5.5	627.00
Tamil Nadu	4.8	547.20
Rajasthan	4.4	501.60
Orissa	1.9	216.60
Assam	1.0	114.00

13.4 The above discussion reveals that there is a high degree of concentration of fertiliser subsidy in a few States. **For sustained Agricultural Growth & to promote balanced nutrient application among the low consuming fertilizer States with low productivity but having ample scope for enhancing productivity, the 14th Finance Commission may perhaps suggest a National Policy for upliftment of economic backwardness of States like Assam.** Rational thought & mechanism should be developed considering economic backwardness having bottleneck in transport communication & low productivity due to poor application of fertilizer in the state like Assam. Assam should be given an amount at least equal to the National average, if not more. Moreover, Assam being a flood prone state during Kharif, maximum allotted quota under Nutrient Based Subsidy (NBS) with transport subsidy should be available during Rabi Season during which non-availability / scarcity of NPK is a common occurrence.

Food Subsidies:

13.5 In case of Food Subsidy, Assam's share is the lowest in the country. Since FCI does not procure rice in Assam, farmers in Assam do not get benefit of Minimum Support Price (MSP). Table below shows the position of food subsidy availed by Assam.

Table-13.3

Position of Rice Procurement by FCI and Food Subsidy availed by Major States.

(Average MSP for Paddy per Quintal 2010-11=Rs.1015 and 2011-12=Rs.1095)

States	Quantity (Lakh Tonne) 2010-11	Quantity (Lakh Tonne) 2011-12	2010-11 (Rs. in crore)	2011-12 (Rs.in crore)
Andhra Pradesh	96.09	75.48	975.31	826.51
Assam	0.16	0.23	1.62	2.52
Punjab	86.35	77.30	876.45	846.43
Haryana	16.87	20.07	171.23	219.77
Chattisgarh	37.46	41.15	380.22	450.59
U.P.	25.54	33.57	259.23	367.59
West Bengal	13.10	20.41	132.96	223.49

Petroleum Subsidies:

13.6 At present 5474 nos Tractor, 21184 nos Power Tiller, 835 nos. Rotary Tiller, 216166 nos STW, 33729 nos LLP & 20 nos Paddy transplanters are under operation in the Agriculture and more than 1365.00 Lakh litre Diesel along with 0.024 Lakh litre petrol are estimated to be consumed for Agriculture purpose. **Considering the backwardness of vast majority of Small/Marginal farming community in the state, the 14th Finance Commission may perhaps suggest a subsidy scheme on Diesel.**

13.7 It appears from above that Assam's share in most of Central subsidies, namely, food, fertiliser petroleum products, exports are very meagre due to its under-developed economic base. **The 14th Finance Commission may evolve a mechanism to compensate States like Assam for their poor absorption capacities of Central subsidies.**

Impact of National Food Security Act, 2013 on State's Finances:

13.8 The National Food Security Bill, introduced in Indian Parliament in 2011 and finally passed in August, 2013 by both Houses, has since become Act in September, 2013 and has come into force with effect from 5th July, 2013. The Government of India has specified that 84.17% of the population of the rural areas and 60.35% of the urban population would be covered in the State of Assam as per Census of 2011, the population of Assam is 3.12 crore, of which 2.68 crore reside in rural areas and 43 lakhs reside in urban areas. Therefore, the beneficiary population would be 2.25 crore of the rural areas and 26.5 lakh of the urban areas. Under Antyodaya Anna Yojana (AAY) scheme, the number of beneficiary families are 7.04 lakh in the State.

13.9 The other features of the Food Security Act are that women would be considered the heads of the households. 5 kg of rice per person would be provided to the priority households per month, and 35 kg rice would be provided to the AAY household beneficiaries. Rice would be provided at Rs.3 per kg and wheat would be provided at Rs.2 per kg. Government of India fixed a time of 1 year for implementation of the provisions of the Act. Free meals would be provided to pregnant and lactating mothers through Anganwari centres during pregnancy and for six months after child birth along with maternity benefits of Rs.6000/- in instalments. Children aged 6 months to 14 years of age are to receive free meals. Doorstep delivery of foodgrains upto the Fair Price shops would have to be ensured at Government costs. The State Government is taking steps for constitution of a State Food and Civil Supplies Corporation to improve the delivery of food and other essential commodities to the consumers, to every part of the State, plains, hills, riverine islands, border areas and all other remote areas. This is a sine-qua-non for an inclusive society. However, this new endeavour will itself put an additional financial burden on the State to the tune of Rs.100 crore for creation of infrastructure and manpower compensation.

13.10 The Act enjoins the States with wide responsibility and tasks ranging from identification of eligible households, constitution of State food commissions, providing grievance redressal structure, ensuring doorstep delivery of foodgrains upto Fair price shops, adequate food storage facilities and payment of commissions/profit margin to the nominees/appointed dealers/retailers. These responsibilities and tasks of the Food Security Act has put additional financial burden on the States. The annual financial implication for implementation of this Act in Assam, which has been worked out to Rs.513.00 crore is indicated in the Table below.

Table-13.4

Sl.	Items of expenses	(Rs. In crore)
1	Printing of check lists of beneficiaries	3.09
2	Meetings, Publicity and Awareness	2.53
3	TA, DA, Purchase of Vehicles, miscellaneous expenses in connection with claim and objections	5.63
4	Data Entry, Stationery and Hardware	7.26
5	Transportation Cost as per rates approved	229.10
6	Cost of Printing of Cards @Rs.10 Family Identity cards	5.18
7	Commission to GPSS & FP @Rs. Per quintal and RS.70 per quintal	160.21
8	Constitution of State Food and Civil Supplies Corporation	100.00
	Total	**513.00**

In this context we would like to bring to the Commission’s notice some likely adverse impact of the National Food Security Act on the Agriculture of the State. Nearly 85% of the rural population of Assam will be covered under the Food Security Act. Most of them are small and marginal farmers engaged in subsistence farming. On implementation of the Act they will be able to get rice at Rs; 3/- per K.G, whereas the average cost of production of their rice is around Rs. 15/- per K.G. Therefore, unless these farmers get remunerative price for their produce, farming by them will no longer be economically viable. On the grounds of higher moisture content and higher percentage of broken grains, FCI has not been procuring rice in Assam for the past many years. It is therefore, imperative that FCI procures the rice produced in Assam by providing remunerative minimum support price and distribute the Assam produced rice within the State of Assam itself under the Food Security Act. Otherwise, if rice for distribution under the Act is brought to Assam from outside the State, then agriculture in the State may receive a serious set-back and this may have far reaching economic and social ramifications for the already problem ridden State of Assam.

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Chapter-14

Public Expenditure Management

Paragraph 8 of Terms of Reference requires the 14th Finance Commission to review the present Public Expenditure management system in place including the budgeting and accounting standards and practices; the existing system of classification of receipts and expenditure; linking outlays to outputs and outcome; best practices within the country and internationally, and make appropriate recommendations thereon.

14.1 Budget classification of expenditure is one of the fundamental building blocks of a sound budget management system. The expenditure of the Government is classified into functional heads. The functional classification signifies broadly the function of Government for which the expenditure has been incurred and the activity on which the expenditure has been incurred. The functional classification being followed as of now, is a seven tier structure with a hierarchy of major, sub-major, minor, sub-minor sub-head, detailed heads and object head.

14.2 The Government of Assam has been following the 7 (seven) tier classification structure of expenditure in accounting of Government transactions. The seven tiers structure of expenditure in accounts with character and numeric are:

1. Sector, (Character A, B, C, D)	
2. Major head	**(0000)**
Sub-Major head	**(00)**
3. Minor head	**(000)**
4. Sub head	**(0000)**
5. Sub-sub head	**(0000)**
6. Detailed head	**(00)**
7. Sub-Detailed head	**(00)**
Total 21 numeric codifications.	

14.3 **In case of receipts, codification is maintained up to minor head but in few cases the same is maintained up to sub head. Besides the above numeric codification, expenditures are classified separately for Voted and charged, Plan and State Non-plan, Central plan, Centrally**

Sponsored Schemes, North East Council Schemes and for General and Sixth Schedule Areas.

14.4 Assam Government has accepted the proposed classification framework of eight multidimensional classification of Heads for its mutually exclusive nature with their own individual hierarchical structures formulated by the Committee on Revision of Heads of Accounts. Following observations are made for further actions by the Committee.

(i) As recommended by the Committee, the revised system consists of eight segments against seven segments in the earlier draft seven tier classification. The second tier "Programme" below Function, now introduced is highly essential for proper reflecting the outcome of the budgetary input under plan funds towards the development activities of the Government under its different policy decisions.

(ii) The transaction classification with five categories viz. Revenue Receipts, Capital Receipts, Revenue Expenditure, Capital Expenditures and Liabilities and their Sub-categories with objects representing lower level economic classification will clearly depict the financial health of the Government. It will properly differentiate the normal revenue expenditure from Government investment in creation of assets under various administrative units. Also it will facilitate the proper management of debt and liabilities which are not given due consideration in the existing system.

(iii) In the Recipient Segment, the provision of accommodating "District Councils" constituted under the Sixth Schedule (Article 244 and 275) of Indian Constitution should be made in the third group under code 03 below Recipient 'Type UT Government' as it is Constitutional Local Self Third Tier Government Body with independent constitutional entity. These recipients should be kept separately from recipient type 'Autonomous Bodies' under Code 09. Accordingly, it is to be reflected in the Geographical Segment also. The Assam Government is transacting both plan and non-plan fund from its budget every year through P.L. Accounts awaiting adjustment by proper utilization at their level, which needs to be properly reflected both in the Budget documents and Accounts.

14.5 The State Government is ready for customization of IT Systems with the proposed transition in Accounting, as a fully computerized Treasury System already exists. Further, the Government of Assam is now implementing on line budgeting under IGFMIS and incorporation of the revised Heads in Budget will be made from the year recommended.

14.6 Regarding implementation as proposed in the recommendation from financial year 2013-14, State Government is initiating its preliminary process to incorporate it in the existing formats for Demands of Grants from the year recommended, provided the Accountant General furnishes the required budgetary figures for the preceding two years in the revised classification dummy formats.

14.7 The Government of Assam has already organized seminar on the Revised Classification amongst the Heads of Departments, Financial Advisers and Finance Officers and such seminars for other officers including district level officers are planned under the Director of Accounts and Treasuries. A separate Cell for implementation of the scheme has been constituted under Finance Department.

14.8 **A software named, Comprehensive Treasury Management Information System (CTMIS) has been designed and implemented since 2006. At present the CTMIS has captured all receipts and expenditures, but budget check and balance have not been implemented till to-day. A module named, Head Office module was designed as a part of CTMIS for preparation of State budget and controlling the expenditure thereof. But the module is kept in abeyance for implementation as the module is integrated with IGFMIS which is almost ready for implementation.**

14.9 **CTMIS is a centralized system and all the transactions both receipts and expenditures occurring in the treasuries across the State are managed from the central server. From 2006 both the receipts and disbursements accounts of the State are controlled through CTMIS.**

14.10 **With implementation of CTMIS at Treasury level the Treasuries are fully dependent on IT. Various IT infrastructures have already been provided to Treasuries but due to lack of building infrastructure these equipments are prone to security risks. Necessary arrangement is to be undertaken for upgradation of the treasury building to secure compliance as per IT norms.**

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Chapter-15

Public Sector Enterprises- Reform & Restructuring

Paragraph 6 (ix) of the Terms of Reference requires the 14th Finance Commission to examine the need to make Public Sector Enterprises competitive and market oriented; listing of disinvestment; and relinquishing of non-priority enterprises.

Concept on State PSUs and present scenario of State PSUs:

15.1 The State of Assam even after independence, in spite of abundance and richness in natural resources, remained far behind other States of India in the field of industrialization. Industries like tea, plywood etc. mostly with the private sector had little impact in socio-economical development of the State. Industries like petroleum, coal, paper, fertilizer etc. which later on came up in the central sector in the State have also contributed marginally towards the industrial growth. After that, transport, warehousing, food processing, metal alloy came up in the entrepreneurial and co-operative sectors but their contribution to the State's economy was also meager.

15.2 This had necessitated setting up of industrial and other development oriented State owned enterprises in various forms for achieving the overall growth of the State economy covering a wide spectrum of activities. The State Public Sector Undertakings (PSUs) were set-up to act as an agent to carry out the activities of the Government on promotional, welfare, service sectors like – gas, petroleum, manufacturing, mining, trading, plantation, construction, services, agriculture, irrigation, veterinary, fisheries, electronics and telecommunication, social welfare etc.

15.3 At present there are 37 Public Sector Undertakings (PSUs) in Assam under the control of as many as 22 Administrative Departments. Of these 6 were registered under different Statutory Acts, 3 under Assam Co-operative Societies Act, 1949 and rest 28 enterprises were under the Companies Act, 1956. In terms of activity 10 PSUs belong to Production, 5 to Trading, 5 to Public Utility Services, 11 to Promotional, 4 to Welfare of Weaker Section and 2 to Construction and Housing sectors.

Reforms Measures / Path Finding:

15.4 During the last 10-15 years, change of world economic scenario and Government attitude encouraged the private sector to intervene in core sector or even in social sector in a big way, which made the PSUs somewhat redundant. On the other hand, various problems like shortage of capital, excess manpower, under-performance of assets, non-payment of high over dues, unprofessional outlook of the management, non-payment of long over dues to PSUs by the state Government, lack of authority and accountability in all fronts, non-compliance of statutes, non-existence of harmonious relationship between management and employees affecting work culture and unhelpful mindset etc. has crippled the PSUs making them virtually non-functional and a headache to the Government.

15.5 In pursuance of the Hon'ble Gauhati High Court order dated 03-02-2005 on a PIL case No.41 / 2003, the Committee on State Public Sector Enterprises (SPSE) constituted by the State Government examined minutely the aspects of closure / revival of PSUs and submitted its Report to the Government (Report of the Committee on SLPE on Closure / Revival of Public Enterprises of Assam on14.07.2005).

15.6 Necessary steps have been taken to increase / enforce / strengthen the accountability mechanism of the State PSUs. Public Enterprises Department of Assam as the nodal Department of PSUs took up the matter from 2003-04 and made various recommendations and adopted measures for overall development of the PSUs. The Government of Assam has introduced VRS (Voluntary Retirement Scheme) and before taking up PSU reform under ADB, 2296 number of employees were released on different Voluntary Retirement Schemes (VRS) at a cost of Rs.97.13 crore. Further steps have been taken to introduce the MoU (Memorandum of Understanding) system with 8 PSUs during 2006-07 on selective basis for further improvement of their health with delegation of some authority with accountability.

15.7 For overall development of the state PSUs the State Government had taken a total reform policy package under AGPRMP for closure, restructuring, disinvestment, social safety net, corporate governance and accountability with the financial help of ADB. Under ADB funded PSU reforms, 6062 number of employees of 14 unviable PSUs and 2 industrial Units of ASIDC Ltd have been released on Revised Voluntary Retirement Schemes dated 15.02.2006.

Performance of Present State PSUs:

15.8 Out of 37 operating PSUs upto 2011-12, most of them have their provisional / estimated accounts prepared almost upto 2011-12, 9 PSUs have adopted their accounts in Annual General Meeting upto 2011-12 and 17 PSUs adopted upto 2010-11 and rest adopted upto different years. About 5 PSUs are in default in finalisation of accounts by more than 20 years, 7 PSUs are in arrears by more than 10 years. During last few years 8 PSUs updated their accounts ranging from 6 years to 12 years.

15.9 The total capital investment in all 38 PSUs as on 31-03-2012 was Rs.6570 crore of which Rs.1420 crore was the paid-up equity capital mostly contributed by the State Government and the total Government investment was Rs.5541 crore. 30 numbers of enterprises made a business turnover of Rs.3805 crore during the year 2011-12. Remarkably, 16 PSUs were reported to have made net profit of about Rs.64 crore, the accumulated loss was sustained by 20 PSUs of Rs.3069 crore which was about 47% over the capital investment and 216% over the equity capital as of 2011-12 meaning that entire equity capital have been eroded. The PSUs, however, contributed Rs.110 crore to the State Exchequer during 2011-12. These enterprises however employed 36,363 numbers of employees in the pay roll till 2011-12.

15.10 Over 70% of the State's population lives in rural areas including interior hilly areas with limited access to transportation. Emphasis is now being laid on plying buses in the rural and remote villages in interior areas where railways network/other connectivity is absent. ASTC has always been striving hard to provide transport services to the people in an efficient manner. The revenue generation from ASTC's own buses has been increasing over the years, but due to increased cost of essential inputs, operation of large number of small segment commercial vehicles on roads throughout the State, enhancement of pay to the employees, introduction of intercity trains and local trains in the recent past by Railways, etc are attributing towards the increase in revenue gap.

15.11 There has been a steep increase of demand of power in the last 3-4 years in the state of Assam. In Guwahati alone in the past five years, there has been a threefold increase in demand of power. Until a couple of years back, only 16% rural households were electrified, but as per the National Electricity Policy, steps have been undertaken to electrify every household of Assam by the year 2012. As such, there has been a great increase in demand for power in the rural as well as urban areas in recent times.

15.12 Also with the increased development and economic activities in the last few years and this year, Assam has been experiencing an average peak demand for power to the tune of 1200 MW. This is more than 2(two) times what it was five years ago. To tide over this growing demand no major power generation would be commissioned till this year. That is why the demand and supply availability gap is widening.

15.13 Till now, Assam is mainly dependent on hydro generations. This is about 60% of the total existing availability. Most of these hydro generators are sourced through Run-on-River (RoR) which are solely dependent on the rainfall in the respective catchments areas. It was expected that these hydro generators would pick upto 100% of its capacity during this monsoon; but this year due to insufficient rainfall below normal value in its respective areas they are yet to gear up. Also, the gas based thermal power stations are generating far below their full capacity due to inadequate supply of gas etc. Under this situation, at present, Assam is receiving less than 500 MW from the CSGS during peak hours as against allocation of 777 MW. The total availability of power at present is around 800 MW including State’s own generations of about 260 MW. Assam Power Distribution Company (APDCL) is making efforts to minimize this 400 MW deficit by procuring 100-150 MW from the open market at a much higher rate than the normal rate of procurement by the Company.

15.14 Efforts are also being made to enhance the percentage allocation of power to Assam from unallocated source in the Eastern Region. Two Central Sector projects namely 726 MW Palatana Power Project of ONGC in Tripura and 750 MW Bongaigaon Thermal Power Station of NTPC at Bongaigaon will be partially commissioned in the year 2013. This would enhance allocation of additional 250 MW to Assam.

15.15 The high failure rate of distribution transformers (DTRs) is one of the main challenges in the electricity distribution network. Transformer failures result in loss of potential revenue, interruption in supply and reduction of customer satisfaction, increase of cost towards repairs and replacement. As against about 25,000 DTRs, the failure rate is 18%.

15.16 The above financial data gives a gloomy picture on the performance of the State PSUs. This has happened as most of the PSUs are implementing the Government schemes / programmes etc and are functioning as Government departments under the regime of protected environment. As a result, majority of the enterprises lack the commercial character and have become unfit to perform satisfactorily in the present day of competitive age under the liberalized economy and failed to achieve efficiency and productivity from the assets created.

Reform Initiative:

15.17 For overall development of the state PSUs the Government has implemented a total reform policy package for closure, restructuring, disinvestment, social safety net, corporate governance & accountability, capacity building under financial assistance from ADB, State budget, Govt. of India's non-financial assistance etc. Initiating reform process, the Public Enterprises Department as a nodal Department have taken the following steps for implementation under the Asian Development Bank (ADB) funded Assam Governance & Public Resources Management Programme (AGPRMP) for State PSUs:-

1. A revised VRS policy dated 15-02-2006 was introduced applicable to all PSUs whether to be closed or revived.

2. A policy direction was issued for appointment of a custodian of properties of the closed PSUs.

3. A policy guidelines for disposal of assets of the closed PSUs was issued.

4. A Social Safety Net Programme for implementation of its non-financial component for the employees of the State PSUs availing VRS was notified.

5. A Task Force was notified under the chairmanship of the Chief Secretary, Assam with the mandate of deciding further closure / revival of PSUs, disposal of assets of closed PSUs, finalisation of accounts, monitoring of disbursement of VRS dues released to close PSUs, legal winding up process, training of VRS goers for self rehabilitation etc.

6. An Asset Management Cell was created at AIDC Ltd. for execution of field level works to look after the assets and its disposal of the closed PSUs under control and supervision of the Task Force.

7. Under the AGPRMP, 14 unviable PSUs and 2 industrial Units of ASIDC Ltd. have been closed during 2005-06 to 2010-11 with the cost of closure of Rs.615 crore approved by the Cabinet of which the State Government has released Rs.449.20 crore to the closed PSUs for payment of VRS etc of 6,062 numbers of employees under VRS and other liabilities. A few VRS goers were also provided skill development vocational training at ITI, Guwahati free of cost for their self rehabilitation under SSN Programme. The Department further notified on 7th June, 2011 for closing down three inoperative PSUs under the administrative control of the Co-operation Department and release of funds for payment of employees liabilities are in process**.** Apart from that, the long pending outstanding secured loans have been settled by the Government under OTS, an amount of Rs.1250 crore being the special financial assistance from ADB was provided to ASEB for strengthening and improvement of its infrastructure under Power Sector Reform and this is continuing.

15.18 The State Government further notified vide Public Enterprises Department's Notification No.PE.66/2010/156 on 7th June, 2011 for closing down three inoperative PSUs under the administrative control of the Co-operation Department. The requirement of fund of Rs.69.80 crore is indicated below.

Requirement of fund

(Rs. in crore)

Sl	Name of PSE	Estimated Cost of closure
1	Swahid Kushal Knowar Samabai Sutakol Ltd	26.68
2	Nagaon Cooperative Sugar Mill Ltd	24.67
3	Assam Cooperative Spining Mill Ltd	18.45
	Total	**69.80**

After implementation of VRS, MoU and other reform measures as per ADB terms, it was expected to improve the health of the state PSUs.

Other Measures Initiated:

15.19 With a view to improving the performance of the existing PSUs, the Public Enterprises Department of Assam took up the following steps:

1. Three Selected Institutional Consultants for eleven PSUs during the year 2010-11 were entrusted to study and recommend the enterprise-wise draft format of Memorandum of Understanding to be executed between the PSU and their Administrative Department and to study & suggest on the Training Need Analysis etc. Based on the consultants' reports 7 MoUs have been executed with their respective Administrative Departments and rest will be executed shortly. During 2012-13 funds have been drawn for the same study by the same consultants with additional one for conducting study for 16 more PSUs and is expected to complete their study within 2013-14.

2. The State PSUs have been categorised as A, B, C based on which the revised pay bands to the employees of the PSUs was notified on 6th & 7th June, 2011 for implementation. This has motivated the employees to work hard for positive contribution to their organisation as well as to the State.

3. The Task Force recommended transfer & disposal of land of Statfed to Guwahati Bio-Technology Park Society.

4. During last few years, the Public Investment Board approved enhancement of capital base of AIDC Ltd, Gas Transportation project by DNP Ltd. to NRL with their shareholding, enhancement of equity in the revised project of PAGCL's Namrup Replacement Power Plan, Integrated project of 500 TPD Methanol and 200 TPD Acetic Acid Plant of Assam Petrochemicals Ltd with 49% equity holding by OIL, CNG project of Assam Gas Company Ltd., Food Park by AIDC in PPP mode, setting up of two Cement plants under JVC by AMDC with two private parties are of importance to mention here.

5. Public Enterprises Department has taken up a few new financial incentive schemes like – IT Infrastructure Support Scheme to the PSUs, ISO Certification to PSU; introduction of proper safety measures in work place to reduce occupational hazards enabling discharge of quality services by the workforce of PSUs.

6. A number of Workshops / Training programmes have been undertaken during last few years on various subject matters like – Management Information System & MoU, Finalization of Accounts, Corporate Governance & Statutory Compliance, Compliance of Accounting & Auditing Standard, Compliance of Secretarial Standard, Executive Development Program, MoU, Human Resource Development, Working on Tally, Leadership training, Corporate Compliance and Legal Formalities etc. in collaboration with the Department of Public Enterprises - GoI, Institute of Corporate Affairs, Institute of Chartered Accountants of India, Institute of Company Secretaries of India, Institute of Public Enterprise, Centre for Organization Development, Assam Institute of Management, IIM-Bangalore, IIBM- Guwahati, RGIIM- Shillong etc. to upgrade the knowledge base of the Board of Directors / CEOs / MDs / other senior officers / Staff members of the PSUs.

7. A Workshop on Performance Management System and Performance Related Pay was held 9th September, 2011 in collaboration with the Department of Public Enterprises, Government of India for the benefit of the Administrative Departments as well as all State PSUs.

8. A Conference was held on 16-08-2010 in presence of all stakeholders of the State PSUs on Management Information System for online feeding of information by PSUs to Department of Public Enterprises, Govt. of India.

9. A scheme on capacity building was taken up in 2012-13 to provide financial and professional assistance to the employees of the State PSUs.

10. State Awards to best performing PSUs was presented in order to motivate to achieve better performance.

11. Another Workshop with the 4 revived Central PSUs in collaboration with the DPE, GoI was held to have the first hand knowledge and sharing of experiences by the CEOs / MDs of the State PSUs.

12. Pilot Study conducted on challenges in implementation of Performance Management System and Performance Related Pay in Assam Gas Company Ltd. and Assam Petrochemicals Ltd. through the Business Administration Department of the Tezpur University.

New Initiative:

15.20 The existing PSUs need further injection of fresh capital to make them self-sustaining, competitive and to be market oriented. A list on PSU-wise fund requirement amounting to Rs. 988.50 crore is indicated below.

Statement on Assessment of Fund Requirement by State PSUs for revival and market friendly.

Sl.	Name of PSU	Fund Requirement (Rs.in crore)	Purpose
1	Assam State Transport Corporation	36.00	To support Non-plan fund.
2	Assam Urban Water Supply & Sewerage Board	00.44	To wipe out Accumulated Loss.
3	Assam Government Marketing Corporation Ltd.	1.51 10.00	To invest as equity share Capital. To invest in Handloom & Handicraft sector.
4	Assam State Warehousing Corporation	50.00 10.00	To build up 4 Cold Storage. To implement VRS.
5	Assam Plains Tribes Development Corporation Ltd.	23.06	To wipe out Accumulated Loss.
6	Assam State Development Corporation for OBC Ltd.	7.87	To wipe out Accumulated Loss.
	Assam State Development Corporation for SC Ltd.	21.06	To wipe out Accumulated Loss.
8	Assam Minorities Development & Finance Corporation Ltd.	1.36	To wipe out Accumulated Loss.
9	Assam Industrial Development Corporation Ltd.	120.61	To wipe out Accumulated Loss.
10	Assam Hills Small Industrial Development Corporation Ltd.	14.23 3.00 5.00	To wipe out Accumulated Loss. To implement VRS. To invest in new projects and for Working Capital for

			projects.
11	Assam State Film Finance & Development Corporation Ltd.	10.00 10.00	For Corpus Fund to produce Film. To complete development works.
12	Assam Seeds Corporation Ltd.	19.76 5.00	To wipe out Accumulated Loss. To implement VRS.
13	Assam Livestock & Poultry Corporation Ltd.	4.11 5.00	To wipe out Accumulated Loss. For project completion.
14	Assam Fisheries Development Corporation Ltd.	5.00	To improve performance.
15	Assam Electronics Development Corporation Ltd.	20.00	For investment as Equity.
16	Assam Tea Corporation Ltd.	297.05	To wipe out Accumulated Loss.
17	Ashok Paper Mills Ltd.	68.50	To wipe out Accumulated Loss.
18	Assam Petrochemicals Ltd.	140.00	To invest as project equity.
19	Assam State Fertilisers & Chemicals Ltd.	7.35	To wipe out Accumulated Loss.
20	Assam Plantation Crops Development Corporation Ltd.	10.06	To wipe out Accumulated Loss.
21	Assam State Textbook Production & Publication Corporation Ltd.	2.00	As working capital.
22	Assam Minerals Development Corporation Ltd.	6.41	To wipe out Accumulated Loss.
23	Assam Polyester Co-operative Society Ltd.	25.83 22.00	To wipe out Accumulated Loss. To implement VRS.
24	Assam State Housing Board	26.29	To wipe out Accumulated Loss.
	T O T A L	**988.50**	

Consequent upon the closure of so many PSUs, performance and management of rest of the enterprises had improved a lot. This was vivid from their profitability, although provisional; during 2005-06 as many as 10 PSUs have shown business profit against 3-4 enterprises that earned profits till 2002-03. The profit making enterprises was further increased to 16 PSUs amounting to Rs.92 crore during 2011-12.

Re-look on Revival Approach

15.21 However, the reform in State PSUs depend on improvement of efficient & effective management, work culture, change of mindset of the people managing the affairs of the enterprises attuning themselves to the interest of the enterprise to achieve the goals set. Experiences on revival of State PSUs through privatization / sale out / leased out were, however, not very encouraging. Some of the private business houses to whom a few enterprises were handed over on lease etc. failed to run the enterprises and left as a fly-by-night operator. This had vitiated the reform process taken up so far. The best examples are the Ashok Paper Mills (Assam) Ltd (APM), the Assam Co-operative Sugar Mills Ltd, and the Assam State Textile Corporation Ltd. The Assam Syntex Ltd leased out with an aim for privatisation failed misearably and the Government had to close down all three PSUs except the APM Ltd. The Assam Polytex Ltd fully privatized long back is still under lock-and-key. As such, revival of PSUs through full or partial privatisation may not be the only prescription to remove the ill health of the PSUs. So, revival approach may have a re-look in a new perspective by all concerned agencies at the level of State as well as Central Government.

Power Sector Reform

15.22 Power is a critical infrastructure for economic growth. Before its unbundling Assam State Electricity Board (hereafter ASEB) was the sole agency to generate, transmit and distribute electricity to the entire state of Assam. ASEB was created in 1958 under the Electricity (Supply) Act 1948. Power sector reforms were initiated in the country in the year 1991 enabling private sector investment in Generation to begin with. State Governments also followed up by reforming State owned utilities. Orissa was the first State to implement comprehensive reforms by unbundling Orissa State Electricity Board. The electricity Regulatory Commissions Act, 1998 enabled constitution of regulatory commissions by Central and State Governments. Further thrust was given to the power sector with the enactment of the Electricity Act 2003. In Assam, the State Regulatory Commission of Assam was set up in May 2001.

In tune with Power Reforms and Restructuring process Government of Assam and ASEB had undertaken the following steps

1. MOU signed with GOI on Power reforms in Feb 2001.
2. Tripartite Agreement signed between GOI, ADB & GOA in Dec 2003.
3. Unbundling of ASEB into five different companies in December, 2003 viz, Generation, Transmission, and Distribution which are as follows.

- Lower Assam Electricity Distribution Company Ltd (LAEDCL)
- Upper Assam Electricity Distribution Company Ltd (UAEDCL)
- Central Assam Electricity Distribution Company Ltd (CAEDCL)
- Assam Power Generation Company Ltd (APGCL)
- Assam Electricity Grid Corporation Ltd (AEGCL)

On 13th May, 2009, Government of Assam vide notification No. PEL.41/2006/199 transferred, vested the functions, properties, interests, rights, obligations and liabilities of UAEDCL and CAEDCL along with the personnel of the said companies into LAEDCL w.e.f. 1st April 2009. The name ‘Lower Assam Electricity Distribution Company Ltd.’ was changed to ‘Assam Power Distribution Company Ltd.’ vide notification SRN A71221971 dated 23/10/2009 of Registrar of Companies, Assam, Tripura, Manipur, Nagaland, Meghalaya, Arunachal Pradesh and Mizoram.

The 14th Finance Commission is requested to provide Rs.1052.30 crore for reform and restructuring of State PSUs including liquidation of closure liabilities.

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Chapter-16

Cost Disabilities

16.1 The state of Assam being situated at the Eastern most boundary of the Country, it faces the disadvantage of cost disability particularly in –

1) Distance from the market,
2) Procurement of building materials.
3) Procurement of machinery etc.

16.2 In Education sector, the State also faces disadvantages in procurement of Laboratory Equipment, Books and Journals in addition to the other disadvantages.

16.3 In Assam consumption of Electricity is at par with other consumer and there is no concession for Education Institutions & for this reason the per capita expenditure in Secondary Education is higher than some other states situated in the country. The state has to pay for transport component in every item which is not faced by other states like- Uttar Pradesh, Delhi, Rajasthan, Haryana etc.

16.4 The Gross Enrolment Ratio (GER) for Class IX and X for the State of Assam is 52.3% which is far below the National average.

16.5 In Madrassa Education, Assam has some identical cost disabilities for quantifiable measurement of various levels like the distribution of Bicycle, ARBAS, Scholarship etc.

16.6 From the past experience, it is seen that in some particular areas like Hilly areas, Char areas, Remote areas having bad road connectivity, the unit cost which is generally considered for preparing the plan and estimates becomes low. A separate set of estimation with higher unit cost for those areas is needed to be considered.

16.7 Further, Govt. of Assam is also providing free Text book to all the students from Class-I to VIII. During the last few years there is a trend of frequent rise of prices of materials. Due to increase in prices of printing paper, printing cost, binding cost etc. it becomes difficult to achieve the original physical target with the estimated unit cost. Under this circumstance, enhancement of unit cost in proportion to the rise of market price needs to be considered.

16.8 In the Health Sector, schemes taken up during last Finance Commission are being implemented and it has become possible to provide better health care services to people in both rural and urban areas. In spite of several measures taken on health care delivery system, there is still shortage of facilities in some specific areas like-

(a) Lack of Intensive Care Units in the district hospitals is a serious disability. Patients from far flung areas have to be rushed to Medical College Hospitals or nearby nursing homes involving huge financial burden. In the first phase, it is proposed to provide ICU apparatus for six (6) bedded IC Units & training staff for atleast 25 districts @Rs.50.00 Lakhs per District Hospitals.

(b) Each district hospital requires one Emergency ward with necessary equipments and trained personnel.

16.9 In Assam, initially there were three Medical Colleges located at Dibrugarh, Guwahati and Silchar established in 1947, 1960 and 1968 respectively. After 4 decades of its establishment, it is obvious that the buildings have been worn out and requires proper renovation. 4 (four) new Medical Colleges at Jorhat, Barpeta, Tezpur & Diphu are coming up in the State. A huge amount will be required to complete the buildings and making it functional.

16.10 **In other words to say, North East as a whole has the main cost disability in respect of distance from market. In this regard the Look East initiatives relating to transportation & communication linkages to the rest of India through Bangladesh are very crucial. Development policies for the N.E. must be based on a close examination of this disability created by the partition of the country. Distance from market & raw materials implies that incentives to compensate for this natural disadvantage should be devised. Multifarious security problems overshadow everything else in the North East and the 14th Finance Commission is requested to delve into this problem as a**

whole. As the methodology for measurement of cost disability is a technical matter, recommendations of Dr. Govinda Rao Committee may be accepted.

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Chapter-17

Pricing Policy of Public Utility Services

The Para 6 (viii) of Terms of Reference of 14th Finance Commission require the Commission to have regard to – the need for insulating the pricing of public utility services like drinking water, irrigation, power and public transport from policy fluctuations through statutory provisions.

17.1 The 14th Finance Commission in the Terms of Reference has for the first time included the need for insulating the pricing of public utility services like drinking water, irrigation, power and public transport from policy fluctuations, through statutory provisions. Many have interpreted this as a positive move to partially ring-fence public finance, which at present depends on the whim of the Government. It implies that the present proposal will insulate public finance from political economy.

(a) Transport Department:

17.2 The two major components that affect the public utility services relating to the Transport Department are fare and freight. Fares are meant for commercial vehicles (passenger only) and freight charges are meant for Goods Carriage Vehicles. The fare & freight for commercial vehicles are worked out on the basis of prevailing prices based on parameters such as – 1) fuel, 2) lubricants, 3) spare parts of motor vehicles, 4) tyres etc and after working out the same, the State Government ratifies the fare & freight structure accordingly. The last fare structure was notified on 07/11/2011.

(a) Assam State Transport Corporation (ASTC):

17.3 The Road Transport Corporation Act, 1950 has been extended to the State of Assam with effect from 10th March, 1970 and Assam State Road Transport Corporation was constituted by the Government of Assam under this Act, which took over the management of the departmental undertaking “State Transport, Assam” with effect from 31st March, 1970. ASTC is a corporate body and the main function and objective of ASTC is to provide efficient, adequate, economical and properly coordinated system of road transport services in the State. Since inception this Corporation has been playing a major role in the passenger transportation sector in north east India.

17.4 The Corporation has been incurring losses since its inception mainly because the cost of inputs outweigh the revenue. Source of revenue is mainly from the fare structure notified by the State Government from time to time, which is normally revised after a gap of a number of years. Fare structure was revised on 21.12.2004, 27.09.2010 and on 18.10.2012.

17.5 Though the cost of all inputs increases round the year, mainly HSD/lubricants, the Corporation has to depend upon the State Government to revise its fare structure and as a result the revenue gap of the Corporation goes on increasing which adversely affects its functioning.

17.6 Private buses hardly run in rural areas due to high cost of service. ASTC has to provide transportation services as an essential public utility service in the rural areas in spite of the fact that service delivery in rural areas does not fetch profit. Though steps have been taken to mobilize its resources by diversifying its activities still the revenue generated is far short of covering expenditure. The bus-driver ratio comes down to 1:1.4 and bus-staff ratio also comes down to 1:2.8. In spite of improvement of performance of ASTC, the gap between receipts and operating cost continue to persist. It is clear from the Table below:

Table-17.1

(Rs. in crore)

Year	Receipts	Operating Cost	Revenue Loss
2011-12	59.73	85.57	25.84
2012-13	64.94	95.37	30.43
2013-14	89.62	116.93	27.31

17.7 To insulate the Corporation from the impact of frequent rise in cost of inputs, statutory provisions need to be incorporated in the relevant Act to empower the Corporation to fix its fares for different services vis-à-vis the proportionate increase in the cost of inputs without waiting for the State Government’s approval so that it functions smoothly and provides efficient services to the general commuters. Else, the State

Government should take upon itself to provide subsidy for meeting the entire annual revenue gap of the Corporation through Non-Plan provision in the State Budget.

17.8 The potential of river transport provided by the system of numerous rivers in the State has not been realized to any significant level. Although the Brahmaputra and the Barak rivers were declared as National water ways nothing substantial has been done to improve the facilities required for fast, safe and twenty four hours a day type of navigation and transport.

(b) Power Sector:

17.9 Assam State Electricity Board was set up in 1958 in terms of the provision of Indian Electricity Act 1948 under undivided Assam. In pursuance of the Electricity Act 2003, the ASEB has been restructured and unbundled into five companies, namely, (a) Assam Power Generation Corporation Limited (APGCL), (b) Assam Electricity Grid Corporation Limited (AEGCL), (c) Lower Assam Distribution Company Limited (LADCL), (d) Central Assam Distribution Company Limited (e) Upper Assam Distribution Company Limited (UADCL). Later on the three distribution companies have become one with effect from October, 2009 and renamed as Assam Power Distribution Company Limited (APDCL).

Assam Power Distribution Company Ltd. (APDCL):

17.10 In the recent past, the cost of generating electricity has gone up many folds due to unprecedented rise in prices of natural gas, coal, furnace oil etc- the fuel of the Power Stations. Moreover, the cost of fuel mainly oil and natural gas is also linked to cost of fuel in international market. But it is not possible to raise the tariff immediately corresponding to the rise of generating cost due to:

(i) Procedural formalities to be adopted for proposing the tariff hike to AERC for approval.
(ii) Frequent tariff hike also leads to public discontentment.
(iii) Gap in tariff adversely affects the financial health of the utility

The gap of resources of power sector of three companies is indicated below.

Table-17.2

(Rs. in crore)

Year	Receipts	Operating Cost	Revenue Loss
2011-12	2389.67	2628.40	238.73
2012-13	2630.36	2700.42	70.06
2013-14	2897.64	3072.59	174.95

(c) Drinking Water Supply:

17.11 There is no statutory provision for collection of taxes for supply of water by PHE Department in rural areas. However, the bye-law framed in the year 1995 for the Users' Level Committee, allows the committee to collect the tariff from users in accordance to the affordability of the consumer within the command area of the scheme, keeping a minimum of Rs.50/- per house connection per month. The collected tariff is accounted for and utilized by the committee itself. In such case, the rate of monthly tariff varies in proportion to the actual operation and maintenance cost as well as the number of house connection provided from any particular scheme. The tariff fixed thereof by the committee is not in accordance with Government Policy. Wide gap between receipts and maintenance and operating cost is indicated below:

Table-17.3

(Rs. in crore)

Year	Receipts	Maintenance Cost	Gap
2011-12	0.60	40.24	39.64
2012-13	0.71	72.00	71.29
2013-14	0.78	99.00	98.22

(d) Irrigation Sector:

17.12 Pricing of public utility services like Irrigation through statutory provision in State is aimed to generate the amount towards cost of operation and maintenance of irrigation works which are developed by the State Govt.

17.13 The Assam Irrigation Act 1983 and the Assam Irrigation Water Users Act 2005 in place envisage the stipulated provisions and mechanisms to collect levy from the beneficiaries of the Government irrigation works. But realization of fees from delivery of irrigation services is very low. As a result, there is huge gap between receipts and expenditure, which is indicated below.

Table-17.4

(Rs. in crore)

Year	Receipts	Maintenance Cost	Gap
2011-12	0.61	367.28	366.67
2012-13	0.88	516.38	515.50
2013-14	0.96	495.00	494.04

17.14 The Government of Assam is in favour of gradual annual increase in user charges/fees to reduce losses incurred in providing public utility services. The fixation of pricing of public utility services should be through a mechanism of Regulatory Authorities. Additional costs due to factors like inefficiency, wastage etc. should not be allowed to be included in pricing and thrust on the consumers. Capacity of the poor sections of society to avail of such services must also be kept in mind. The Finance Commission may also consider the issue of funding associated with the creation of new Regulatory Commission for their infrastructure creation and manpower compensation and of refurbishing and strengthening the already existing Regulatory Commissions like the AERC.

17.15 The Government of Assam is in favour of gradual annual increase in user charges/fees to reduce losses of public utility services. The fixation of pricing of public utility services should be through a mechanism of Regulatory Authorities. Additional costs due to factors like inefficiency, wastage etc. should not be allowed to be included in pricing and thrust on the consumers. Capacity of the poor sections of the society to avail of such services must also be kept in mind.

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Chapter-18

State Specific Needs

18.1 Modernization and Up gradation of Administration is one of the most important aspects of the governance issues, particularly, in a state like Assam. Moreover, due to peculiar geographical location and having international border totaling 532 kms with Bangladesh and Bhutan, the State has to face various critical problems which need to be addressed on a priority basis in a time bound manner. In the following paragraphs we shall highlight the urgent needs for Modernization and Upgradation of Administration as well as tackling some Special Problems requesting the 14th Finance Commission to give special attention for addressing these issues.

JUDICIAL ADMINISTRATION AND FAST TRACK COURTS

18.2 An efficient Judicial Administration is essential for speedy trial of the pending court cases. But in recent years the number of cases pending in the Gauhati High Court and the Subordinate Courts have been mounting due to shortage of sufficient number of Judges and subordinate staff. Going by the available pendency figure in the respective districts, the Hon'ble High Court has proposed for establishment of 14 (fourteen) Fast Track Courts in the State of Assam to deal with cases relating to sexual offences and crime against women.

In view of above, the Government of Assam has urged upon the Fourteenth Finance Commission to consider an amount of Rs.500 crore in view of taking up the following activities:

(a) Strengthening state Judicial Academy	Rs 371 crore
(b) Setting up of 14 Nos fast Track Courts	Rs 121 crore
(c) Introduction of ICT Infrastructure in newly created / established Court Complexes	Rs 8 crore
TOTAL	**Rs 500 crore**

POLICE & JAIL ADMINISTRATION:

18.3 While fighting terrorism and insurgency remains as one of the most important functions of the state police force, ethnic tension, communal strife and rising urban crimes have also engaged its sufficient attention and resources. During the last few years, the most disquieting trend has been the growing nexus between the insurgent groups and fundamentalist forces. It is requested to focus on improving the condition of police stations and buildings, facilities for training and capacity buildings and its weaponry. Many Police Stations and Outposts are housed either in rented or in dilapidated accommodations. The present housing infrastructure is not sufficient for the lower subordinate staff of the state police. Besides, introduction of IT, strengthening of VIP security related hardware, integrating FSL services to crime investigation, state of the art communication capabilities etc. are some of the other areas in need of immediate improvement. State of Assam also requires immediate upgradation of jail administration including improvement of the infrastructure of the jails in the State with more accommodation facilities, for which an amount of **Rs.400 crore** is required.

Taking all these into account, the State government requests the 14th Finance commission to provide a Special Grant amounting to Rs 4500 crore to Assam for up gradation of Police administration in the state.

FORENSIC SCIENCE:

18.4 The Directorate of Forensic Science, Assam is to be upgraded in terms of operational efficiency, qualitative and quantitative improvement besides its infrastructure in view of emerging trend of various types of crimes including terrorists' activities in the state. The thrust areas, in which the laboratory needs improvement has been identified based upon the available infrastructure, number of divisions, creation of Hi Tech new Divisions and establishment of Regional Forensic Laboratory and District Forensic Laboratory, disposal of cases and crime pattern of the state.

In view of upgrading the present infrastructure of the Forensic Science Laboratory, the 14th Finance Commission is requested to recommend a special grant amounting to Rs 100 crore.

BORDER AREA DEVELOPMENT PROGRAMME:

18.5 Assam has a long and difficult border totalling 532 Km of which 263 Km is shared with Bangladesh and 269 Km. with Bhutan. Apart from the International border, the inter-state borders with the neighboring states of Nagaland, Meghalaya, Arunachal Pradesh, Mizoram, Manipur and Tripura all have their own problems, requiring establishment and maintenance of Border Out Posts (BOP) at considerable cost. Constant vigilance has to be maintained against incursions by subversive elements and for the protection of forests along the borders. The main problems relating to the international border are - illegal infiltration of foreign nationals, smuggling of goods, and traffic of insurgents, terrorists and weapons. All these have a serious impact on the expenditures pattern of the state. The forest areas are extremely underdeveloped in terms of basic facilities like roads and bridges, water supply and sanitation, electricity etc. As the basic needs of the people of these areas are not met, these areas have become fertile ground for recruitment by the extremist groups. Certain sections of inhabitants also got alienated from the state because of lack of development in the state border areas. The security people engaged for protection of national wealth and to maintain law and order in the areas are also finding it difficult to patrol in the areas and the extremists /anti-social elements due to lack of appropriate road connectivity.

In view of above, Government of Assam would urge upon the 14th Finance Commission to recommend a Special Grant amounting Rs.511 crore to Assam so as to address the above mentioned Border Area issues.

IMPROVEMENT IN REVENUE ADMINISTRATION

18.6 Revenue administration in the State is a basic unit of administration, which takes care of land records, transfer of lands, its classification and appropriate use. The circle level offices are the basic units of revenue administration. However, they require special attention in terms of improvement in physical infrastructure and adoption of new technological tools to create a transparent, reliable and people friendly environment. It is proposed that an amount of **Rs.250 crore** may be recommended for this purpose.

RIVERFRONT PROTECTION AND DEVELOPMENT OF GUWAHATI AND OTHER TOWNS OF ASSAM

18.7 Guwahati city has been blessed by nature with one of the most beautiful riverfront with neighbouring hills, historic temples like Kamakhya and Umananda alongside Brahmaputra river. However, this riverfront has not been developed and beautified. The riverfront is also needed to be protected in a suitable manner against the threats of floods and erosion of the river the Brahmaputra. Similarly serious erosion threats are being faced by other major towns of the State such as Dibrugarh, Jorhat (at Neamatighat), Tezpur, Dhubri etc. It is proposed to implement a project to develop and strengthen the riverfronts to protect these towns and cities and also to provide recreational facilities to the people of the city and make it a place of tourist attraction.

An amount of Rs. 1000 crore may be given as Grants-in Aid for this purpose.

PROTECTION AND CONSERVATION OF NATURAL WATER BODIES IN ASSAM INCLUDING THOSE IN AND AROUND GUWAHATI CITY

18.8 Assam has a large number of water bodies which provide important natural support to flora and fauna of the State, maintain water balance and act as flood cushions. These water bodies are also important revenue yielding fisheries. However with increase in population and urbanization these water bodies have come under increasing stress. The State Government proposes to take a major effort for protection and conservation of these water bodies.

Of late, Guwahati city has been witnessing serious flash floods and water logging due to rushing water from the neighbouring hills. The city had a large number of Natural Water Bodies which acted as reservoirs for the flood water. However, with the rapid and unplanned growth of the city, many of these Water Bodies have disappeared due to encroachment, natural siltation and earth filling by cutting the neighbouring hills. As a result flood water retaining capacity of these Water Bodies have been seriously reduced, causing flash floods and water logging in the city. Fortunately there are still a few large and small Natural Water Bodies. Many migratory birds visit the depleted Water Bodies even today.

State Government has decided to protect these Water Bodies, develop and beautify them. The State Government has already passed a Legislation for protection and restoration of the remaining existing Natural Water Bodies. Some such important Natural Water Bodies are:

1. **Silsako Beel**
2. **Bharalu and Bahini rivers.**
3. **Deepor Beel**
4. **Sarusola Beel**
5. **Borsola Beel**

Restoration of these Water Bodies to their pristine natural state will not only enhance their flood water retention capacity and save the city from the trauma of flash flood and water logging but also act as tourist attractions and recreational spots, if steps are taken for their beautification. Such a step may give Guwahati the unique destination of being a rare city having bird sanctuaries within the city. Many migratory birds visit the depleted Water Bodies even today.

An amount of Rs. 600 crore may be given as Grants-in-aid for this purpose.

AUTONOMOUS COUNCILS & DEVELOPMENT COUNCILS

18.9 As already mentioned, in addition to the three 6th Schedule Autonomous Districts, Govt. of Assam has created six more Statutory Autonomous Councils and 18 Developmental Councils to meet the aspirations of various indigenous ethnic groups, mostly tribals. However, due to financial constraints, the State Govt. has not been able to provide them adequate funds to create necessary administrative infrastructure. As a consequence of this, there is a feeling of deprivation and resentment among these communities.

An amount of Rs. 1,000 crore may kindly be given as Grants-in-Aid to upgrade the administrative infrastructure of the three 6th Schedule Autonomous Councils, the 6 Statutory Autonomous Councils and 18 Development Councils.

LOOK -EAST POLICY

18.10 With the enhancement of implementation of **"Look East Policy"** by Government of India, Assam and the North East India have assumed great significance as the only land-link between India on the one side and China (Yunnan province), Myanmar, and other East and South East Asean Nations on the other side. With the return of Democracy and Liberalization in Myanmar, China and other donor countries are helping Myanmar to upgrade its infrastructure particularly with road, rail and water-ways network. If Assam and North East has to play their role as the only land-link to China (Yunnan province) and the east and South East Asean Nations, effectively then it is imperative that infrastructure on Assam side also is upgraded to the same standard as those of the East South East Asean Nations and China.

An amount of Rs.5000 crores may be given as Grants-in-Aid for this purpose.

HOME FOR OLD PEOPLE, DESTITUTE CHILDREN, PHYSICALLY CHALLENGED PERSONS AND WORKING WOMEN HOSTELS

18.11 The social fabrics in the country, particularly in the State has been changing at a rapid pace. This has resulted in a number of social problems including isolation and loneliness of the elderly people, increasing number of destitute children and accommodation problems of the working women. The State will also like to provide the much needed supports to the physically challenged persons to integrate them with the rest of the society where they can also contribute in a meaningful and dignified way

It is, therefore, requested that Grants-in-Aid of Rs. 250 crore each, totaling Rs 1000 Crore, may please be given for construction of Old Age Homes, Orphanages and Child care, working women hostels and facilities for the physically challenged persons.

PROGRAMMES FOR UNMARRIED WOMEN

18.12 With the fragmentation of the traditional Joint Family system, there is an acute need for skill development and self-employment generation for the un-married and unemployed women, so that they can live a life of dignity with financial security. The State Government proposes to take up an appropriate programme in this line.

Finance Commission is requested to give an amount of Rs.1,000 crore for this purpose.

PROTECTION OF TRADITIONAL INDUSTRIES AND FACILITIES FOR MICRO, SMALL AND MEDIUM ENTERPRISES

18.13 With its growing population and steadily improving growth rate there is increasing scope for the development of Micro, small and medium industries in the State. The State Government is particularly keen to develop this sector to enable employment generation and movements of excess labour from agriculture to industrial activity and to enable processing of locally available agriculture, horticulture and other raw materials. This will require a major effort for infrastructure for small industry development with provision of electricity, water, properly developed sites and services. The MSMEs need special care and special packages of incentives for their growth and survival.

With the advancement of modern industry, particularly large scale import of goods from China, traditional industries of the State has faced serious challenges. Some such traditional industries are :

1. **Brass and Bell Metal works of Hajo and Sarthebari**
2. **Fire works industry of Barpeta.**
3. **Terracotta industry of Gauripur of Dhubri district.**
4. **Silk industry of Sualkuchi and other areas of Assam**
5. **Traditional Mask making industry of Majuli and other Sattras of Assam**
6. **Traditional musical instrument.**
7. **Seetal Pati (smooth and cooling bamboo nets) industry of Karimganj**

They not only provide economic sustenance to the traditional artisans, but such industries are also an important part of the cultural landscape of Assam. If timely steps are not taken, it is apprehended that they may disappear in course of time

It is, therefore, requested that a Grant of Rs. 2,000/- crore may kindly be granted for protection, promotion and development of these traditional industries and taking care of the MSMEs in general.

UPGRADATION OF AUDIT (LOCAL FUND) OF ASSAM GOVERNMENT

18.14 The Director of Audit (Local Fund) came into existence in 1919 as per Devolution Rules made by the Government of India Act, 1919 and it was brought under the direct control of the Finance Department in July, 1921. Since then the Head Office had been functioning in a rented house till January, 2005. Now Head Office is accommodated in new 'Kar Bhawan' building, Government of Assam at Dispur, Guwahati. But 20 district offices have been still functioning in private rented house since inception by spending huge Government money for payment rent from Government exchequer. Therefore, construction and completion of office building for district offices are necessary for upgradation of administration of Audit (Local Fund) and their main function is to conduct audit of Local Bodies. An amount of Rs.100 crore is required for the purpose.

ASSAM PUBLIC WORKS DEPARTMENT (ROADS/BUILDINGS)

18.15 The principal function of the Public Works Roads Department is to develop the infra-structure for transport & communications system in the State. The Department discharges its functions by constructing roads, drains and culverts and undertaking repair& maintenance activities for the same in the state.

The total length of the road network in Assam is 51878 Km. This consists of 2848 Km National Highways, 3134 Km State Highways, 4413 Km Major District Roads, 2496 Km Urban Roads, 36544 Km Rural Road and 2443 Km Project & other Non PWD Roads. Out of this, the following roads network is under maintenance of the Public Works Roads Department of Assam:

State Highways	– 3134 Km	;	Major District Roads	– 4413 Km
Urban Roads	– 1409 Km	;	Rural Roads	- 36544 Km

Although there are other sources of funding like - PMGSY, NEC, NLCPR, SARDP-NE, TSP and SCSP, etc, the normal allocation under these schemes are not sufficient in the light of activities to be taken up in the road network of Assam. Moreover, the pattern of fundings under these sources is mostly not for repair and maintenance of the existing roads. As per maintenance norms laid down by the Ministry of Road Transport and Highways, the annual requirement of fund for maintenance of roads in the state PWD is approximately Rs. 1000 crore. It is almost impossible for the state government to bear the whole burden of this expenditure. It is expected that State Government will be able to provide Rs. 100 crore on an average per year.

In view of above, the Fourteenth Finance Commission is requested to recommend maintenance grant for an amount of Rs. 4500 crore for repair& maintenance of roads and bridges of the state.

Similarly, PWD (B) is the custodian for repair & maintenance of all public buildings in the state. The total annual requirement of fund for maintenance of public buildings was worked out at **Rs. 816.24 crores** during 13th Finance Commission period. However, the actual annual average expenditure incurred for maintenance of public buildings is quite negligible against the actual requirement. As a result, many important and large official buildings of the state government have been running in a very dilapidated condition causing great concern for the state.

In view of above, 14th Finance Commission is requested to recommend a grant amounting Rs. 1000 crores for the maintenance of public buildings in the state.

TOURISM:

18.16 Tourism at present has become the fastest growing smokeless industry in the world. Tourism industry can change the development scenario of a country both economically and by addressing unemployment problem. Tourism in Assam is based on wildlife, natural beauty, various distinctive culture, variety of flora & fauna, world's largest river island Majuli with Vaisnavite culture, around 2472 lush green tea gardens, the Tai Ahom Royal ruins at Sivasagar, the mighty river Brahmaputra, the Golden Muga etc.. Assam is also blessed with several minerals especially petroleum. It has four oil refineries including Digboi oil refinery which is one of the oldest refinery in the world. To explore the potentials, adequate investments and integrated efforts from all concerned departments are necessary. Tourism Department has undertaken various steps for promotion / infrastructure development on the state, individually and jointly with private sector.

The flow of tourists both domestic and international is gradually increasing in the state as shown below:

Years	*Domestic*	*Foreigner*	*Total*	*Total (Rs.in lacs)*
2007-08	3489814	13799	3503613	95.00
2008-09	3698706	14533	3713239	103.92
2009-10	3895525	14699	3910224	131.63
2010-11	4127447	15633	4143080	143.61
2011-12	4408336	16660	4424996	184.49

Keeping in view the tremendous potential of the tourism sector in Assam, the 14th Finance Commission is urged to recommend a grant amounting to Rs 200 crore for up gradation of tourism infrastructure in Assam during the 14th FC period so as to attract more foreign and domestic tourists to the state.

AGRICULUTURE & ALLIED SECTORS

18.17 Agriculture and its allied activities play an important role for socio economic development of the state. It is the backbone of State economy & the key contributor to the state economy. It is providing livelihood to the 75% population. However 85% of farmers are small and marginal farmers with small operational holdings (1.11/Ha). It is providing employment to more than 53% of total work force. About 99% of area of total land mass of the state is rural. Food security and poverty alleviation are two major challenges of the sector to be overcome in the interest of welfare of the farming community. The State Government would like to take special care of the small and the marginal farmers to improve production and productivity. The State Government will like to introduce mechanization in Agriculture in a big way to make it cost effective and technology friendly.

Although the State Agriculture department has prioritized optimum and efficient use of available resources to enhance production and productivity, due to paucity of funds the state Government has not been able to take up some important activities for upgrading the present infrastructure of Agriculture sector up to the desired level.

There is huge potential for the Animal Husbandry & Veterinary, Dairy and Fisheries sector also in the State in terms of employment generation, GSDP growth and meeting the demand-supply gap. This requires huge dose of injection of fund.

In view of above, The 14th Finance Commission is requested to provide Grant amounting to Rs 1000 crore to Assam for the purpose of upgrading the present agriculture infrastructure in the State and for improvement in the agriculture & allied sectors.

HORTICULTURE:

18.18 Horticulture sector comprising fruits, vegetables, spices, medicinal and aromatic plants, mushroom and their value addition has become a viable option for farmers and entrepreneurs of the State to augment their income. It also generates employment opportunity to the unemployed educated youths. Assam being encompassed under one of the 14 global bio-diversity hot spots, the State is endowed with favorable agro climatic conditions that offer wide range of options for farming as well as investment in horticulture sector. However, due to fund constraints, the state Government has not been able to take up necessary activities for upgrading the sector.

In view of above, the Fourteenth Finance Commission is requested to provide a grant amounting to Rs 50 crore to Assam.

SOIL CONSERVATION:

18.19 A large geographical area of Assam is affected by different forms of soil erosion and land degradation, which not only causes loss of productivity, floods, and drought, but also environmental hazards and reduction in livelihood opportunities. In order to mitigate these problems, soil conservation measures are urgently required, so that every piece of land and rain drops are used in a scientific manner to obtain optimum productivity from it according to its potentiality. Category wise treatable wastelands in Assam are as follows:–

1. Waterlogged Area	17,213 hectares
2. Marshy / Swampy land	58,134 hectares
3. Gullied land	1,142 hectares
4. Land with or without scrub	2, 39,176 hectares
5. Land under Shifting Cultivation	7, 44,937 hectares
6. Low productivity Agricultural land (Rain fed mono cropped)	8, 20,548 hectares
Total:	10,60,602 hectares

Keeping in view the seriousness of the issue, the Government of Assam has appealed before the 14th Finance Commission to consider Grant amounting Rs 100 crore against Soil conservation sector so as to take up important activities in the state.

HANDLOOM & TEXTILES AND SERICULTURE:

18.20 Handloom provides a refreshing change of unique richness of manual skill in a world increasingly inclined to mechanization and standardization. Handloom is a precious part of generational legacy and exemplifies the richness which has been kept alive by the skilled weavers engaged in the age-old tradition of weaving. It plays a pivotal role in the rural economy in terms of its employment potential. Assam boasts of being the State having about half of the country's looms and about 25 (twenty five) lakhs people are directly or indirectly associated with weaving.

Assam Silk occupies a prestigious position in the silk map, not only in India but also in the entire world for its most beautiful textile fabrics, acclaimed as the queen of fabrics, the Muga silk. Sericulture has been practised in the state from time immemorial and the state is proud of traditionally producing Muga, Eri and Mulberry and of late, the Oak Tassar in the hill districts. Muga silk is produced in the north east states of India. Assam produces 97 % of the Muga silk and 65 % of the Eri silk, produced in India.

In view of popularizing handloom Textiles and sericulture sector of Assam in the rest of world, the 14th Finance Commission is requested to consider a Grant amounting Rs.100 crore in order to take up innovative measures in HT and S sectors.

INFORMATION TECHNOLOGY:

18.21 The Government of Assam created the Information Technology Department on 22nd August 2003 vides Notification No: AR.1/2003/65 Dated 22/08/2003 to focus its thrust on the development of ICT in the state. On creation of the Department, the Assam Electronics Development Corporation Ltd (AMTRON), a Govt. of Assam undertaking was brought under the administrative purview of this Department.

AMTRON has been given to play the role of IT Directorate. The priority set out for the IT Department is to formulate action plan on the followings:-

- Creating awareness on IT among the masses to narrow the digital divide
- Capacity building – both in govt., private sector and educational sector.
- Formulate plans for building ICT infrastructure in the State jointly with DIT, Govt. of India.
- Formulate the State ICT Policy.
- Promote and nurture entrepreneurship in the field of ICT.

However, due to financial constraints, the State Government has not been able to take up activities up to the desired level.

Hence, the 14th Finance Commissions is requested to provide Grant for an amount of Rs 50 crore to Assam for upgrading Information technology sector and spread of I.T. education.

SCIENCE & TECHNOLOGY:

18.22 The Science and Technology Department is entrusted for sustained economic development of the state through activities connected with (a) Science & Technology, (b) Harnessing of Solar, Wind, Biomass and other forms of renewable energy, (c) Investigation of sites for harnessing microhydel resources and setting up of projects of renewable energy, (d) Biogas/Biomass development, (e) Medical and Health including environmental problems,(f) Land use, land productivity and agricultural research along with environmental programmes. The Department has set up 219 Aryabhatta Centres in each of the development blocks in the State, which are acting as focal point for spreading the scientific awareness and making science education popular among the students. Assam will like to contribute to the much needed scientific pool of manpower of the nation in a significant way and grooming of the students from the high school stage in this regards is an important step. The Aryabhatta Centres are trying to achieve these objectives. The State Government is taking up schemes for setting up of a science city near Guwahati with 90% assistance of main project cost from the Government of India, Ministry of Culture. However, a major amount of fund pertaining to land acquisition, land development, construction of road, power station and water supply facilities are to be provided by the State Govt. The revenue deficit of about Rs.10 crore per year is also to be borne by the state government during the initial years till it becomes self sustaining. Under the aegis of the S&T Deptt., Guwahati Bio-Tech Park is also being developed. To make it a vibrant institution in the North-East substantial amount is required to be spent.

In view of above, the 14h FC is requested to consider at least Rs 100 crore against S&T Sector for taking up different important activities in the department.

FORESTRY AND WILDLIFE:

18.23 The forest cover in Assam as per the latest assessment by Forest Survey of India (F.S.I.) and published in State of Forest Report, 2009 is 35.30% and Forest and Tree cover of 37.33% of the Geographical area both within and outside the notified forest area. A considerable rich biodiversity has been lost in the state with denudation/ degradation of forest which are to be restored. Assam hosts approximately 3017 species of flowering plants, including 193+ species of wild orchids. At least 102 species from 75 genera are considered endemics and Assam hosts several rare and endangered species. The forest provides a wealth of non-timber products including oil yielding plants, medicinal plants, resins and gums Kutch and katha, charcoal, broom and thatching grass, roofing materials, fruits species and vegetables. The state is rich in bamboo and canes, having 42 species and 14 species respectively. Potential values of these products are quite high. Protection and conservation of the above mentioned forest resources of the state are a daunting task. There are many well equipped organized gangs having international links involved in poaching and illegal felling of trees in our reserved forests, wildlife sanctuaries and national parks. Many rhinos were killed by the poachers to take away the horns and repeated occurrence of such incidents, in spite of the best efforts of the State Government to stop such rampant killings is a disturbing factor. The state forest department is poorly equipped in terms of men, materials, equipments with latest technological capabilities and other resources to stop such poaching and illegal felling of trees. The existing infrastructure of the Forest department is grossly inadequate and requires considerable investment to improve the gloomy situation.

We request the Fourteenth Finance Commission to consider grant amounting to Rs. 500 crore to Assam for taking up different activities for preservation of different forest wealth as well as for upgaradation of the present inadequate infrastructure in the state forest Department, protection of Wildlife and Sanctuaries.

SPORTS & YOUTH WELFARE:

18.24 Apart from creating employment opportunities, it is also necessary to provide adequate facilities to the youths for sports, games and other adventure activities. There are great potential in athletics in entire North East region but due to inadequate training facilities, the performance of athletes from this region have not been consistent. The game of badminton and table tennis are very popular in North Eastern States. With their natural flair and talent, players from North East have shown great promise and good results in national sports scene for years. Youths from Assam and other states of North Eastern region are taking keen interest in mountaineering and adventure sports. Water sports has a long tradition in the North east, particularly in the state of Assam. The tradition however, has not turned into modern aquatic sports with scientific training and practice due to lack of adequate infrastructure facilities. Although Department of Sports & Youth Welfare, Assam has been endeavouring for promoting Sports & Youth Welfare activities at the grass root level, due to paucity of funds the infrastructure of games and sports in the state is still far below than the national level.

The Government of Assam has urged the 14th FC to consider Grant to the tune of Rs 300 crore in view of modernizing and upgrading the present infrastructure of games and sports in the state.

ARCHAEOLOGY AND HERITAGE CONSERVATION:

18.25 The Directorate of Archaeology, Assam is one of the most important administrative arms of the Government of Assam and looks after the protection, preservation and promotion of the glorious archaeological monuments and heritage sites of the state. The principal works of the Directorate is for Protection and preservation of ancient monuments/sites/remains of historical and Archaeological importance, Archaeological exploration and documentation of the hitherto unknown sites and their study, archaeological Excavation of explored sites, publication of Archaeological Reports, Books, Brochures, Monographs, Maps, etc.

Although the responsibility of the Archaeology Department has been increasing day by day, due to paucity of funds of the state government, the State Government has failed to take up activities to the desired level.

In view of above, 14th Finance Commission is requested to recommend Grant for an amount of Rs 100 crore to Assam so as to enable the state government for protections, preservation of archaeological sites and historical monuments scattered all over the state along with the Satras.

MUSEUM:

18.26 Management of State museums pertaining to collection, proper preservation, exposition, documentation and study of the cultural objects of this State are the main activities of this Department. Ever since its inception the Directorate of Museums, Assam, has been initiating a concerted drive for its various programmes and over the year it has been serving a varied and ever expanding audiences.

The 14th Finance Commission is urged to consider a grant amounting Rs 50 crore to the Museum sector of Assam for taking up some important activities which need to be taken up immediately.

HISTORICAL AND ANTIQUARIAN STUDIES, ASSAM

18.27 The Department of Historical and Antiquarian Studies, Assam was established in 1928 by the Government of Assam under the control and supervision of the honorary / Assistant Director for Brahmaputra Valley Division and three temporary Assistants were appointed for the First year.

Functions: – Collection, Preservation of Historical records, Documents publication of historical treaties, manuscripts, correspondences with other countries for search of historical resources are the main functions of this Department. The department has collection of 20,298 Nos. library books, 400 Nos. old volume of Journals, 2819 Nos. Manuscripts, 200 Nos. Transcripts, 16Nos. Copper plates and 45 publication in different sections. Moreover, the Ahom section is also doing research on Tai language and literature and this section has a separate collection of 240 manuscripts written in AHOM, Aiton, Khamti and Phake.

Narayani Handiqui Historical Institute: - Till 1936 the Department had no office building of its own. Late Radhakanta Handiqui donated Rs.10,000/- to construct a permanent building for this Department. This 1936 building has been named after the donor's wife as "Narayani Handiqui Historical Institute" at Panbazar, Guwahati. This Departmental building is very old. There is need of one modern reading Room for Scholars with A.C. Provision , Conference Hall, LCD Power presentation facilities, Digitization of Manuscripts and Scientific Preservation etc.
The requirements of fund are indicated below:

Sl.	Items	Amounts (Rs. in Crore)
1.	Construction of a New building	50
2.	Construction of a modern Conference Hall	50
3.	Digitization of 2819 Nos. Manuscripts	50
4.	Narayani Handiqui Historical Institute	50
	Total	**200**

STATE ARCHIVES

18.28 Records are the bedrock of administration and public life. The State Archives are responsible for scientific preservation and proper management of Government and public records which embody past experiences, socio-economic progress and the sequential codification of regulations, policies and rules. Thus, the Archives are of great utility to all Stakeholders.

The Directorate of Archives under the State Administration Department has in its possession a large volume of old records dating back to 1823. However, due to shortage of space in the existing building, proper and scientific preservation of around a lakh of valuable documents has become difficult. It is, therefore, of utmost importance that an additional building is constructed to keep the archival records for posterity.

The Government of Assam has urged the 14th Finance Commission to consider grant to the tune of **Rs.20 crore** in order to construct the additional Archives Building for preservation of valuable archival documents.

PUBLIC LIBRARY

18.29 Public Library is as important agency for dissemination of information and knowledge to the people in the society for their all round development in respect of socio-economic including cultural aspects. The concept of public library has tremendously changed due to application of Information Technology. Public Library with the implementation of Modern Technology may play a key role with the provisions necessary made available to the readers in the library. And in order to provide all the amenities for comfortable as well as convenient to the readers, the Reading Room in the library is necessary to be well equipped with all the facilities. It is, therefore, proposed to modernize the Reading Rooms of the District Libraries in the State to make the reading room comfortable. **The 14th FC is requested to provide grant of Rs.30 crore to implement the scheme in all the District Libraries successfully in the State.**

CAPACITY BUILDING:

18.30 To meet the challenges of modern administration, the State Government perceives a capacity gap and capacity building requirement in all sectors. For this purposes the State Government is encouraging setting up and development of capacity building institutions and their networking with premier institutions in India and abroad in all fields. This will require a major institutional, infrastructural, technological and capacity building investment for which we seek Finance Commission support.

The Assam Administrative Staff College (AASC), an apex training institute of Government of Assam was established in 1960. Besides acting as a pioneer institute for capacity building of government functionaries, NGO personnel, civil society organization, the AASC has been associated with the induction training programme of civil servants of a number of North Eastern States and gained the status of Regional Training Institute from Department of Personnel and Training, Government of India.

The Commission is urged to consider a Grant amounting Rs.500 crore for up gradation of the present infrastructure capacity building infrastructure including an earmarked amount of Rs.50 crore for AASC.

EDUCATION DEPARTMENT

18.31 Elementary Education has been functioning to cater to the social needs and specially to achieve the goal of UEE bringing all children of school going age into the school system as per provision of RTE Act/2009. Secondary Education is a crucial stage in the educational hierarchy as it prepares the students for higher education and also for the world of work. State's endeavor to produce employable Human Resource lies in strengthening the Secondary Education System. In line with the goal of nation building, India has been committed to providing free and compulsory education to all children. Towards this end, Indian Parliament has enacted a legislation making free and compulsory education a Right of every child in the age group 6-14 years which has come into force from 1st April, 2010. Simultaneously, efforts are being made to create a robust and vast system of higher and technical education.

The 14th Finance Commission is requested to consider Grant for an amount of Rs 1755 crore for taking up the following essential activities in Education sector of Assam:

Sl. No.	Proposals	Amount (Rs. in crore)
	Higher Education	
i.	Upgradation of Infrastructure Assam and Jorhat Engineering College	100
ii	Up gradation of Infrastructure 10 Nos polytechnics	100
iii	Upgradation of Infrastructure of Cotton College State University	50
iv	Upgradation of Infrastructure of GU/DU	100
v	Upgradation of Infrastructure of Jorhat Science College	20
vi	Upgradation of Class rooms to 270 nos provincialised Collees	270
vii	Upgradation of Infrastructure of Diphu and Halflong College	40
viii	Repaying of girls common room in all HS/HSS	100
	Elementary	
ix	Improvement of sanitation/toilet facilities at Elementary schools	100
x	Improvement of DIET	50
xi	Upgradadtion Drinking Water facilities and toilet	50
xii	Publication of text books for BPL,SC/ST	50
xiii	Upgradation of desk bench and procurement of TLM	200
xiv	Improvement of Primary school Library	50

	Secondary	
xv	Improvement of infrastructure of HSS/HS	200
xvi	Improvement of Droinking water and toilets	100
xvii	Upgradation of science Lab	50
	Madrassa	
xviii	Up gradation Infrastructure of 74 provincialsed Madrassa	**74**
xix	Improvement of Adult Education	**50**
	Grand Total :	**1755**

WOMEN'S UNIVERSITY

18.32 The State Government is also taking a new initiative to set up a Women's University at Jorhat under the mentorship of Assam Agriculture University. The University will have schools in all disciplines like Science, Arts, Medical etc and also a plethora of short term courses with the emphasis of women empowerment and employability. The State Government requests for a generous support for the same from the 14th Finance Commission. The 14th Finance Commission is requested to provide a grant of **Rs.100 crore**.

HEALTH AND FAMILY WELFARE DEPARTMENT:

18.33 Health is another critical dimension of human capability, which needs much greater attention in Public expenditure. At present, less than 30 percent of out patient and less than half of inpatient health care capacity of the country is in the public sector, and the majority of the population relies on private health care provision which often imposes heavy financial burden. It is, therefore, essential to expand public sector capacity in health care especially in the rural areas. Ideally, the public health care system must be expanded to address the health needs of the vast majority of citizens, recognising that upper-income groups may opt for private health care.

In Assam the Directorate of Medical Education, Training and Research is entrusted with the task of generating human resources like Doctors, Nurses, Technicians, Physiotherapists, Pharmacists and other Health personnel to meet the growing needs of not only of the State but the entire North Eastern Region. The Directorate of Medical Education, Training and Research, Assam, have a host of institutions (i.e. 12 institutions including 7 Medical Colleges) under its control all over the state. The Twelfth five year plan is aimed at providing the benefits of advanced health care facilities to peoeple living in rural, urban areas at affordable cost which falls within the purview of the Directorate of Health Services, Assam.

The increasing numbers of cancer patients is a cause of special concern for the State Govbernment. The precious lives of cancer patients can be saved in most cases if such cases are detected early and treated early. In view of above, it is very much necessary to augment the available resources of the cancer hospitals in the State and that of the medical colleges hospitals. It is required to provide these hospitals with equipments for detection and treatment of cancer. The 14th Finance Commission may also look into this special issue and recommed an amount of Rs.500 crore for upgradation/extension of facilities and capacities of the cancer hospitals/medical colleges in the State.

Keeping in view the above, the Government of Assam requests the 14th Finance Commission to provide Grant for an amount of Rs 1880 crore for taking up the following activities for up gradation of health Infrastructure in the state:

Assam Medical College & Hospital, Dibrugarh		**(Rs in cr)**
1	Capital Assets (creation and maintenance)	95.55
2	Machinery & Equipments	58.35
3	Maintenance (construction & Equipments)	8.89
Gauhati Medical College & Hospital, Guwahati		
1	Infrastructure Development a) Construction of a Guest House b) Construction of Multi-storeyed car parking	12.00
2	Machineries & Equipments	10.00
3	Maintenance of Equipments for 5 years	15.00
4	Enhancement of Diet Charge of Hospital from Rs.40/- to Rs.60/- for five years	8.00
5	Development of Hospital Information Management System (HIMS)	10.00
Silchar Medical College & Hospital, Silchar		
1	3 Tesla MRI	12.00
2	Digital X Ray (double panel) 1000 mt.	2.00
3	Linear Accelerator	15.00
4	Modular OT with turn key	1.00
5	State of the ART burn unit	4.00
6	Emergency Medicine Department	8.00
7	Cath Lab	5.00
8	325 slice MD CT	10.00
9	Electrical substation	4.00
10	300 seated Girls' Hostel	17.00

11	300 seated Bay's Hostel	17.00
12	300 seated Nurses' Hostel	17.00
13	300 seated PG Hostel	17.00
14	Resident quarter for Faculties & Staff	25.00
Jorhat Medical College & Hospital, Jorhat		
1	1st Phase of Construction Works	125.00
2	2nd Phase of Construction Works	140.00
3	Maintenance of Capital Assets	13.00
4	Machinery & Equipments	85.00
5	Maintenance of Machinery & Equipments	4.25
Fakhruddin Ali Ahmed Medical College & Hospital, Barpeta		
1	Capital Head	157.78
2	Revenue Head	51.70
3	Maintenance Head (Construction & Equipments)	21.35
Tezpur Medical College & Hospital, Tezpur		
1	Construction Works	89.77
2	Equipments/Furniture	23.50
3	Maintenance	5.00
Assam Hills Medical College & Research Institute, Diphu		
1	Construction Works	123.25
2	Equipments	35.00
3	Maintenance	5.00
Infrastructure/Augmentation of resources for Cancer treatment		500.00
Regional Dental College, Guwahati		
1	Construction Works	10.00
2	Equipments	5.00
3	Maintenance	2.00
Regional Nursing College, Guwahati		
1	Construction Works	5.00
2	Equipments	5.00
3	Maintenance	2.00
	Total	**Rs 1288.40cr**

Proposal Under Directorate of Health Services(FW) Assam		
	At State HQ	(Rs in Lakhs)
1	Officer's Room	10.00
2	Computer Room	3.00
3	Staff Room	16.00
4	Store Room	10.00
5	Syringe Room	5.00
6	Wall Paintings and Building exterior / Electrical Works/Statinless	8.00
7	Emergency Stare Case	3.00
8	Water Filtration System	1.00
9	Fire Fighting System	3.00
10	Silent Generator set-30 KVA for Cold Storage	6.00
11	Gardening	2.00
12	Parking Garage	5.00

	Sub-Total	72.00
	At District	
1	Cold Chain Room at 4 New District @ Rs.6.00 Lakh	20.00
2	Generator Set for District Cold-Chain store 9 Nos. @6.00	35.00
3	Store Room at District HQ	250.00
	Sub Total	305.00
	Construction of New Olflice Building/Renovation for District FW Bureau	
1	Nagaon	100.00
2	Kokrajhar	100.00
3	Jorhat	100.00
4	Bongaigaon	100.00
5	Goglpara	100.00
6	Karimganj	100.00
7	Sonitpur	100.00
8	Nalbari	100.00
9	Lakhimpur	100.00
10	Dhemaji	100.00
11	Kamrup	100.00
	Sub-Total	**1100.00**

DHS: ***(Rs in crore)***

1	Up gradation of Sub Centres and PHEs	200.00
2	Up gradation of CHCs	100.00
3	Upgrdation of quarters of Doctors, Nurse and staff of PHC/CHC and Sub centres	75.00
4	Up gradation of Civil Hospitals	200.00

Grand Total Health Sector Rs 2380 crore

UPGRADATION OF STANDARDS OF ADMINISTRATION - GENERAL ADMINISTRATION

18.34 One of the specific problems of the administrative set up of the State is non availability of proper infrastructure at the district and sub-divisional head quarters. Office buildings, circuit houses and staff quarters in the old districts and sub-divisions need renovation and expansion and newly created districts and sub-divisions which do not have these basic facilities are to be provided for the same.

In view of above, the Government of Assam would like to request the 14thFinance Commission for recommending a Grant amounting to Rs.273 crore for the purpose of improving the infrastructure at the district and sub-divisional head quarters as well as Assam Bhawans situated at the metropolitan cities.

WATER RESOURCE DEPARTMENT:

18.35 The State of Assam comprises two valleys namely the Brahmaputra and Barak Valley. The flood prone area of the state is 31,500.00 Sq Km as assessed by the Rastriya Barh Ayog which is about 39.58 % of the total land area of Assam. This is about 9.40% of total flood prone area of the whole country. The flood prone area of the country as a whole stands at about 10.2 % of the total area of the country, but flood prone area of Assam is 39.58 % of the total area of the state. Records show that average annual area affected by flood is 9.31 Lakh Hectares. The severity of flood problem of the state has been further aggravated by the acuteness of erosion on both banks of river Brahmaputra and its tributaries. Study reveals that an area of 4.27 Lakh Hectares of the state has been eroded by the rivers since 1950, which is 7.40 % of area of the state.

18.36 The Brahmaputra and Barak rivers with their 50 nos. of major tributaries and numerous sub-tributaries have criss-crossed the plains of both valleys. The flood of this region is a recurring phenomenon and every year several waves of flood cause damage to huge areas in the state. The figures of loss run into hundreds of crores every year apart from huge damages to roads, bridges, schools, communication systems and other such facilities. This diminishes the wealth of the nation and has adverse effects on the development of the state. Average annual loss due to flood in Assam is to the tune of Rs. 200 Crores and particularly in 1998, the loss suffered was about Rs. 500 Crores and during the year 2004 it was about Rs. 771 Crores. The following Table depicts the picture **of flood damage trends of Brahmaputra Valley:**

Period	Average Annual Area Flooded (mha)		Average Annual Population affected	Affected population per ha of flooded area	Average Annual Damage (Rs in Lakh)	Value of crop lost as % of Total Damage
	Total	Cropped				
1953-59	1.13	0.10	860,000	0.8	586	66%
1960-69	0.75	0.16	15,20,000	2.0	757	92%
1970-79	0.87	0.18	20,00,000	2.3	1518	89%
1980-88	1.43	0.40	45,50,000	3.2	14552	96%
1999-05	1.07	0.38	45,86,000	4.3	71717	34%
2006-11	0.26	0.17	10,28,000	4.0	3880	22%

18.37 Another major problem being faced by the state of Assam is bank erosion by the river Brahmaputra, Barak and its tributaries. Damages caused due to erosion runs into several hundred Crore every year. Bank erosion by the rivers has been a serious issue since last six decades as more than 4.27 Lakh Hectare of land was already eroded away by the river Brahmaputra and its tributaries since 1950, which is 7.40 % of area of the state. As assessed, the annual average loss of land is nearly 8000 Ha. The width of river Brahmaputra has increased up to 15 Km at some places due to bank erosion. The surveys carried out at different periods reflect an alarming picture regarding widening of river Brahmaputra which is as follows:

	Survey period	Area covered by the river Brahmaputra
1	First survey (1912-28)	3,870 km^2
2	Second survey (1963-75)	4,850 km^2
3	Third survey (2006 NESAC):	6,080 km^2

Breaches of embankment due to bank erosion by the rivers have become a common phenomenon. New areas are being affected by erosion every year. The riverine fertile agricultural lands of the state are reduced due to erosion, which has a very negative impact on the rural economy of the state. The extent of damage due to bank erosion is can be seen from the following table (as assessed by the Revenue Department):

Year	Area Eroded in Ha	Nos. of Villages affected in No	Family affected in No.	Value of property (including land loss) Rs. in Lakh
2001	5348	227	7395	377.72
2002	6803	625	17985	2748.34
2003	12589.6	424	18202	9885.83
2004	20724	1245	62258	8337.97
2005	1984.27	274	10531	1534
2006	821.83	44	2832	106.93

The following areas of the state are identified as chronically erosion affected areas, measures against which are required to be taken on priority basis:

Sl. No.	*Name of District*	*Erosion affected reach*	*Name of River*	*Length of reach*
1	Barpeta	From Bahari to Baghbar	Brahmaputra	25 Km

Sl. No.	Name of District	Erosion affected reach	Name of River	Length of reach
2	Sonitpur	From Biswanath ghat to Solmari	Brahmaputra	20Km
3	Goalpara	From Solmari to Jaleswar	Brahmaputra	35 Km
4	Dhubri	From South Salmara to Indo-Bangla Border	Brahmaputra	50 Km
5	Jorhat	Neemati ghat area	Brahmaputra	20 Km
6	Sonitpur	From N.H.-52 to outfall in Brahmaputra	Jia Bharali	20 K.m

To tackle this gigantic problem of bank erosion and also for maintaining sustainability of overall development activities, adequate funds is required to be placed under Flood Management works of the state.

Keeping in view the alarming situation of floods and erosion in the state , the 14th Finance Commission is requested to give a serious thought on the issue and consider Special Grant at least for an amount of Rs 6000 crore to Assam so as to tackle this formidable calamity faced by the state.

CONSTITUTION OF UPPER HOUSE IN ASSAM STATE LEGISLATURE

18.38 Government of Assam has proposed to constitute the Upper House in State legislative Assembly. For this purpose we require an amount of Rs.68.88 crore as non-recurring expenditure and Rs.19.28 crore per annum as recurring expenditure. Thus the total requirement during the forecast period comes to Rs.165.28 crore. The 14th Finance Commission is requested to recommend the amount.

IMPROVEMENT OF FIRE EMERGENCY SERVICES

18.39 Fire service is one of the most important emergency response services in the country, which comes under the 12th Schedule of the Constitution dealing with municipal functions. At present, the prevention and fire fighting services are organized by the concerned States and Union Territories (UTs) and Urban Local Bodies (ULBs). Fire Service in Maharashtra, Haryana, Gujrat, Chhattisgarh, Madhya Pradesh (excluding Indore), and Punjab are under respective Municipal Corporations. In the remaining States including Assam, it is under respective Home Department.

Presently, Assam Fire Service Organisation (AFSO) has 110 operational Fire Stations and one Regional Fire Training Centre at Sila, North

Guwahati. The requirements for fire fighting and rescue vehicles and specialized equipments are based on ideal served population, population density, and built-up areas within ideal jurisdiction boundary.

As per detailed GIS based analysis, the AFSO would require additional 25 Fire Stations in urban areas and 67 Fire Stations in rural areas. Hence, there is overall gap of 46% in terms of number of Fire Stations in Assam. Government of Assam requires total amount of Rs.1374 crore to meet investment plan for AFSO for filling gap in operational, new urban and new rural Fire Stations for next five years as indicated below.

(*Rs. in crore)*

Year	Capital Expenditure		Recurring Expenditure			Total
	Building Infrastructure	Vehicle Equipment	Annual Vehicle maintenance, PDL	Annual Training Office Expenses	Annual Buldg. Mainte nance	
2015-16	182.90	151.06	12.95	2.70	8.02	357.63
2016-17	203.02	158.61	21.89	4.79	13.53	401.84
2017-18	112.68	31.47	25.42	5.50	15.20	190.27
2018-19	125.07	33.04	29.38	6.28	16.91	210.68
2019-20	138.83	17.35	32.77	6.85	17.86	213.66
Total	**762.50**	**391.53**	**122.41**	**26.12**	**71.52**	**1374.08**

I.T. PROJECT IN FINANCE DEPARTMENT AND IN THE STATE

18.40 The Finance Department, Government of Assam has established an exclusive e-Governance Unit to look after and carry forward the IT initiative created under ADB funded Assam Governance and Public Resources Management Project (AGPRMP) for capacity building of the Government institutions and also implementing IT Projects aiming to automate all financial transactions across all departments of the State Government. For this purpose following amounts have been required from the 14th Finance Commission.

Sl.	Items	Amount (Rs. crore)
1	Replacement and Maintenance of IT Assets procured under AGPRMP	11.97
2	Modernization of Finance Department to achieve optimum space utilization and creation of better working environment	3.20
3	Establishment of Permanent Central Training	9.00

	Institute	
4	e-Governance for the entire State Government Offices excluding Finance Department.	475.83
	Total	500.00

ASSAM RAJIV GANDHI UNIVERSITY OF COOPERATIVE MANAGEMENT

18.41 To achieve the potential of a cooperative framework in the process of development in the State and to create the required manpower, expertise and the setting for the same. Government of Assam has recently established Assam Rajiv Gandhi University of Cooperative Management in Sibasagar. Although 250 bighas of land has been made available to it, it is presently functioning from a rented accommodation there. To make this new University a vibrant institution of learning in the field of cooperative management, as a precursor to bringing an AMUL type cooperative revolution in Assam, a considerable amount of financial resources are required to be committed to it. The 14th Finance Commission is requested to appreciate this new initiative of the Government of Assam and recommend an amount of Rs.100 crore for the purpose.

INDUSTRY & COMMERCE

18.42 Industrial infrastructure viz, Industrial Estate, Industrial Area, Growth Centre, Mini Industrial Estate and Commercial Estates have been created under Plan fund. Presently, there are 10 (ten) Industrial Estates, 12 Industrial Areas, 11 Growth Centres, 3 Mini Industrial Estates and 64 Commercial Estates are under the control of the State Governments. As repairing/renovation works are not allowed under plan schemes, maintenance of these infrastructures becomes a major problem. State Government has also established Quality Control Laboratories at Guwahati, Tezpur, Bongaigaon, Silchar and Tinsukia for quality testing of products of Micro, Small & Medium enterprises. But funds becomes a problem for maintaining the activities of these laboratories. As such the 14th Finance Commission is requested to provide **Rs.30 crore** for this purpose.

18.43 The requirement of fund for upgradation of administration and special problem is summarized below:

Sl. No.	Name of Department	Amount (in Crore)
1	Judicial and Fast Track Court	500.00
2	Police & Jail Administration	4500.00
3	Forensic Science	100.00
4	Border Areas	511.00
5	Improvement in Revenue Administration	250.00
6	Riverfront protection & development of Guwahati and other towns of Assam	1000.00
7	Protection & Conservation of natural water bodies	600.00
8	Autonomous & Development Councils	1000.00
9	Look East Policy	5000.00
10	Home for Old People, Destitute Children, Physically challenged persons & Working Women Hostels	1000.00
11	Programme for Unmarried Women	1000.00
12	Protection of Traditional Industries & facilities for MSMEs	2000.00
13	Upgradation of Audit (Local Fund)	100.00
14	PWD(Roads)	4500.00
15	PWD(Building)	1000.00
16	Tourism	200.00
17	Agriculture & Allied Sector	1000.00
18	Horticulture	50.00
19	Soil Conservation	100.00
20	Handloom & Textiles and Sericulture	100.00
21	Information Technology	50.00
22	Science & Technology	100.00
23	Forestry & Wildlife	500.00
24	Sports & Youth Welfare	300.00
25	Archaeology & Heritage Conservation	100.00
26	Museum	50.00
27	Historical and Antiquarian Studies	200.00
28	State Archives	20.00
29	Public Library	30.00
30	Capacity Building	500.00
31	Education Department	1755.00
32	Women's University	100.00
33	Health & Family Welfare Department	2380.00
34	Upgradation of Standards of Administration	273.00
35	Water Resources Department	6000.00
36	Constitution of Upper House in the State Legislature	165.28
37	Improvement of Fire Emergency Services	1374.00
38	I.T. Project in Finance Department of Govt. of Assam	500.00

39	Assam Rajiv Gandhi University of Cooperative Management	100.00
40	Industries and Commerce	30.00
	Grand Total	**39038.28**

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