

Chapter I

Finances of the State Government

Profile of Assam

Assam is a Special Category State¹ and 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. kms *i.e.* about 2.4 *per cent* of country's total geographical area, Assam provides shelter to 2.58 *per cent* population of the Country. According to the Census of India, 2011 the population of Assam stands at 3,11,69,272 of which 51.19 *per cent* are males and 48.81 *per cent* females. In 2011 Census the density of population of Assam is 397 as against India's density 382. According to Census 2011, the literacy rate of Assam was 73.18 *per cent* against All India percentage of 74.04. Similarly, the infant mortality rate at 61 per 1,000 live births and life expectancy at birth at 58.9 years during 2010-11 is far below the All India Average of 50 per 1,000 live births and 63.5 years respectively. The decadal population growth of India in 2011 over 2001 stood at 17.64 *per cent* while Assam registered population growth of 16.93 *per cent* during the same period. State's Gross Domestic Product (GSDP) at current prices during 2010-11 was ₹1,04,218 crore (base year 2004-05) (*Appendix-1.1 Part-D*). The per capita income of Assam on the basis of Net State Domestic Product stood at ₹30,413 as per advance estimates of 2010-11 as against ₹27,197 in 2009-10.

The State Government presented their budget for 2010-11 against the backdrop of strengthening recovery and the resultant improvement in growth prospects for the Indian economy. Following the incipient signs of economic recovery and recommendations of the Thirteenth Finance Commission (FC-XIII), the State Government announced various policy measures in their budget 2010-11. These factors auger well for resumption of fiscal consolidation process during 2010-11. There has been an increase in the growth rate of GSDP during 2010-11 which stood at ₹1,04,218 crore (12.70 *per cent*) against ₹92,472 crore (13.85 *per cent*) in 2009-10. The outstanding fiscal liabilities of the State as a percentage of GSDP declined from 31.84 *per cent* in 2006-07 to 28.49 *per cent* in 2010-11 (**Table-1.29**).

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix 1.1 Part-A*). The annual accounts of the State Government consist of Finance Accounts and Appropriation

¹ The Fifth Finance Commission accorded (1969) special status to three States on the basis of harsh terrain, backwardness and social problems prevailing in these States. Thereafter number of such States has increased to 11 including Assam.

Accounts. The Finance Accounts of the Government of Assam are laid out in nineteen statements, the lay out of which are depicted in **Appendix 1.1 Part-B**. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are shown in **Appendix 1.1 Part-C**.

This chapter provides a broad perspective of the finances of the Government of Assam during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2010-11) *vis-à-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)							
2009-10	Receipts	2010-11	2009-10	Disbursements	2010-11		
1	2	3	4	5	6		
Section-A: Revenue							
					Non-Plan	Plan	Total
19,884.49	Revenue receipts	23,004.94	21,232.20	Revenue expenditure	17,895.86	5,055.96	22,951.82
4,986.72 (a)	Tax revenue	5,929.85 (a)	8,379.57	General services	7,731.32	35.10	7,766.42
2,752.95	Non-tax revenue	2,373.33	8,543.21	Social Services	7,052.44	3,106.53	10,158.97
5,339.53 (b)	Share of Union Taxes/Duties	7,968.61 (b)	3,759.52	Economic Services	2,754.53	1,914.33	4,668.86
6,805.29	Grants from Government of India	6,733.15	549.90	Grants-in-aid/Contributions	357.57	-	357.57
Section-B: Capital							
-	Miscellaneous Capital Receipts	-	2,629.35	Capital Outlay	70.92	1,929.97	2,000.89
32.87	Recoveries of Loans and Advances	28.09	99.23	Loans and Advances disbursed	0.10	70.78	70.88
2,190.28	Public Debt receipts	2,045.32	1,007.56	Repayment of Public Debt	-	-	923.38
-	Contingency Fund	-	-	Contingency Fund	-	-	-
10,629.86	Public Account receipts	10,403.89	9,027.20	Public Account disbursement	-	-	10,537.20
-	Closing overdraft from Reserve Bank of India	-	-	Opening overdraft from Reserve Bank of India	-	-	-
8,041.84	Opening Balance	6,783.80	6,783.80	Closing Balance	-	-	5,781.87
40,779.34	Total	42,266.04	40,779.34	Total			42,266.04

- (a) Excluding share of net proceeds of taxes and duties assigned to State.
 (b) Share of net proceeds assigned to State.

Following are the significant changes during 2010-11 over the previous year:

- Revenue receipts grew by ₹3,121 crore (16 per cent) over the previous year. The increase was mainly contributed by tax revenue ₹943 crore (30 per cent) and State's share of Union Taxes and Duties ₹2,630 crore (84 per cent) offset by decrease in non-tax revenue ₹380 crore (12 per cent) and Grants-in-aid from Government of India (GOI) ₹72 crore (2 per cent). **The revenue receipts at ₹23,005 crore is, however, lower by ₹1,549 crore than the assessment made in Five Year Fiscal Plan (FYFP)² (₹24,554 crore).**
- The increase of 19 per cent (₹943 crore) in tax revenue in 2010-11 was mainly on account of increase of (a) taxes on Sales Tax, Trade etc by ₹784 crore (22.18 per cent) due to increase in collection of Trade tax, (b) State Excise by ₹84 crore (35.15 per cent) due to increase in collection of tax under Foreign liquors and spirits and commercial and denatured spirits and medicated wines and (c) taxes on vehicles by ₹55 crore (31.07 per cent) due to increase in overall collection on vehicles and release of sharable fees of ₹11.79 crore from National Permit Account set up by Government of India (GOI). **The tax revenue as a percentage of GSDP (5.69 per cent) was higher than the projections made by the State Government in its FYFP (5.22 per cent) and the assessment of FC-XIII (4.80 per cent).**
- The decrease in non-tax revenue in 2010-11 by ₹380 crore (12 per cent) compared to previous year was mainly due to non-receipt of debt waiver incentive under DCRF³ during 2010-11 and decrease in interest receipts by ₹78 crore (15.79 per cent) mainly due to shortfall in realization of interest on investment of cash. **The non-tax revenue of the Government was less than the projections made by the State Government in its FYFP (₹228 crore) but higher than the assessment (₹90 crore) of FC-XIII.**
- The decrease in receipt of Grants-in-aid from Government of India by ₹72 crore (2 per cent) was on account of less receipts under 'Non-Plan Grants', 'Grants for Central Plan Schemes' and 'Grants for Special Plan Schemes'.
- Revenue expenditure increased by ₹1,720 crore (8 per cent) over the previous year. While 52 per cent (₹887 crore) of the increase was under plan heads the

² FYFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

³ DCRF: In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the States, Government of India formulated a scheme "The State Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling at substantially reduced rates of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

remaining 48 *per cent* (₹833 crore) was under non-plan heads. The major sectors that registered increases include Education, Sports, Art and Culture by 42 *per cent* (₹1,904 crore), Water Supply, Sanitation, Housing and Urban Development by 18 *per cent* (₹103 crore), Agriculture and Allied Activities by 39 *per cent* (₹459 crore), Irrigation and Flood Control 39 *per cent* (₹148 crore) and Transport by 42 *per cent* (₹239 crore).

- Recoveries of Loans and Advances decreased by 15 *per cent* (₹five crore). The major decline in the recoveries was from the Government Servants (₹four crore).
- Public Debt Receipts and Repayments decreased by 7 *per cent* (₹145 crore) and 8 *per cent* (₹85 crore) over the previous year resulting in net decrease of ₹60 crore in Public Debt Receipts.
- Public Account Receipts decreased by 2 *per cent* (₹226 crore) while Public Account Disbursement increased by 17 *per cent* (₹1,510 crore). Thus, net receipts decreased during the year by ₹1,736 crore.
- Total inflow during 2010-11 was ₹35,482 crore against ₹32,737 crore in 2009-10 while total outflow during 2010-11 was ₹36,484 crore as against ₹33,995 crore in 2009-10 registering an increase of 8.39 *per cent* and 7.32 *per cent* respectively leading to decline in the cash balances of the State by ₹1,002 crore (15 *per cent*) over the previous year. The decrease was mainly due to decrease in Cash Balance Investment (₹1,430 crore) and departmental cash balances including permanent advances (₹three crore) offset by increase in deposit with Reserve Bank of India (₹431 crore).

1.2 Assam Fiscal Responsibility and Budget Management Act, 2005

To support the State Government towards urgent fiscal correction, FC-XIII had worked out a fiscal consolidation roadmap for Assam requiring the State to eliminate revenue deficit and achieve fiscal deficit of 3 *per cent* of GSDP in each year of the award period.

According to Assam Fiscal Responsibility and Budget Management (AFRBM) Amendment Act, 2011 that came into force with effect from 1st April 2010, the State Government was to eliminate revenue deficit by 2011-12 and maintain revenue balance or attain surplus thereafter and reduce fiscal deficit to 3 *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act envisaged that the State Government would attain the total outstanding debt to GSDP ratio at 28.2 *per cent* in 2010-11, 28.3 *per cent* in 2011-12, 28.4 *per cent* in 2012-13 and 2013-14 and 28.5 *per cent* in 2014-15 and to maintain the same level thereafter.

The performance of the State during 2010-11 in terms of key fiscal targets of the FC-XIII set for selected variables as laid down in AFRBM (Amendment) Act, 2011 *vis-à-vis* achievements are given in **Table-1.2**.

Table-1.2: Trends in major fiscal parameters/variables *vis-à-vis* projections for 2010-11

Fiscal variables	2010-11			
	Targets as prescribed in FRBM Act	Assumptions made in	Projections made in	Actual
		Budget	Five Year Fiscal plan Statement	
Revenue Deficit (₹ in crore)	Eliminate Revenue deficit (By 31.3.2012)	(-) 5,960	(+) 2,620	(+) 53
Fiscal Deficit/GSDP (<i>per cent</i>)	3 <i>per cent</i> of GSDP (By 31.3.2011)	9.47	0.31	1.91
Ratio of total outstanding debt of the Government to GSDP	28.2 <i>per cent</i> (By 31.3.2011)	28	26	29

The above table indicates that the State has achieved the FRBM targets, prescribed in the Act except containing Debt-GSDP ratio. The State Government has to initiate requisite measures to contain the Debt-GSDP ratio within the permissible limit. The increase in Debt-GSDP ratio beyond permissible limit indicates that borrowed funds were not carefully assessed and managed.

Although the State Government had amended the Assam Fiscal Responsibility and Budget Management Act, 2005 as per recommendations of the FC-XIII, but the benefit of earmarked interest relief on loans from National Small Savings Fund (NSSF) and debt waiver on outstanding Central loans provided by the Central Ministries other than Ministry of Finance is yet to be received by the State.

1.2.1 Budget Analysis

The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Several reasons may account for the deviation of the actual realization from the budget estimates. It could be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realization of revenue and its disbursement however depends on a variety of factors, some internal and others external. **Table 1.3** presents the consolidated picture of State Finances during 2009-10 (Accounts), 2010-11-Budget Estimates (BE), 2010-11 Revised Estimates (RE) and 2010-11 (Accounts).

Table 1.3: Variation in Major items – 2010-11 (Accounts) over 2010-11 Budget Estimates & Revised Estimates and 2009-10 (Accounts)

(₹ in crore)

Parameters	2009-10	2010-11		
	Actual	Budget Estimates	Revised Estimates	Actual
Tax Revenue	4,987	4,976	5,910	5,930
Non-Tax Revenue	2,753	2,782	2,548	2,373
Revenue Receipts	19,884	26,409	27,989	23,005
Non-debt Capital Receipts	33	39	35	28
Revenue Expenditure	21,232	32,369	33,246	22,952
Interest Payments	1,833	2,407	2,407	1,912
Capital Expenditure	2,629	3,307	3,343	2,001
Disbursement of Loans & Advances	99	87	121	71
Revenue Deficit/Surplus	(-) 1,348	(-) 5,960	(-) 5,527	(+) 53
Fiscal Deficit/Surplus	(-) 4,043	(-) 9,315	(-) 8,686	(-) 1,991
Primary Deficit/Surplus	(-) 2,210	(-) 6,908	(-) 6,279	(-) 79

- During 2010-11, the actual revenue receipts fell short of the budget estimates by 12.89 per cent while actual revenue expenditure declined by 29.09 per cent over budget estimates resulting in decrease in revenue deficit.
- During the current year the tax revenue of the State increased by 18.91 per cent (₹943 crore) over the previous year. The actual collection of tax revenue during the year also increased by 19.17 per cent (₹954 crore) over the budget estimates for the year mainly due to increased collection under taxes on sales, trade etc; by over 18 per cent. The revenue from sales tax, trade etc. contributed the major share of tax revenue (73 per cent) and it increased by 22.18 per cent over the previous year. Taxes on agricultural income, taxes on vehicles, state excise and taxes on goods and passengers were the other major contributors in the State's tax revenue.
- The decrease in non-tax revenue during the current year was mainly due to non-receipt of debt waiver incentive under DCRF, decrease in receipts under petroleum concession fees and royalties and receipts from environmental forestry. Interest receipts, dividends and profits also decline during 2010-11 mainly because of decrease in realization of interest on investment of cash balances.
- The increase in Central Tax Transfer was mainly due to increase in Corporation tax (₹917 crore), Customs (₹646 crore), and Taxes on income other than Corporation tax (₹422 crore) and Union Excise Duties (₹412 crore).
- The decrease of ₹72 crore in grants-in-aid during 2010-11 over the previous year was mainly due to decrease in Non-plan grants (₹649 crore), Grants for Central Plan Schemes (₹17 crore) and grants for Special Plan Schemes

(₹94 crore) which was however, offset by increase in grants for State Plan Schemes (₹379 crore) and grants for Centrally Sponsored Schemes (₹309 crore).

- The increase in revenue expenditure during the current year over the previous year was the combined effect of more expenditure under social services by 18.92 *per cent* (₹1,616 crore) and economic services by 24.21 *per cent* (₹910 crore). The increases were however, offset by decrease in expenditure under general services by 7.33 *per cent* (₹614 crore) and grants-in-aid contributions by 34.91 *per cent* (₹192 crore) over the previous year.
- The increases in revenue expenditure under social services were under Education, Sports, Art and Culture by 42 *per cent* (₹1,904 crore), Water Supply, Sanitation, Housing and Urban Development by 18 *per cent* (₹103 crore).
- Similarly, the significant increases in expenditure under economic services were under Agriculture and Allied activities by 39 *per cent* (₹459 crore), Irrigation and Flood Control by 39 *per cent* (₹148 crore) and Transport by 42 *per cent* (₹239 crore).
- Significant decreases in expenditure under general services were mainly under Administrative Services by 7 *per cent* (₹213 crore) and Pensions and Miscellaneous General Services by 23 *per cent* (₹730 crore) which were however, partially offset by increase in expenditure under interest payment and servicing of debt by 5 *per cent* (₹91 crore) and organs of State by 108 *per cent* (₹166 crore).
- The capital expenditure *vis-à-vis* budget estimate was less by 39 *per cent* (₹1,306 crore). The capital expenditure of the State decreased by ₹628 crore over the previous year. The decrease in capital expenditure of ₹628 crore (23.89 *per cent*) during 2010-11 over the previous year was the net result of decrease in General Services by 28 *per cent* (₹21 crore), Social Services by 61 *per cent* (₹276 crore) and Economic Services by 16 *per cent* (₹331 crore).
- Actual fiscal deficit improved with reference to the assessment made in the budget estimates by 78.63 *per cent* and revised estimates by 77.08 *per cent* mainly due to decrease in revenue expenditure and capital expenditure. Decrease in fiscal deficit together with decrease in interest payment of ₹495 crore (revised estimates) led to decrease in primary deficit

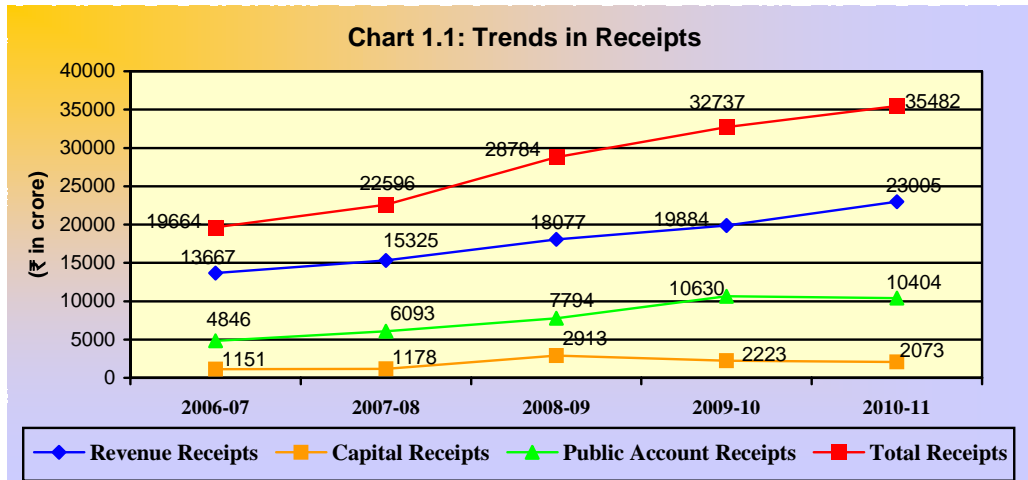
by 98.74 per cent (₹6,200 crore) than the assessment made in revised estimates.

The above table also indicates that at the consolidated level, the State witnessed a marked improvement in key deficit indicators when the revised estimates of 2010-11 translated into accounts. The marginal improvement in the fiscal situation during the current year was achieved by the State by pursuing the fiscal correction and consolidation process under a rule based fiscal framework coupled with larger devolution and transfer by the FC-XIII through share of net proceeds of sharable taxes. Consequent upon these developments, the State achieved revenue surplus during 2010-11. The correction in revenue account during 2010-11 has come entirely through compression in RE (as a ratio to GSDP). However, in order to ensure sustainable progress towards fiscal consolidation, State needs to explore sources of non-tax revenues and ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

1.3 Resources of the State

1.3.1 Resources of the State as per Annual Finance Accounts

Table-1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts⁴ while **Chart 1.1** and **Table 1.4** depicts the trends in various components of the receipts of the State during 2006-11. **Chart 1.2** depicts the composition of resources of the State during the current year.



⁴ Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account.

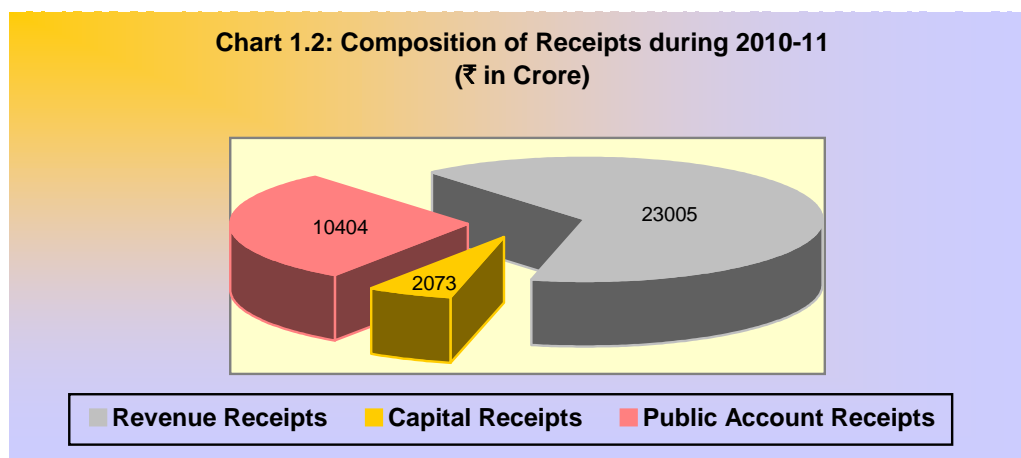


Table 1.4: Trends in growth and composition of receipts

(₹ in crore)

Sources of State's Receipts	2006-07	2007-08	2008-09	2009-10	2010-11
I Revenue Receipts	13,667	15,325	18,077	19,884	23,005
II Capital Receipts (CR)	1,151	1,178	2,913	2,223	2,073
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	35	40	35	33	28
Public Debt Receipts	1,116	1,138	2,878	2,190	2,045
Rate of growth of debt capital receipts	(-) 19.07	1.97	152.90	(-) 23.91	(-) 6.62
Rate of growth of non-debt capital receipts	(-) 7.89	14.29	(-) 12.50	(-) 5.71	(-) 15.15
Rate of growth of GSDP	8.94	9.87	14.27	13.85	12.70
Rate of growth of CR (per cent)	(-) 18.77	2.34	147.28	(-) 23.69	(-) 6.75
III Contingency Fund	-	-	-	-	-
IV Public Account Receipts	4,846	6,093	7,794	10,630	10,404
a. Small Savings, Provident Fund etc.	566	608	628	755	953
b. Reserve Fund	370	506	318	733	256
c. Deposits and Advances	2,150	2,739	3,852	5,580	5,480
d. Suspense and Miscellaneous	(-) 158	(-) 3	87	(-) 136	81
e. Remittances	1,918	2,243	2,909	3,698	3,634
Total Receipts	19,664	22,596	28,784	32,737	35,482

The total receipts of the State Government for 2010-11 was ₹35,482 crore, of which ₹23,005 crore (65 per cent) came from revenue receipts and balance ₹12,477 (35 per cent) came from borrowings and Public Account. The total receipts of the State increased by more than 80 per cent from ₹19,664 crore in 2006-07 to ₹35,482 crore in 2010-11. The share of revenue receipts in total receipts of the State decreased from 70 per cent (₹13,667 crore) in 2006-07 to 65 per cent (₹23,005 crore) in 2010-11 due to decrease in receipt in non-tax revenue and grants-in-aid from GOI. On the other hand, the Capital receipts together with Public Account ranged between 30 and 39 per cent of total receipts during 2006-11 as compared to 2009-10.

Revenue receipts increased steadily by more than 68 per cent from ₹13,667 crore in 2006-07 to ₹23,005 crore in 2010-11, whereas debt capital receipts which create future repayment obligation varied from 5 to 10 per cent of total receipts during 2006-07 to 2010-11. The Public Account receipts though increased steadily from ₹4,846 crore (25 per cent of total receipts) in 2006-07 to ₹10,630 crore (32 per cent of total receipts) in 2009-10 but decreased to ₹10,404 crore (29 per cent of total receipts) during 2010-11.

The rate of growth of debt capital receipts increased from (-) 23.91 per cent in 2009-10 to (-) 6.62 per cent in 2010-11 while the ratio of growth of non-debt capital receipts decreased from (-) 5.71 per cent in 2009-10 to (-) 15.15 per cent in 2010-11.

The rate of growth of debt capital receipts increased from (-) 19.07 per cent in 2006-07 to (-) 6.62 per cent in 2010-11 while the rate of growth of GSDP increased from 8.94 per cent in 2006-07 to 12.70 per cent in 2010-11.

The rate of growth of non-debt capital receipts decreased from (-) 7.89 per cent in 2006-07 to (-) 15.15 per cent in 2010-11.

1.3.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁵ for the implementation of various schemes/programmes in social and economic sectors critical for the human and social development of population. During 2010-11, the Government of India has transferred an approximate amount of ₹7,348.23 crore directly to the Implementing Agencies (detailed in *Appendix 1.3*). Significant amounts released for major programmes/schemes are detailed in **Table 1.5**.

Table-1.5: Funds transferred directly to State Implementing Agencies

(₹ in crore)			
Sl No.	Programme/Scheme	Implementing Agency in the State	Fund transferred by the GOI during 2010-11
1	2	3	4
1	Assam Gas Cracker Project	Brahmaputra Cracker & Polymer Limited	796.73
2	Central Rural Sanitation Programme	Rajiv Gandhi Rural Water and Sanitation Mission	94.37
3	CIT Kokrajhar	Central Institute of Technology, Kokrajhar	24.99
4	Crime and Criminal Tracking Network and System (CCTNS)	Assam Police Housing Corporation Ltd.	37.39
5	District Hospitals	Assam Medical College, Silchar Medical College, Gauhati Medical College Hospital,	17.71
6	DRDA Administration	District Rural Development Agencies, Assam	21.72
7	IITs (including OSC)	Indian Institute of Technology, Guwahati	121.00
8	Integrated Watershed Management	State Level Nodal Agency, Assam, District Rural	54.18

⁵ State Implementing Agencies include Organisation/Institution including Non-Government Organisation, which is authorized, by the State Government to receive the funds from the Government of India for implementing specific programmes in the State e.g., State Health Society for NRHM and State Implementing Society for SSA etc.

	Programme (IWMP)	Development Agencies, Assam	
9	Mahatma Gandhi National Rural Employment Guarantee	District Rural Development Agencies, Assam	609.29
10	MPs Local Area Development Scheme (MPLADs)	Deputy Commissioners	34.00
11	National Aids Control Programme including STD Control	Assam State Aids Control Society	16.39
12	National Food Security Mission	Assam Small Farmers' Agri-Business Consortium, Assam Seeds Corporation Limited, Regional Rainfed lowland Rice Research Station (CRRI, ICAR)	67.36
13	National Institute of Technology NIT (including OSC)	National Institute of Technology, Silchar	33.00
14	National Rural Drinking Water programme	State Water and Sanitation Mission, Assam	487.48
15	National Rural Health Mission (NRHM) Centrally Sponsored	State Health Society, Assam	601.79
16	North East Development Finance Corporation (NEDFI) Ltd.	North Eastern Development Finance Corporation Ltd.	60.00
17	NEIIPP, 2007	North Eastern Development Finance Corporation Ltd	74.94
18	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Assam State Road Board, Guwahati	1,900.67
19	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Axom Sarba Siksha Abhijan Mission	19.35
20	Redevelopment of Hospitals Institutions	Lokopriya Gopinath Bordoloi Regional Institute of Mental Health	20.70
21	Rural Housing - IAY	District Rural Development Agencies, Assam	719.21
22	Sarva Shiksha Abhiyan (SSA)	Axom Sarba Siksha Abhijan Mission	768.54
23	Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	State Urban Development Authority (SUDA)	28.70
24	Swarnajayanti Gram Swarozgar Yojana (SGSY)	District Rural Development Agencies, Assam	204.37
25	Transport Subsidy Scheme	North Eastern Development Finance Corporation Ltd.	353.43
Total			7,167.31

Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website

Table 1.5 shows that out of ₹7,167.31 crore (97.54 per cent of the total funds transferred) sizeable quantum of funds were transferred to (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (8.29 per cent), (ii) National Rural Health Mission (NRHM) (8.19 per cent), (iii) Pradhan Mantri Gram Sadak Yojana (PMGSY) (25.87 per cent) and (iv) Rural Housing (Indira Awaas Yojana) (9.79 per cent) during 2010-11. With the transfer of an approximate amount of ₹7,348.23 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2010-11 had increased from ₹35,482 crore to ₹42,830 crore. It is evident from the above fact that there is no singly agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by the State Implementing Agencies and funded directly by the GOI and therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

An analysis on how these funds are being transferred and utilized for the purposes for which they are sanctioned, is carried out based on the data/information obtained from

two units viz; National Rural Health Mission (NRHM) and Sarva Siksha Abhiyan (SSA) which revealed the following:

- **National Rural Health Mission (NRHM)**

The State Health Society is registered under the Societies Registration Act, 1860. The activities of the NRH Mission in the State are carried out through the Society headed by the Mission Director, NRHM, Assam at the State level.

Records of the Society disclosed that during 2010-11, ₹603.41 crore was received by the Society from GOI for implementation of various programmes under NRHM against release of the same amount during 2010-11. Programme-wise details of receipt and expenditure are given below:

Table 1.6: Scheme-wise receipt and expenditure under NRHM for the year 2010-11

(₹ in crore)

Name of the Implementing Agency	Name of the Scheme/Programme	Amount released by GOI during 2010-11	Amount received by the Implementing Agency from GOI	Expenditure incurred during the year
State Health Society	(i) Reproductive and Child Health II Programme	148.00	148.00	241.37
	(ii) NRHM Additionalities Programme	398.23	398.23	505.06
	(iii) Routine Immunization	13.64	13.64	11.11
	(iv) Integrated Pulse Polio Immunization	8.93	8.93	8.93
	(v) Integrated Disease Surveillance Project	1.40	1.40	1.36
	(vi) Ayush	0.06	0.06	0.01
	(vii) Revised National Tuberculosis Control Programme	7.50	7.50	7.29
	(viii) National Vector Borne Disease Control Programme	12.65	12.65	10.21
	(ix) National Leprosy Elimination Programme	0.80	0.80	0.56
	(x) National Programme for Control of Blindness	12.04	12.04	4.33
	(xi) National Tuberculosis Control Programme	0.16	0.16	0.15
Total		603.41	603.41	790.38

Source: As per information furnished by the Mission Director, NRHM, Assam

It was observed that the State Health Society incurred expenditure (Table 1.6) of ₹790.38 crore on the various components under NRHM during 2010-11. The excess of ₹186.97 crore was stated (August 2011) to have been met from the unutilized funds of the previous years. However, the Utilisation Certificates (UCs) to the Ministry/GOI for ₹790.38 crore for the year 2010-11 has not been submitted (August 2011).

The Society stated (August 2011) that the Utilisation Certificates for the year 2010-11 would be furnished after completion of Statutory Audit.

- **Sarva Siksha Abhiyan (SSA)**

The SSA programme is implemented by the State Implementing Society headed by the Mission Director, Assam Sarva Siksha Abhiyan Mission, Assam.

The **Table 1.7** below shows the component-wise total availability of funds and expenditure thereagainst under SSA Programme during 2010-11.

Table 1.7: Status of total availability of funds and expenditure thereagainst during 2010-11 under SSA

(₹ in crore)

Name of the Scheme	Fund Released			Opening Balance	Fund Received by the Director			Expenditure incurred
	Central	State	Total		Central	State	Total	
Sarva Siksha Abhiyan	649.54	126.09	775.63	104.11	649.54	126.09	879.74	848.78
*National Programme of Education for Girls at Elementary Level (NPEGEL)								0.59
*Kasturba Gandhi Balika Vidyalaya (KGBV)								6.44
Total	649.54	126.09	775.63	104.11	649.54	126.09	879.74	855.81

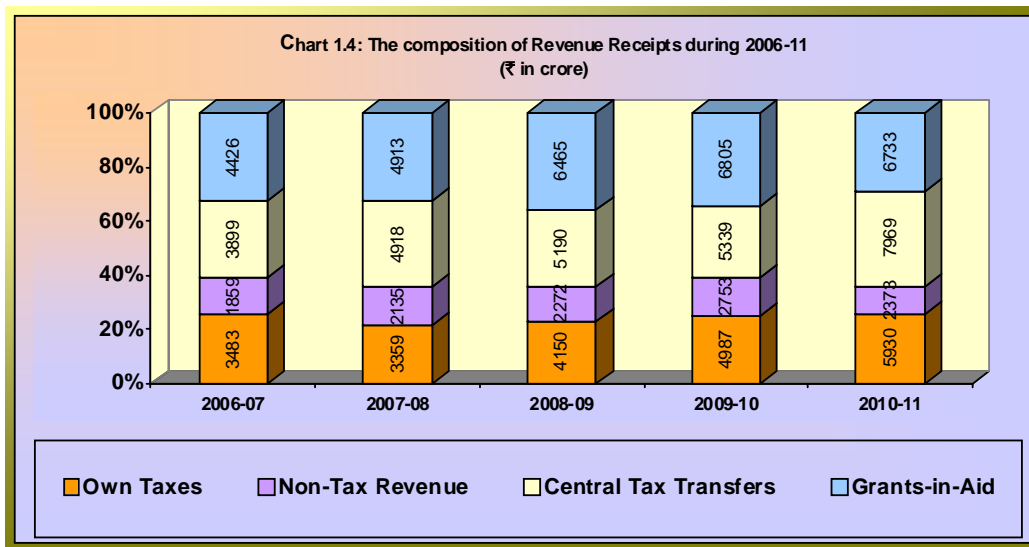
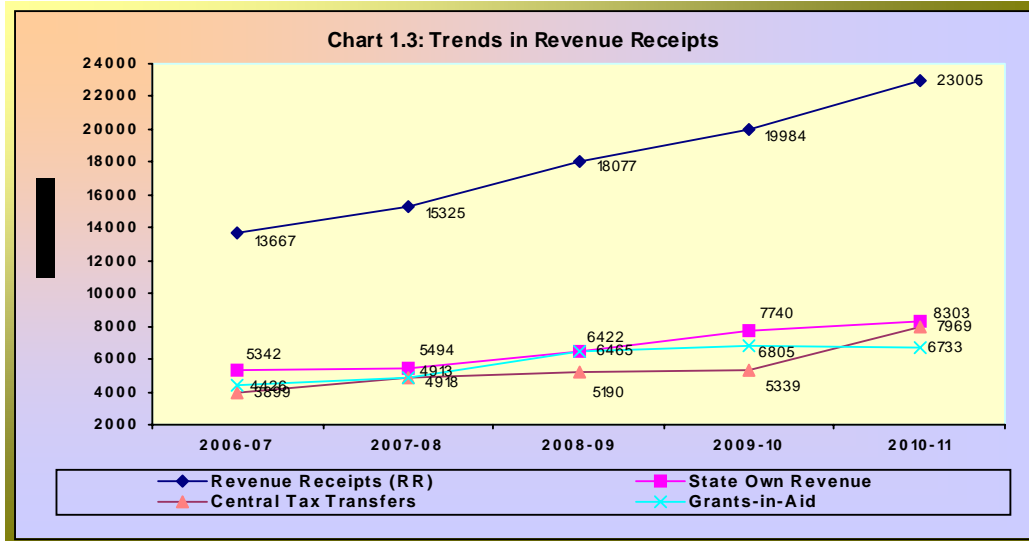
Source: As per information furnished by the Mission Director, SSA

*During the year 2010-11, GOI had released share for National Programme of Education for Girls at Elementary Level (NPEGEL) and Kasturba Gandhi Balika Vidyalaya (KGBV) along with SSA.

During 2010-11, Government of India (GOI) released ₹649.54 crore (against total sanction of ₹768.54 crore) for implementation of various programmes under SSA in the State and the State Implementing Society received the same amount. The above table shows that the Managing Director could utilize ₹855.81 crore of total available funds (SSA: ₹848.78 crore; NPEGEL: ₹0.59 crore and KGBV: ₹6.44 crore) during 2010-11 leaving unspent balance of ₹23.93 crore. However, the information regarding submission of Utilization Certificates of the fund received from the Ministry of Human Resource Development is yet to be furnished (August 2011) by the Mission Director, SSA. Moreover, the information regarding utilization of balance fund of ₹23.93 crore (₹879.74 crore - ₹855.81 crore) was also could not be furnished by the Mission Director, SSA.

1.4 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the GOI. The trends and composition of revenue receipts over the period 2006-11 are presented in *Appendix 1.4* and also depicted in **Chart 1.3** and **1.4** respectively.



1.4.1 General Trends

- During 2010-11, revenue receipts of the State grew by ₹3,121 crore over the previous year. The revenue receipts of the State showed progressive increase from ₹13,667 crore in 2006-07 to ₹23,005 crore in 2010-11 with inter year fluctuations in the growth rate. The healthy growth in revenue receipts was

mainly due to higher devolution recommended by the FC-XIII in the share of net proceeds of sharable taxes.

- About 36 per cent of the revenue receipts during 2010-11 have come from State's own resources while central tax transfers and grants-in-aid together contributed 64 per cent.
- During the current year, the increase of ₹1,720 crore (8.10 per cent) in revenue expenditure did not keep pace with the increase of ₹3,121 crore in revenue receipts (15.70 per cent).
- Tax revenue constituted 25.78 per cent of the total revenue receipts and increased by ₹943 crore during 2010-11 recording a growth rate of 18.91 per cent over the previous year. The percentage of tax revenue to total revenue receipts ranged between 21.92 and 25.78 per cent during 2006-11.
- Non-tax revenue receipts constituted 10.32 per cent of the total revenue receipts and decreased by ₹380 crore over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between 10.32 and 13.93 per cent during 2006-11.

The trends in revenue receipts relative to GSDP are presented in **Table 1.8**.

Table 1.8: Trends in Revenue Receipts relative to GSDP

	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Receipts (RR) (₹ in crore)	13,667	15,325	18,077	19,884	23,005
Rate of growth of RR (<i>per cent</i>)	13.46	12.13	17.96	10.00	15.70
Rate of growth of Own Taxes (<i>per cent</i>)	7.77	(-) 3.56	23.55	20.17	18.91
RR/GSDP (<i>per cent</i>)	21.13	21.56	22.26	21.50	22.07
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	1.51	1.23	1.26	0.72	1.24
State's Own Tax Buoyancy w.r.t GSDP	0.87	(-) 0.36	1.65	1.46	1.49
Gross State Domestic Product (₹ in crore)	64,692	71,076	81,221	92,472	1,04,218
Rate of growth of GSDP (<i>per cent</i>)	8.94	9.87	14.27	13.85	12.70

- The GSDP at current prices was estimated to increase from ₹92,472 crore in 2009-10 to ₹1,04,218 crore in 2010-11, representing an increase of 12.70 per cent. Higher growth of revenue receipts compared to growth rate of GSDP during the current year reflects the State's inclination to revert to the path of fiscal consolidation suggested by the FC-XIII.

⁶Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 1.24 implies that revenue receipts tend to increase by 1.24 percentage points, if the GSDP increases by one per cent.

- Revenue buoyancy with reference to GSDP and State own tax buoyancy with respect to GSDP slightly improved during the current year. Ideally growth rate of revenue should be higher than GSDP growth rate so that over time the budget can be better balanced. If the State's own taxes are buoyant, than the Government will be in a better position to plan expenditure and improve welfare of the people.

1.4.2 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc, the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and non-tax revenue and their percentage and also expenditure during 2006-11 is presented in *Appendix 1.4. Appendix 1.5 (A) & (B)* also presents the component-wise tax and non-tax revenue for the years 2006-11.

The tax revenue of the State increased from ₹3,483 crore in 2006-07 to ₹5,930 crore in 2010-11 at an annual average rate of 14.05 *per cent*. During the current year, the lion's share of tax revenue was contributed by Sales Tax, Trade etc, (72.83 *per cent*) followed by State Excise (5.45 *per cent*) and Taxes on Vehicles (3.91 *per cent*). Increase in Sales Tax, Trade etc, was mainly on account higher collection of trade taxes of ₹997.57 crore over the previous year. Increases in the collection of State Excise and taxes on vehicles during the current year was mainly on account of rationalization the duty structure and license fees of State Excise and revising the Assam Motor Vehicle Tax Schedule. State's own tax revenue (₹5,930 crore) during the current year was more than the assessment of FC-XIII (₹773 crore) and projections of FYFP (₹793 crore).

The non-tax revenue, which constituted 10 to 14 *per cent* of total revenue receipts during the last five years, decreased by ₹380 crore during the current year recording a decrease of 13.80 *per cent* over the previous year. The decrease was mainly due to non-receipt of debt waiver (₹211 crore) to be granted by the GOI during 2008-09 and 2009-10. During the current year, non-tax revenue was mainly contributed by interest receipts, dividends and profits (₹431 crore), petroleum (₹1,626 crore) and Forestry and Wild life (₹131 crore). Non-tax revenue (₹2,373 crore) was however, more than the assessment of FC-XIII (₹90 crore) but less than the projections of FYFP (₹228 crore).

Central tax transfers increased by ₹2,630 crore from ₹5,339 crore in 2009-10 to ₹7,969 crore in 2010-11 and constituted 34.64 *per cent* of the revenue receipts during the year. Increase in Central tax transfers during the current year was due to higher devolution in the share of net proceeds of sharable taxes recommended by the FC-XIII.

The details of Grants-in-aid from the GOI are given in **Table 1.9**.

Table 1.9: Grants-in-aid from the GOI

	(₹ in crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Non-Plan Grants	709	886	1,021	1,593	944
Grants for State Plan Schemes	2,754	2,979	4,191	3,995	4,374
Grants for Central Plan Schemes	188	134	55	40	23
Grants for Centrally Sponsored Schemes	721	722	993	1,032	1,341
Grants for Special Plan Schemes	54	192	205	145	51
Total	4,426	4,913	6,465	6,805	6,733
Percentage of increase over previous year	3.00	11.00	31.62	5.26	(-) 1.06
Percentage of Revenue Receipts	32	32	36	34	29

Grants-in-aid from the GOI decreased by 1.06 *per cent* from ₹6,805 crore in 2009-10 to ₹6,733 crore in 2010-11. Within the plan grants, while grants for Central Plan Schemes and Special Plan Schemes decreased by ₹17 crore (42.50 *per cent*) and ₹94 crore (64.83 *per cent*) respectively, grants for State plan schemes and Centrally Sponsored Schemes increased by ₹379 crore (9.49 *per cent*) and ₹309 crore (29.94 *per cent*) respectively. The major increases under State Plan Schemes were due to huge assistance provided for Rastriya Vikash Yojana (₹137 crore), implementation of Rural Development programme for Backward Regions (₹83 crore) and Grants for development of North Eastern Region (₹95 crore). The major increases under Centrally Sponsored Schemes were due to implementation of Integrated Child Development Schemes (₹164 crore) and Mid-day Meal Scheme (₹188 crore). A part of the increase was however, offset by decrease in implementation of Rural Water Supply Programme (₹92 crore) and Multi Sectoral Development Programme for Minorities (₹50 crore). The Non-Plan grants (₹944 crore) to the State constitute 14 *per cent* of the total grants during the year, of which, 37 *per cent* (₹346 crore) was provided under the proviso to Article 275 (1) of the Constitution. Other components of non-plan grants mainly included (i) grants towards contribution to State Disaster Response Fund (₹237 crore), (ii) grants towards compensation for loss of revenue on account of CST/VAT (₹229 crore), and (iii) grants towards Modernization of Police Force (₹43 crore).

1.4.3 Cost recovery in supply of merit goods and services

The current levels of cost recovery (non-tax revenue receipts as a percentage of non-plan revenue expenditure) in supply of merit goods and services by Government were negligible, as depicted in **Table 1.10**.

Table 1.10: Cost recovery: 2010-11

(₹ in lakh)

	Non-tax revenue receipts	Non-plan revenue expenditure	Cost Recovery (per cent)
Elementary Education	138	2,73,602	0.05
Medical and Public Health	842	1,07,535	0.78
Water Supply & Sanitation	97	31,080	0.31
Roads & Bridges	2,262	64,571	3.50
Minor Irrigation	42	26,575	0.16

As can be seen from above table, while the cost recovery for Roads and Bridges during 2010-11 was 3.50 per cent, for Elementary Education, Medical and Public Health, Water Supply & Sanitation and Minor Irrigation the percentages were 0.05, 0.78, 0.31 and 0.16 respectively. While cost recovery from social services like education and health are expected to be lower than that of economic services, it is a matter of concern that compared to 2006-07⁷, cost recovery has fallen in all categories except Water Supply and Sanitation in 2010-11. Incremental raising of user charges will facilitate sustainable provision of these services over a period of time.

1.4.4 Evasion of taxes

During 2010-11, evasion of tax (including interest) amounting to ₹6.90 crore due to concealment of turnover (₹49.52 crore) in three cases were reported by the Government. Thus, the State had suffered a revenue loss of ₹6.90 crore.

1.4.5 Write off / waivers of revenue

During the year 2010-11, demands for ₹3.49 lakh in six cases relating to Assam General Sales Tax (AGST) were written off by the Finance (Taxation) Department/ Government as irrecoverable due to the reasons indicated in **Table 1.11**.

Table 1.11: Reasons for write off/waiver of revenue

(₹ in lakh)

Reasons	No. of cases		Amount	
	AGST/VAT	CST	AGST/VAT	CST
Whereabouts of defaulters not known	2	-	0.77	-
Defaulters are no longer alive	4	-	2.72	-
Total	6	-	3.49	-

Source: Commissioner of Taxes, Assam

1.4.6 Revenue arrears

The arrears of revenue as on 31 March 2011 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹2,597 crore of which ₹712.70 crore was outstanding for more than five years as mentioned in **Table 1.12**.

⁷ Elementary Education: 3.36 per cent; Medical and Public Health: 1.19 per cent; Water Supply & Sanitation: 0.30 per cent; Roads & Bridges: 10.16 per cent and Minor Irrigation: 0.19 per cent.

Table 1.12: Arrears of revenue

(₹ in crore)

Sl No.	Heads of revenue	Amount outstanding as on 31 March 2011	Amount outstanding for more than five years as on 31 March 2011	Remarks
1	Sales Tax/VAT	2,470.82	686.48	Tax dues could not be realized due to stay orders of Hon'ble High Court & Supreme Court
2	Land Revenue	124.71	24.94	Due to non-partition of joint pattas and non-payment by the land owners affected by flood and erosion.
3	Geology & Mining	1.47	1.28	Due to non-payment of royalty on limestone by NECEM Ltd. and Vinay Cements Ltd. and non—payment of revised royalty on coal by AMDC Ltd.
Total		2,597.00	712.70	

1.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.5.1 Growth and composition of expenditure

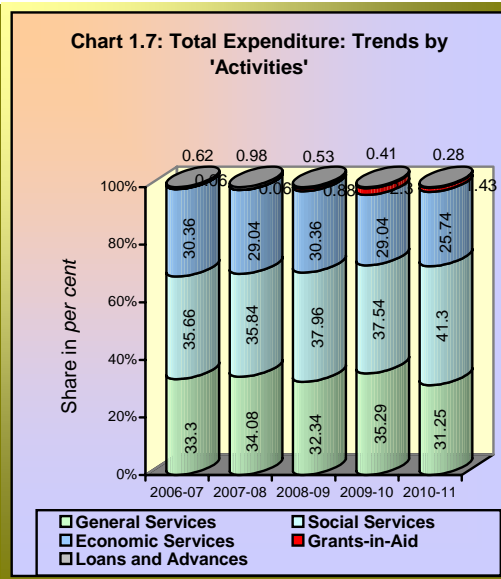
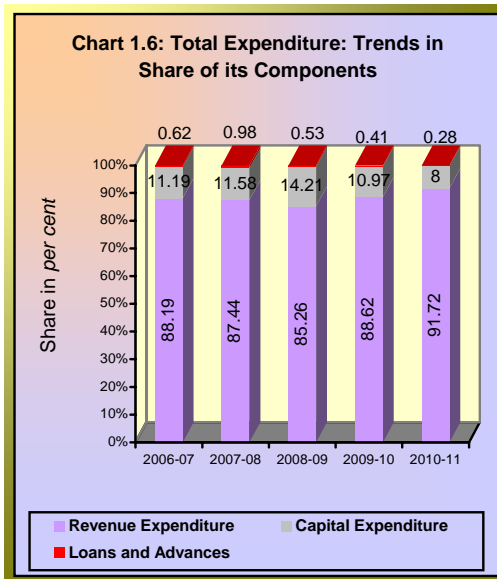
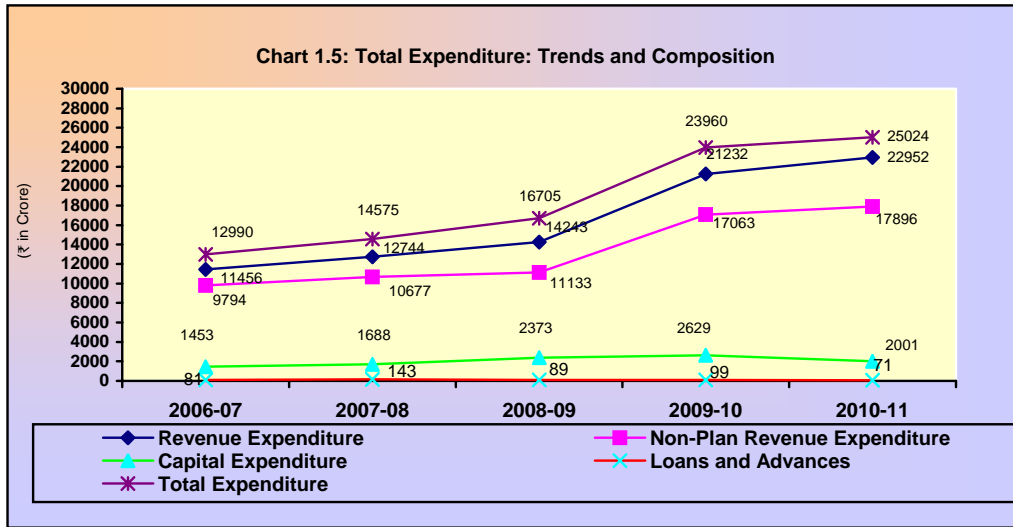
The total expenditure and its compositions during the years 2006-07 to 2010-11 are presented in the **Table 1.13**.

Table 1.13: Total expenditure and its compositions

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Total Expenditure	12,990	14,575	16,705	23,960	25,024
Revenue Expenditure	11,456	12,744	14,243	21,232	22,952
<i>Of which, Non-plan Revenue Expenditure</i>	9,794	10,677	11,133	17,063	17,896
Capital Expenditure	1,453	1,688	2,373	2,629	2,001
Loans and Advances	81	143	89	99	71

Chart 1.5 presents the trends in total expenditure over a period of five years (2006-11) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.6** and **Chart 1.7** respectively.



The total expenditure of the State increased from ₹12,990 crore in 2006-07 to ₹25,024 crore in 2010-11 at an annual average rate of 18.53 per cent and increased by 4.44 per cent from ₹23,960 crore in 2009-10 to ₹25,024 crore in 2010-11. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.14**.

Table 1.14: Total expenditure – basic parameters

	2006-07	2007-08	2008-09	2009-10	2010-11
Total Expenditure (TE) (₹ in crore)	12,990	14,575	16,705	23,960	25,024
Rate of growth (per cent)	10.77	12.20	14.61	43.43	4.44
TE/GSDP ratio (per cent)	20.08	20.51	20.57	25.91	24.01
RR/TE ratio (per cent)	105.21	105.15	108.21	82.99	91.93
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.20	1.24	1.02	3.14	0.35
RR (ratio)	0.80	1.01	0.81	4.34	0.28

The increase of ₹1,064 crore (4.44 *per cent*) in total expenditure in 2010-11 was mainly on account of an increase of ₹1,720 crore in revenue expenditure which was, however, offset by decrease in Capital expenditure by ₹628 crore and disbursement of loans and advances by ₹28 crore.

The increase in revenue expenditure was mainly on:

- General Education (₹1,858 crore) of which major increase of expenditure of ₹908 crore was under Elementary Education due to increase in expenditure against (i) Mid-day Meal Scheme (Cooking cost) and Management, Monitoring and Evaluation (MME) (ii) Government teachers serving in Non-Government Middle Schools and (iii) Financial assistance to Venture Lower Primary/Upper Primary Schools.
- Roads and Bridges (₹199 crore) of which major increase of expenditure of ₹88 crore was under Direction and Administration due to increase in expenditure under (i) Maintenance and Repairs (ii) Public Workshop establishment and fresh expenditure against periodic repairs of PWD roads through Assam State Road Board (ASRB) including urban and rural roads and Inter-State connectivity of economic importance.
- Special Programmes for Rural Development (₹188 crore). The major increase of expenditure of ₹188 crore was under Integrated Rural Development Programme mainly on account of increase in expenditure towards financial assistance to BPL families and erosion affected families and cash assistance to marginal entrepreneurs and Self-Help Groups.
- Village and Small Industries (₹130 crore) of which major increase of expenditure of ₹94 crore was on Handloom & Textile due to implementation of Integrated Handloom Village Development schemes followed by increase in expenditure under Sericulture (₹23 crore) due to increase in expenditure in Sericulture farm.
- Food Storage and Warehousing (₹116 crore) of which major increase of expenditure of ₹117 crore was due to implementation of Chief Minister's Special Programme etc., which was however, offset by decrease in expenditure under assistance to Co-operatives (₹one crore).
- **The decrease in Capital expenditure** during 2010-11 was mainly due to decrease in expenditure on Capital outlay on Urban Development by ₹173 crore (86.93 *per cent*) and decrease in expenditure on Capital outlay on Major and Medium Irrigation projects by ₹78 crore (82.98 *per cent*). The decrease in expenditure under Urban Development was mainly due to decrease in expenditure against construction of Secretariat Building and construction of new Assembly House and decrease in expenditure under Irrigation projects was

due to less expenditure under (i) Dhansiri irrigation project (ii) Champamati irrigation project & (iii) Buridihing irrigation project.

The decrease in disbursement of loans and advances during 2010-11 was mainly due to decrease in loans for Urban Development (₹20 crore) and loans for Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹0.58 crore) and loans to Government Servants (₹2.14 crore).

The pattern in total expenditure in the form of plan and non-plan expenditure during 2010-11 reveal that non-plan expenditure contributed dominant share of 72 *per cent* while the plan expenditure was 28 *per cent*. Moreover, of the increase of ₹1,064 crore in total expenditure, plan expenditure shared 23 *per cent* (₹242 crore) while non-plan expenditure contributed 77 *per cent* (₹822 crore) in 2010-11.

The increase in ratio of revenue receipts to total expenditure from 82.99 *per cent* in 2009-10 to 91.93 *per cent* in 2010-11 is to be viewed in the light of the unprecedented increase of ₹2,630 crore in State's share in Union taxes and duties during 2010-11 over 2009-10. The buoyancy of total expenditure with reference to GSDP decreased to 0.35 during 2010-11 due to decrease in the rate of growth of total expenditure as compared to the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts decreased to 0.28 in 2010-11 indicating increase in receipt at a pace greater than the expenditure.

1.5.2 Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.15**.

Table 1.15: Components of expenditure – relative shares

	(in per cent)				
	2006-07	2007-08	2008-09	2009-10	2010-11
General Services	33.30	34.08	32.34	35.29	31.25
Of which, Interest Payments	11.67	10.37	9.54	7.65	7.64
Social Services	35.66	35.84	37.96	37.54	41.30
Economic Services	30.36	29.04	28.29	24.46	25.74
Grants-in-aid	0.06	0.06	0.88	2.30	1.43
Loans and Advances	0.62	0.98	0.53	0.41	0.28

The movement of the relative shares of the above components of expenditure indicated that the shares of social services and economic services in the total expenditure increased during 2010-11 over the previous year. These increases were set off by decrease in the respective shares of general services, grants-in-aid and loans and advances.

The expenditure on general services and interest payments, which are considered as non-developmental, together contributed 31.25 *per cent* in 2010-11 as against 35.29 *per cent* in 2009-10. On the other hand, development expenditure *i.e.*, expenditure on social and economic services together accounted for 67.04 *per cent* in 2010-11 as against 62 *per cent* in 2009-10. This indicates that there was increase in development expenditure and decrease in non-development expenditure in comparison to previous year.

1.5.3 Revenue Expenditure

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of more than 85 *per cent* in the total expenditure during the period 2006-11. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure (non-plan) to GSDP, total expenditure and to revenue receipts and its buoyancy is indicated in **Table 1.16**.

Table 1.16: Revenue expenditure – basic parameters

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Expenditure (RE), of which	11,456	12,744	14,243	21,232	22,952
Non-Plan Revenue Expenditure (NPRE)	9,794	10,677	11,133	17,063	17,896
Plan Revenue Expenditure (PRE)	1,662	2,067	3,110	4,169	5,056
Rate of Growth of					
RE (<i>per cent</i>)	8.73	11.24	11.76	49.07	8.10
NPRE (<i>per cent</i>)	16.50	9.02	4.27	53.27	4.88
(PRE) (<i>per cent</i>)	(-) 21.94	24.37	50.46	34.05	21.28
Revenue Expenditure as percentage to TE	88.19	87.44	85.26	88.61	91.72
NPRE/GSDP (<i>per cent</i>)	15.14	15.02	13.71	18.45	17.17
NPRE as percentage of TE	75.40	73.26	66.64	71.21	71.52
NPRE as percentage of RR	71.66	69.67	61.59	85.81	77.79
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.98	1.14	0.82	3.54	0.64
Revenue Receipts (ratio)	0.65	0.93	0.65	4.91	0.52

The overall revenue expenditure of the State increased by 100.35 *per cent* from ₹11,456 crore in 2006-07 to ₹22,952 crore in 2010-11 at an annual average rate of 20.07 *per cent* and increased from ₹21,232 crore in 2009-10 to ₹22,952 crore in 2010-11.

The NPRE constituted a dominant share of more than 77 *per cent* in the revenue expenditure and has increased by ₹833 crore over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure in

Superannuation and retirement allowances (₹395 crore) and Gratuities (₹134 crore) under Pensions and Other Retirement Benefits, Government primary schools (₹420 crore) under Elementary Education, assistance to Non-Government Secondary Schools (₹463 crore) under Secondary Education, Crop husbandry (₹52 crore), Cattle and Buffalo Development (₹41 crore), Poultry Development (₹34 crore) under Animal Husbandry, other expenditure (₹120 crore) under Food Storage and Warehousing, Minor Irrigation (₹77 crore) under Irrigation and Flood Control and Roads and Bridges (₹188 crore) under Transport. The increase in NPRE during 2010-11 was however, partly offset by decrease in expenditure on Other Miscellaneous compensation and assignments (₹192 crore) under Compensation & Assignment to Local bodies & Panchayati Raj Institutions, decrease in expenditure under Administrative Services (₹194 crore) and expenditure under Social Welfare and Nutrition (₹615 crore).

The PRE increased by ₹887 crore from ₹4,169 crore in 2009-10 to ₹5,056 crore in 2010-11 mainly due to increase in expenditure in Education, Sports, Art & Culture (₹832 crore), Social Welfare & Nutrition (₹192 crore) and Industry & Minerals (₹88 crore) partly offset by decrease in expenditure under Health and Family Welfare (₹89 crore) and Water Supply, Sanitation, Housing and Urban Development (₹29 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated widely. The decrease in buoyancy ratio of revenue expenditure to GSDP and to revenue receipts during 2010-11 over previous year indicates increase in total income of the State at a pace faster than revenue expenditure.

Table 1.17 provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by FC-XIII and State Government in its budget during 2011.

Table 1.17: Comparative position of Non-Plan Revenue Expenditure vis-a-vis assessment made by FC-XIII and projections of the State Government in its budget

Year	Assessment made by the FC-XIII	(₹ in crore)	
		Assessment made by the State Government in Budget	Actual
2010-11	14,589	23,098	17,896

The NPRE remained significantly higher than the normative assessments made by FC-XIII while it was lower than the projections of the State Government in its Budget during 2010-11.

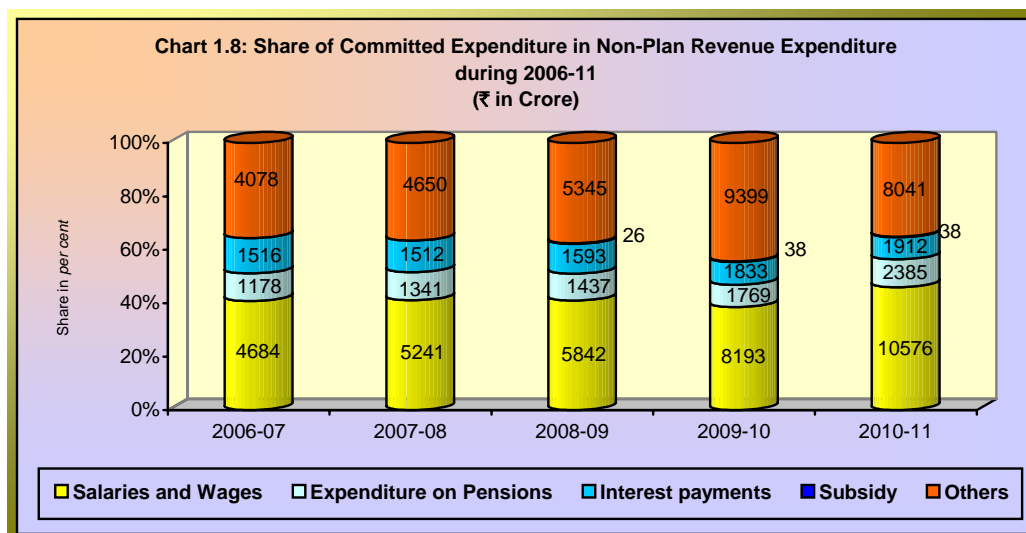
1.5.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.18** and **Chart 1.8** present the trends in the expenditure on these components during 2006-11.

Table-1.18: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11
Salaries & Wages, Of which	4,684 (34.27)	5,241 (34.20)	5,842 (32.32)	8,193 (41.20)	10,576 (45.97)
Non-Plan Head	4,484	5,068	5,584	7,866	10,131
Plan Head*	200	173	258	327	445
Expenditure on Pensions	1,178 (8.62)	1,341 (8.75)	1,437 (7.95)	1,769 (8.90)	2,385 (10.37)
Interest Payments	1,516 (11.09)	1,512 (9.87)	1,593 (8.81)	1,833 (9.22)	1,912 (8.31)
Subsidy	NA	NA	26 (0.14)	38 (0.19)	38 (0.17)
Other Components, i.e. other than committed expenditure	4,078 (29.84)	4,650 (30.34)	5,345 (29.57)	9,399 (47.27)	8,041 (34.95)
Total	11,456 (83.82)	12,744 (83.16)	14,243 (78.79)	21,232 (106.78)	22,952 (99.77)

Figures in the parentheses indicate percentage to Revenue Receipts
 * Plan Head includes the salaries paid under Centrally Sponsored Schemes
 NA: Not available
 Source: Finance Accounts and information furnished by PAG (A&E), Assam.



(A) Salary and Wage expenditure

Salaries and wages alone accounted for more than 45 per cent of revenue receipts of the State during the year. It increased by more than 29 per cent from ₹8,193 crore in 2009-10 to ₹10,576 crore in 2010-11. Salary expenditure under Non-plan head during 2010-11 increased by ₹2,265 crore (28.79 per cent) over the previous year whereas the salary expenditure on plan head increased by ₹118 crore (36.09 per cent) over the previous year. Non-plan salary expenditure ranged between 95.73 and 96.70 per cent of total expenditure on salaries during 2006-11. Although expenditure on salaries during 2010-11 was less by ₹3,169 crore (23.06 per cent) than assessed (₹13,745 crore) by the State Government in its budget and also less by ₹462 crore (4.19 per cent) against the projection of ₹11,038 crore in FYFP but it was more by 56 per cent (₹3,792 crore) than the assessment made by the FC-XIII. Increase of ₹2,383 crore in salary expenditure was mainly due implementation of State Pay Commission by the State Government during 2009-10.

(B) Interest Payments

Interest payments increased by 4.31 per cent from ₹1,833 crore in 2009-10 to ₹1,912 crore in 2010-11. The interest payment on internal debt (₹1,420 crore), loans and advances from Central Government (₹144 crore) and Small Savings, Provident Fund etc. (₹348 crore).

The interest payments with reference to assessment made by the FC-XIII and the projections of the State Government in its budget and FYFP (Table 1.19) indicates that the State Government was successful in restricting the interest payment within the assessments of FC-XIII and State projections during 2010-11.

Table-1.19: Interest Payments vis-à-vis Thirteenth Finance Commission assessment and State Projections

Year	Assessment made by the Thirteenth Finance Commission	Assessment made by the State Government in		Actual
		Budget	FYFP	
2010-11	2,242	2,407	2,319	1,912

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Market loans, (iii) Loans from the Banks and Financial Institutions, (iv) Loans from Small Savings and Provident Funds and (v) Loans from National Small Savings Fund of Central Government.

During 2010-11, the State Government raised open market loans of ₹300 crore at an average interest rate of 8.48 per cent. Government also borrowed ₹1,230 crore from National Small Savings Fund and other institutions and ₹16 crore from Government of India.

(C) Pension Payments

Pension payments grew at an annual average rate of 20 *per cent* from ₹1,178 crore in 2006-07 to ₹2,385 crore in 2010-11. Pension payments alone accounted for more than 10 *per cent* of revenue receipts of the State during the year and increased by ₹616 crore (34.82 *per cent*) over the previous year. Increase of ₹616 crore in pension payments during 2010-11 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹395 crore), Gratuity (₹134 crore) and Leave Encashment Benefits (₹87 crore). The State Government had introduced 'The New Defined Contribution Pension Scheme', that would be applicable to all new entrants joining State Government Services on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities. The New Pension Schemes was however, implemented provisionally in the State with effect from January 2010.

The **Table 1.20** below shows the actual pension payments with reference to assessment made by the FC-XIII and projections of the State Government.

Table-1.20: Actual Pension Payments vis-à-vis FC-XIII assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		Actual
		Budget	FYFP	
		2010-11	1,969	

Pension payments was ₹416 crore (21 *per cent*) more than the assessments of FC-XIII and ₹13 crore (0.55 *per cent*) more than the projections made by the State Government in its FYFP during 2010-11 while it was ₹137 crore (5.43 *per cent*) less than the projections made in its budget. The effect of implementation of State Pay Commission had impacted the pension liabilities of the Government as evident from the table above. However, the large gap of pension payments with reference to assessments of the FC-XIII further emphasized the need of working out the pension liabilities on actuarial basis.

(D) Subsidies

Table 1.18 indicates that subsidies as a percentage of revenue receipts decreased from 0.19 *per cent* in 2009-10 to 0.17 *per cent* in 2010-11. However, in absolute terms expenditure on payment of subsidies remained constant at ₹38 crore during 2009-10 and 2010-11. During the current year the Departments, which received subsidy, include Co-operation (5 *per cent*), Industries and Commerce (37 *per cent*) and Welfare of Plain Tribes and Other Backward Classes (58 *per cent*). The State Government had not made any projections of subsidy in its FYFP during 2010-11.

1.5.5 Financial Assistance by State Government to boards and other institutions

The quantum of assistance provided by way of grants and loans to boards and others during the current year relative to the previous years is presented in **Table 1.21**.

Table 1.21: Financial Assistance to boards and other institutions

Financial Assistance to Institutions	2006-07	2007-08	2008-09	2009-10	2010-11	
					BE	Actual
Municipal Corporations/Urban Sewerage Board	17.66	24.47	9.25	105.41	14.05	56.74
Co-operative Societies and Co-operative Institutions	0.04	1.64	0.10	0.34	1.10	1.00
Universities and Educational Institutions	892.58	822.57	829.40	955.46	1530.62	1539.47
Assam State Electricity Board (ASEB)	70.53	102.36	3.10	42.24	50.21	50.21
Assam State Housing Board (ASHB)	1.34	1.34	0.08	1.64	0.40	0.40
Assam Khadi & Village Industries Board	6.80	11.25	5.90	11.87	9.75	12.18
Urban Development Authority	27.79	0.12	10.10	13.28	23.77	8.37
Other Institutions	61.44	109.22	191.49	281.52	339.64	354.45
Autonomous Councils	167.75	83.86	92.54	102.09	319.70	127.58
Total	1,245.93	1,150.83	1,141.96	1,513.85	2289.24	2150.40
Assistance as percentage of RE	10.88	9.03	8.02	7.13	7.07	9.37

The total assistance at the end of the year 2010-11 had increased by 72.59 per cent over the level of 2006-07. The assistance to boards and other institutions as a percentage of total revenue expenditure had decreased from 10.88 per cent in 2006-07 to 9.37 per cent in 2010-11. Financial assistance to universities and educational institutions alone constituted more than 71 per cent of the total assistance of the State Government during 2010-11.

1.6 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure.

1.6.1 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay

emphasis on provision of core public and merit goods⁸. Apart from improving the allocation towards development expenditure⁹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.22** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.23** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.22: Development Expenditure

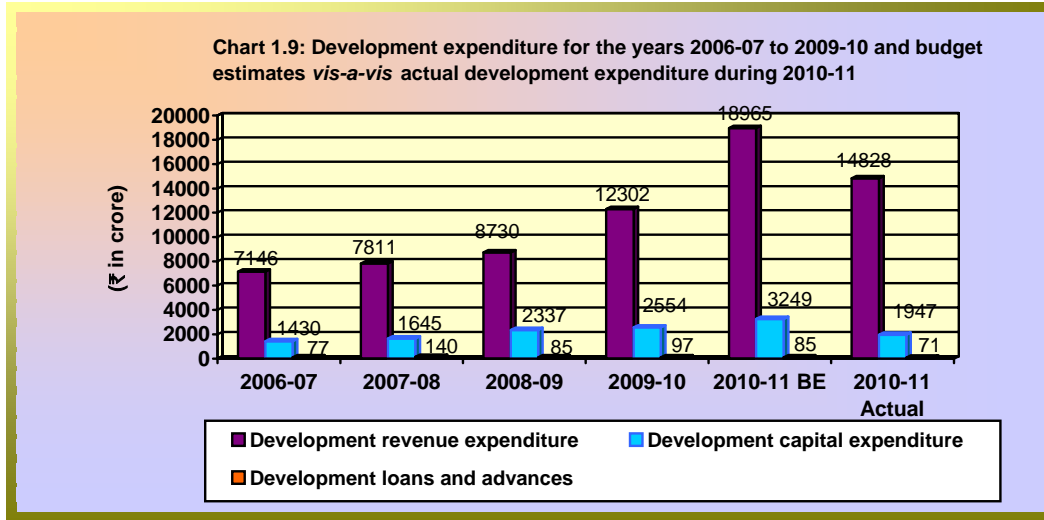
Components of Development Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	
					BE	Actual
Development Expenditure (a to c)	8,653 (67)	9,596 (66)	11,152 (67)	14,953 (62)	22,299 (61)	16,846 (67)
a. Development Revenue Expenditure	7,146 (55)	7,811 (54)	8,730 (52)	12,302 (51)	18,965 (52)	14,828 (59)
b. Development Capital Expenditure	1,430 (11)	1,645 (11)	2,337 (14)	2,554 (11)	3,249 (9)	1,947 (8)
c. Development Loans and Advances	77 (-)	140 (1)	85 (-)	97 (-)	85 (-)	71 (-)

Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2006-11 and increased by ₹1,893 crore (12.66 *per cent*) over the previous year. During the current year, though the State Government earmarked 61 *per cent* of the estimated aggregate expenditure for development expenditure, this assessment was exceeded by 6 *per cent* at the end of the year. The relative share of development expenditure to total expenditure during 2006-11 is presented in **Chart 1.9**.

⁸ *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁹The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.



The development revenue expenditure increased by ₹2,526 crore from ₹12,302 crore in 2009-10 to ₹14,828 crore in 2010-11. The increase under social services was ₹1,616 crore while increase under economic services was ₹910 crore. The actual development revenue expenditure was less than the State's projection in budget by ₹4,137 crore.

The development capital expenditure decreased by ₹607 crore from ₹2,554 crore in 2009-10 to ₹1,947 crore in 2010-11. The decrease of ₹607 crore in development capital expenditure was due to decrease in expenditure under social services by ₹276 crore and economic services by ₹331 crore.

The development loans and advances decreased by ₹26 crore from ₹97 crore in 2009-10 to ₹71 crore in 2010-11. The actual development loans and advances was also less than the State's projection in budget by ₹14 crore.

Table 1.23 –Efficiency of expenditure use in selected social and economic services

(in per cent)

Social/ Economic Infrastructure	2009-10			2010-11		
	Ratio of CE to TE [®]	In RE, the share of		Ratio of CE to TE	In RE, the share of	
1	2	S & W	O & M [¥]	5	S & W	O & M [¥]
3	4	6	7			
Social Services (SS)						
Education, Sports, Art and Culture	0.03	15.27	0.29	--	21.35	0.85
Health and Family Welfare	0.30	2.11	2.11	0.36	3.44	0.75
Water Supply, Sanitation & Housing & Urban Development	43.24	0.97	1.10	19.92	1.25	3.23
Other Social Services	0.15	1.15	0.03	--	1.31	0.36
Total (SS)	5.03	19.50	3.53	1.70	27.35	5.19
Economic Services (ES)						
Agriculture & Allied	0.68	1.72	1.85	0.12	2.19	1.27

Activities						
Irrigation and Flood Control	69.05	0.71	0.34	59.22	2.02	0.44
Special Areas Programmes	58.00	0.01	0.01	62.99	0.01	-
Transport	55.46	1.51	4.32	40.99	1.97	7.87
Other Economic Services	14.72	1.14	0.59	12.74	2.99	5.52
Total (ES)	35.86	5.09	7.11	27.50	9.18	15.10
Total (SS+ES)	17.19	24.59	10.64	11.61	36.53	20.29
TE: Total expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance						
® Total revenue and capital expenditure of the services concerned						
¥ Appendix XII of Finance Accounts						

The trends presented in **Table 1.23** reveal that development capital expenditure as a percentage of total expenditure decreased from 17.19 *per cent* in 2009-10 to 11.61 *per cent* in 2010-11. Whereas the share of salary and wages as well as operations and maintenance in revenue expenditure increased from 24.59 *per cent* and 10.64 *per cent* in 2009-10 to 36.53 *per cent* and 20.29 *per cent* in 2010-11 respectively.

The percentage of capital expenditure on social services to total expenditure decreased from 5.03 *per cent* in 2009-10 to 1.70 *per cent* in 2010-11 and percentage of capital expenditure on economic services to total expenditure also decreased from 35.86 *per cent* in 2009-10 to 27.50 *per cent* in 2010-11. The decrease was mainly seen under water supply, sanitation, housing and urban development under social services and irrigation and flood control & Transport under economic services.

The share of salary and wages in revenue expenditure on social services increased from 19.50 *per cent* in 2009-10 to 27.35 *per cent* in 2010-11 and the share of salary and wages in revenue expenditure on economic services also increased from 5.09 *per cent* in 2009-10 to 9.18 *per cent* in 2010-11. The increase was mainly seen under education, sports, art and culture under social services and agriculture and allied activities and irrigation and flood control under economic services.

The share of operations and maintenance in revenue expenditure on social services increased from 3.53 *per cent* in 2009-10 to 5.19 *per cent* in 2010-11 while the share of operations and maintenance in revenue expenditure on economic services increased from 7.11 *per cent* in 2009-10 to 15.10 *per cent* in 2010-11. The increase was mainly seen under water supply, sanitation, housing and urban development under social services while the increase was seen under transport under economic services.

1.6.2 Effectiveness of the Expenditure, i.e. Outlay - Outcome Relationship

Results of performance review indicating the outlay-outcome relationship are *inter-alia* included in the **Performance Audit of Elementary Education**. The effectiveness of the expenditure as brought out in the review taken up during 2010-11 covering the period from 2006-11 is summarized below:

- Due to system deficiency in cash management and poor internal control on the part of the Sarva Siksha Abhiyan Mission, fund amounting to ₹1.40 crore had been fraudulently transferred to an individual bank account based on fake authorization letter.
- Schematic and other funds to the extent of ₹312.14 crore were lying unspent/undisbursed with Director of Elementary Education as well as seven selected districts in the form of DCRs/Bank Drafts/Banker Cheque and in the current accounts of the DDOs for periods ranging from three months to more than thirty three years resulting in resource gap in providing necessary interventions.
- Facilities in Kitchen-cum-Store room were compromised due to their construction in violation of approved Plan and Estimate which also led to overpayment of ₹34.78 crore to contractors.

Appendix-1.6 depicts the progress achieved during 2010-11 as compared to 2009-10 in various sectors. It would be seen that percentage of literacy has significantly increased from 63.25 *per cent* in 2009-10 to 73.18 *per cent* in 2010-11. Except establishment of a new medical college, no new institutions were opened in Health sector. Enrollment of students in schools was increased considerably in lower primary and upper primary level during 2010-11 compared to previous year. In power sector, consumption of power has increased substantially but the generation had not increased to that extent, rather it was reduced during the current year. The increase in consumption was met from purchase of power from outside the State.

1.7 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.7.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2011 is given in **Table 1.24**.

Table 1.24: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Overrun [§]	Cumulative actual expenditure (March 2011)
Public Works (Roads)	115	836.47	41.13*	0.60	360.62
Public Works (Buildings)	14	209.02	-	-	116.61
Public Health Engineering	8	19.37	-	-	9.27
Irrigation	50	142.91	4.46**	1.86	69.58
Total	187	1,207.77	45.59	2.46	556.08

* Pertaining to one incomplete project (initial budget cost: ₹40.53 crore; revised cost: ₹41.13 crore).
 ** Pertaining to one incomplete project (initial budget cost: ₹2.60 crore; revised cost: ₹4.46 crore)

Source: Finance Accounts 2010-11

According to Appendix-X of Finance Accounts of 2010-11, as of 31 March 2011, there were 187 incomplete projects (total cost more than ₹one crore of each project) in which ₹556.08 crore were blocked. Of these, 171 projects involving ₹525.33 crore remained incomplete for less than five years and seven projects involving an amount of ₹23.02 crore remained incomplete for periods ranging from five to 10 years and two projects involving ₹1.64 crore beyond 10 years. Details in respect of seven projects involving ₹6.09 crore were not available. The revised cost of two incomplete projects increased by 5.70 per cent from ₹43.13 crore (initial budgeted cost) to ₹45.59 crore (total revised cost). Out of total cost overrun of ₹2.46 crore, ₹1.86 crore pertained to Irrigation Projects, which was 71.54 per cent of initial budgeted cost. Due to delay in completion of the projects, the intended benefits from these projects did not reach the beneficiaries in the State. The reasons for delay and cost/time overrun were however, not stated.

1.7.2 Investment and returns

As of 31 March 2011, Government had invested ₹2,166 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (Table 1.25). The average return on this investment was 0.89 per cent during 2006-2011 while the Government paid an average interest rate of 6.58 per cent on its borrowings during 2006-2011.

Table-1.25: Return on Investment

(₹ in crore)

Investment/Return/Cost of Borrowings at the end of the year		2006-07	2007-08	2008-09	2009-10	2010-11
(a)	Statutory Corporations (No. of concerns)	1,679.45 (4)	1,683.45 (4)	1,824.60 (4)	1,858.20 (4)	1,874.10 (4)
(b)	Rural Banks (No. of concerns)	8.40 (1)	8.40 (1)	8.40 (1)	10.54 (1)	11.16 (1)
(c)	Joint Stock Companies (No. of concerns)	77.59 (15)	77.59 (15)	18.04 (15)	18.04 (15)	18.04 (15)

(d)	Co-operatives (No. of concerns)	86.23 (17)	86.89 (17)	92.65 (18)	100.16 (18)	104.04 (18)
(e)	Government Companies (No. of concerns)	132.79 (24)	132.99 (24)	135.43 (24)	158.48 (24)	158.48 (24)
Total Investment		1,984.46	1,989.32	2,079.12	2,145.42	2,165.82
Return (₹ in crore)		18.54	24.00	19.45	14.92	14.98
Return (per cent)		0.93	1.21	0.94	0.70	0.69
Average rate of interest on Government borrowing (per cent)		7.66	7.14	6.76	6.83	6.58
Difference between interest rate and return (per cent)		6.73	5.93	5.82	6.13	5.89

During the last five years, *i.e.* 2006-11, the State Government's investments have increased by ₹181.36 crore. During the current year, Government has invested ₹15.90 crore in Statutory Corporations, ₹0.62 crore in Rural Banks, and ₹3.88 crore in Cooperative Societies. The increase in investments of ₹15.90 crore in Statutory Corporations during 2010-11 was attributable to increased capital contribution to Assam Financial Corporation (₹four crore) and Assam State Transport Corporation (₹11.90 crore) as compared to previous year.

All the four Statutory Corporations were incurring losses and their accumulated losses amounted to ₹669.02 crore (Accumulated loss of Assam Financial Corporation as on 31-03-2010: ₹1.53 crore, Assam State Ware-housing Corporation as on 31-03-2006: ₹8.13 crore, Assam State Transport Corporation (ASTC) as on 31-03-2008: ₹525.53 crore and accumulated loss of Assam State Electricity Board (ASEB) as on 31-03-2008: ₹133.84 crore). Similarly, 21 Government Companies in the State were also incurring losses and their accumulated losses amounted to ₹320.08 crore. The major loss sustaining organizations are Assam State Transport Corporation (Investment: ₹455.43 crore; loss ₹525.53 crore), Assam Industrial Development Corporation Ltd. (Investment: ₹29.71 crore; loss ₹128.07 crore), Assam Agro Industries Development Corporation Ltd. (Investment: ₹22.08 crore; loss ₹28.04 crore), Assam Tea Corporation Ltd. (Investment: ₹8.07 crore; loss ₹55.10 crore) and Assam Mineral Development Corporation Ltd. (Investment: ₹4.63 crore; loss ₹5.91 crore). The Government stated (August 2011) that preparation of disinvestments policies of the State Government Public Sector Undertakings (PSU's) is under process so as to wipe out their losses.

1.7.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. **Table 1.26** presents the outstanding loans and advances as on 31 March 2011, interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.26: Average Interest received on Loans Advanced by the State Government

(₹ in crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11
Opening Balance	2,675	2,721	2,824	2,878	2,944
Amount advanced during the year	81	143	89	99	71
Amount repaid during the year	35	40	35	33	28
Closing Balance	2,721	2,824	2,878	2,944	2,987
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	-	-	-	-	-
Net addition	46	103	54	66	43
Interest Receipts	8	8	81	12	8
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.29	0.28	2.81	0.41	0.27
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.66	7.14	6.76	6.83	6.58
Difference between interest payments and interest receipts (<i>per cent</i>)	7.37	6.86	3.95	6.42	6.31

The total amount of outstanding loans and advances as on 31 March 2011 was ₹2,987 crore. The amount of loans disbursed during the year decreased from ₹99 crore in 2009-10 to ₹71 crore in 2010-11. Out of the total amount of loans advanced during the year, ₹2.27 crore went to social services, ₹68.51 crore to economic services and ₹0.10 crore to Government servants. Under the social services, the major portion of loans went to Urban Development (82 *per cent*) and in economic services the major portion of loans went to Power projects (73 *per cent*) followed by Consumer Industries (19 *per cent*). However, recovery of loans and advances decreased from ₹33 crore in 2009-10 to ₹28 crore in 2010-11 mainly on account of less recovery from Government Servants (₹four crore). Interest received against these loans and advances continued to be negligible which decreased by 33 *per cent* from ₹12 crore in 2009-10 to ₹eight crore in 2010-11. During 2010-11, only 0.95 *per cent* of outstanding loans were repaid by institutions/ organizations/Government servants and ₹29.90 crore of loans was not repaid for last eight years.

1.7.4 Cash Balances and Investment of Cash Balances

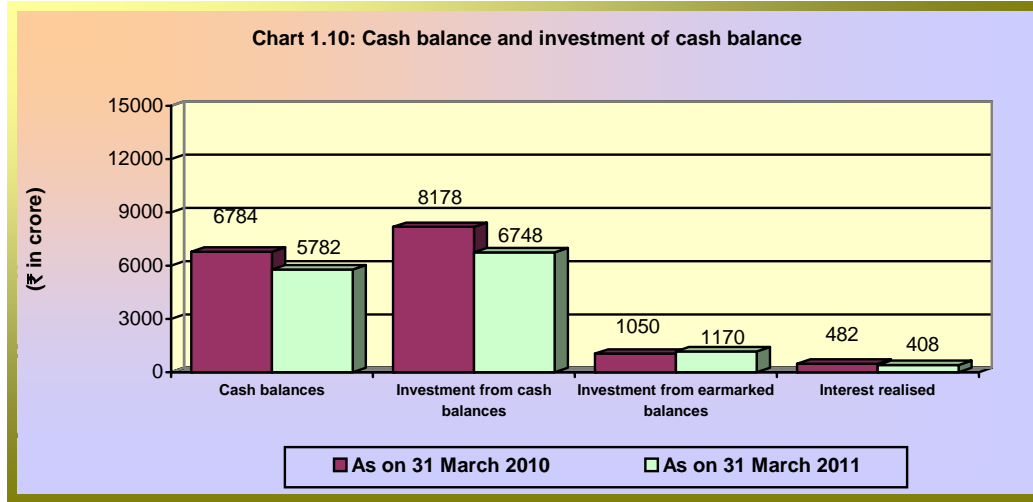
Table 1.27 and **Chart 1.10** depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.27: Cash balances and investment of cash balances

(₹ in Crore)

Particulars	As on 1 st April 2010	As on 31 st March 2011	Increase/ Decrease
Cash Balances	6,784	5,782	(-) 1,002
Investments from Cash Balances (a & b)	8,177.89	6,747.83	(-) 1,430.06
a. GOI Treasury Bills	8,174.79	6,746.98	(-) 1,427.81
b. GOI Securities	3.10	0.85	(-) 2.25

Funds-wise Break-up of Investment from Earmarked balances (a & b)	1,049.93	1,169.93	(+) 120.00
a. Sinking Fund	1,049.51	1,169.51	(+) 120.00
b. Development and Welfare Fund	0.42	0.42	-
Interest Realized	482	408	(-) 74



Cash balances of the State Government at the end of the current year decreased from ₹6,784 crore in 2009-10 to ₹5,782 crore in 2010-11. The State Government has invested ₹6,747 crore in GOI Treasury Bills and ₹one crore in GOI Securities and earned an interest of ₹408 crore during 2010-11. Further, the Government invested ₹1,170 crore in Sinking Fund and Development and Welfare Fund as of March 2011. The interest receipts against investment on cash balance was 6.05 *per cent* during 2010-11 while Government paid interest at the rate of 6.58 *per cent* on its borrowings during the year.

1.8 Assets and Liabilities

1.8.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets as on 31 March 2011, compared with the corresponding position on 31 March 2010. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

According to the Assam Fiscal Responsibility and Budget Management Act, 2005, the “total liabilities of the State” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.8.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.11** and **1.12**.

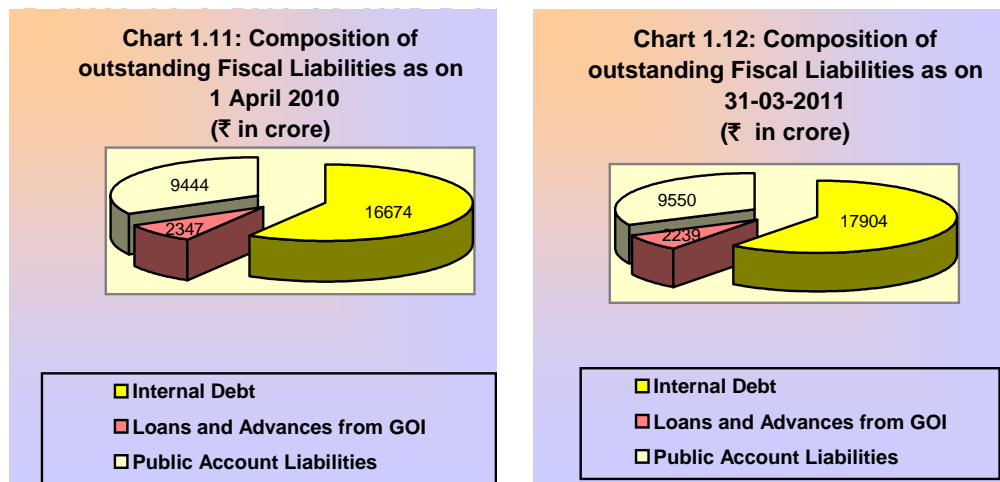


Table 1.28 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table-1.28: Fiscal Liabilities-Basic Parameters

	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal Liabilities [#] (₹ in crore)	20,598	21,871	25,234	28,465	29,693
Rate of Growth (<i>per cent</i>)	7.94	6.78	15.38	12.80	4.31
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	31.84	30.77	31.07	30.78	28.49
Revenue Receipts (<i>per cent</i>)	150.71	142.71	139.59	143.16	129.07
Own Resources (<i>per cent</i>)	385.59	398.09	392.93	367.76	357.62
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.888	0.686	1.077	0.924	0.339
Revenue Receipts (ratio)	0.589	0.558	0.856	1.280	0.274
Own Resources (ratio)	0.572	2.378	0.910	0.623	0.592

[#] Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

The overall fiscal liabilities of the State increased at an average annual rate of 8.83 *per cent* during the period 2006-11. During the current year, the fiscal liabilities of the State Government increased by ₹1,228 crore from ₹28,465 crore in 2009-10 to ₹29,693 crore in 2010-11. The increase in fiscal liabilities was mainly due to increase in the internal debt (₹1,230 crore) and Public Account liabilities (₹106 crore), which was however, offset by, decrease in loans and advances from the GOI (₹108 crore). **The ratio of fiscal liabilities to GSDP has decreased from 30.78 per cent in 2009-10 to 28.49 per cent in 2010-11. These fiscal liabilities stood at nearly 1.29 times the**

revenue receipts and 3.58 times of the State own resources at the end of 2010-11. The buoyancy of these liabilities with respect to GSDP during the year was 0.339 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.339 *per cent*. According to FC-XIII recommendations the State Government should bring the Fiscal Liabilities-GSDP ratio to around 25 *per cent* in the next five years. *The State Government has set up the sinking fund in line with the recommendations of the Twelfth Finance Commission (TFC) for amortization of market borrowings as well as other loans and debt obligations. As of 31 March 2011, the balance in the sinking fund was ₹1,176.75 crore. During 2010-11, ₹120 crore has been invested in the sinking fund.*

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to FRBM Act, State Government guarantees shall be restricted to 50 *per cent* of State’s tax and non-tax revenue of the second preceding year.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.29**.

Table-1.29: Guarantees given by the Government of Assam

(₹ in crore)			
Guarantees	2008-09	2009-10	2010-11
Maximum amount guaranteed	1,092	593	652
Outstanding amount of guarantees	796	299	247
Percentage of maximum amount guaranteed to total revenue receipts	6.04	2.98	2.83
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	State Government guarantees shall be restricted at any point of time to fifty <i>per cent</i> of State’s own tax and non-tax revenue of the second preceding year, as reflected in the books of accounts as maintained by Accountant General.		

- Government had constituted (September 2009) a ‘*Guarantee Redemption Fund*’ for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other bodies and stands invoked by the beneficiaries. The accumulations in the Fund would be utilized only towards the payment of the guarantees issued by the Government and not paid by the institution on whose behalf guarantee was issued. According to the scheme guidelines, the Fund should be set up by the Government with an initial contribution of ₹five crore and during each year the Government should contribute an amount equivalent to at least 3 *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year, as reflected in the books of accounts as maintained by the Accountant General. During 2010-11, although the State Government made plan provision of

₹19.12 crore and non-plan provision of ₹38.23 crore under Major Head 2075-Miscellaneous General Services for creation of corpus of Guarantee Redemption Fund but not fund was transferred to Fund Account.

- Government had guaranteed loans raised by various corporations and others, which at the end of 2010-11 stood at ₹247 crore. It was 3.85 *per cent* of State's own revenue of the second preceding year *i.e.* well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹113 crore (46 *per cent*) pertained to Power sector.

1.9 Debt Sustainability

During 2010-11, Government raised internal debt of ₹2,030 crore, GOI loans of ₹16 crore and other obligations ₹4,648 crore. Government repaid internal debt of ₹800 crore, GOI loans of ₹123 crore and discharged other obligations of ₹4,541 crore along with interest of ₹1,912 crore resulting in net decrease in debt receipts by ₹682 crore during the year.

The maturity profile of the State Government indicates that 24.31 *per cent* of the total State debt is repayable within the next five years while the remaining 75.69 *per cent* are required to be paid in more than five years time.

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability¹⁰ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹¹; sufficiency of non-debt receipts¹²; net availability of borrowed funds¹³; burden of interest payments (measured by interest payments to revenue receipts ratio)

¹⁰ The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹¹ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹² Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹³ Net availability of borrowed fund is defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

and maturity profile of State Government securities. **Table 1.30** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2006-07.

Table 1.30: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt sustainability	2006-07	2007-08	2008-09	2009-10	2010-11
Debt Stabilization (Quantum Spread + Primary Deficit)	774+2,228 = 3,002	881+2,302 = 3,183	989+3,000 = 3,989	1196+ (-) 2,210 = (-) 1,014	1,817+(-) 79 = 1,738
Sufficiency of Non-debt Receipts (Resource Gap)	(+) 356	(+) 78	(+) 617	(-) 5,450	(+) 2,052
Net Availability of Borrowed Funds	(-) 115	(-) 124	(+) 1,771	(+) 1,398	(-) 682
Burden of Interest Payments (IP/RR Ratio)	11.09	9.87	8.81	9.22	8.31
IP/Own Tax Ratio	43.53	45.01	38.39	36.76	32.24
Maturity Profile of State					
0 – 1 Year	Not available	1,121.86	1,246.50	340.32	432.61
1 – 3 Years		1,734.04	1,850.85	1,527.30	1,843.08
3 – 5 Years		2,029.07	2,806.13	2,646.25	2,620.42
5 – 7 Years		2,752.70	2,671.10	2,523.26	2,863.98
7 Years and above		8,103.32	9,263.12	11,983.29	12,382.27

Table 1.30 reveals that quantum spread together with primary deficit/surplus has been positive during the period from 2006-07 to 2008-09 but turned negative in 2009-10. However, during the current year sum of quantum spread and primary deficit turned to be positive indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit at ₹1,738 crore during 2010-11 against ₹ (-) 1,014 crore in 2009-10 is a positive sign towards fiscal balances for improving the debt sustainability position of the State.

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. Except during 2009-10, the State had a positive resource gap in all the years from 2006-07 to 2010-11. Positive resource gap at ₹2,052 crore during 2010-11 from (-) ₹5,450 crore in 2009-10 indicates incremental non-debt receipts are sufficient to cover incremental interest liabilities and incremental primary expenditure during 2010-11. The positive resource gap during 2010-11 strengthened the capacity of the State to sustain the debt in the medium to long run.

The public Debt Receipts of the State increased from ₹1,116 crore in 2006-07 to ₹2,045 crore in 2010-11 at an annual average rate of 16.65 *per cent*. However, during the current year Public Debt Receipts came down to ₹2,045 crore from ₹2,190 crore in 2009-10. The cash balance also came down to ₹5,782 crore in 2010-11 from

₹6,784 crore in 2009-10, yet the surplus cash balances continue to pose new challenges for State Government's financial and cash management.

High level of surplus cash in recent past seems to provide some headroom to withstand pressure on finances and the State was not resorting to ways and means advances or overdrafts. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure ranged between 8 to 14 *per cent* during the period from 2006-07 to 2010-11.

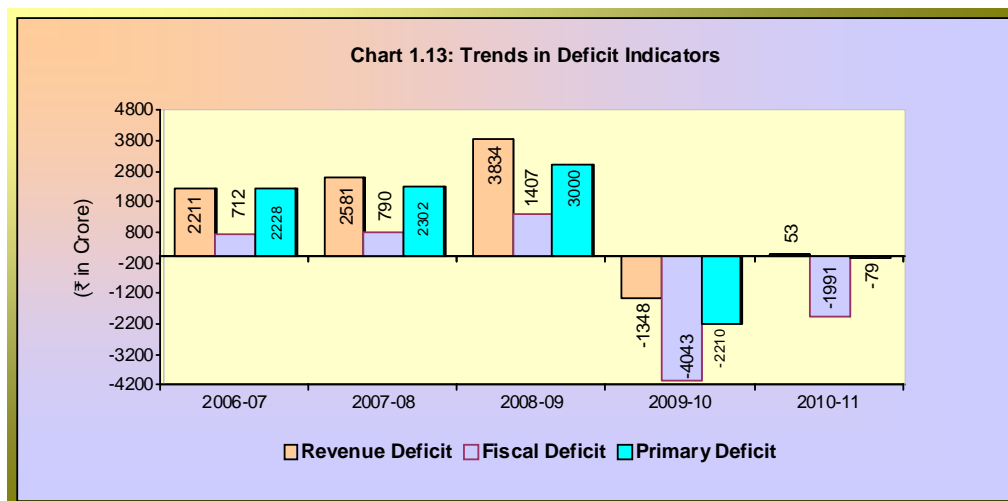
In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes at opportune times in a cost effective manner. The State may consider identifying a clear shelf of projects which require capital investment and borrow only to that extent and by realistic assessment of cash needs and with effective cash management and better synchronization of cash inflows and outflows may be able to minimize their borrowing requirements. This will at the same time curb unwarranted build-up of cash surplus as well.

1.10 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2010-11.

1.10.1 Trends in Deficits

Charts 1.13 and 1.14 present the trends in deficit indicators over the period 2006-11.



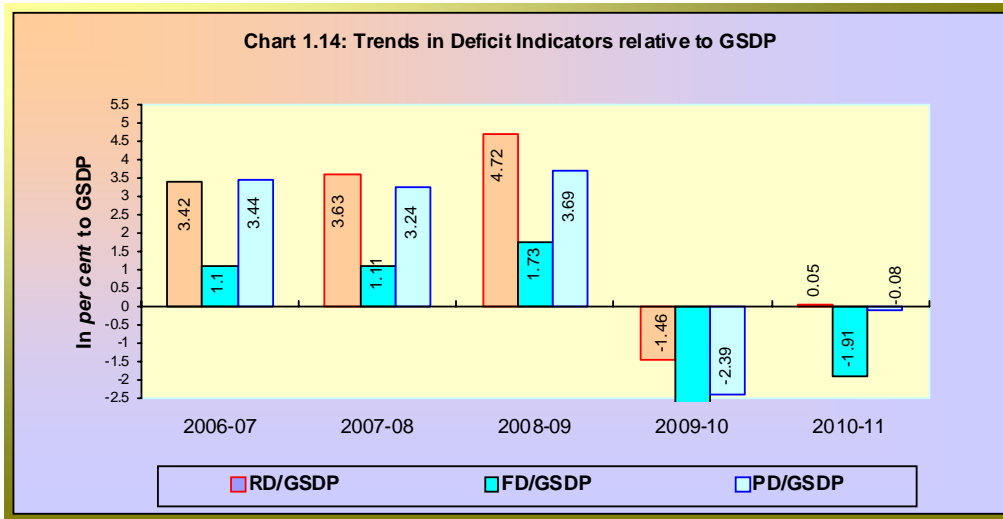


Chart 1.13 reveals that the revenue account experienced a marginal surplus of ₹53 crore during 2010-11. The State had a revenue surplus during the period from 2006-07 to 2008-09 and the revenue surplus increased from ₹2,211 crore in 2006-07 to ₹3,834 crore in 2008-09 and turned into a deficit of ₹1,348 crore in 2009-10. The surplus in revenue account during the current year was mainly on account of increase in revenue receipts by ₹3,121 crore (15.70 per cent) against an increase of ₹1,720 crore (8.10 per cent) in revenue expenditure over the previous year. Despite the fact that State's own resources contributed around 18 per cent (₹563 crore) in the incremental revenue receipt (₹3,121 crore) during 2010-11 against 73 per cent (₹1,807 crore) during 2009-10, the increase in revenue account in the current year was primarily on account of sufficient growth rate of 21 per cent (₹2,558 crore) in central transfers as compared to 4 per cent (₹489 crore) in 2009-10.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap decreased to the level of ₹1,991 crore in 2010-11 from fiscal deficit of ₹4,043 crore in 2009-10. The increase of ₹1,401 crore in revenue surplus as well as marginal decrease of ₹five crore in non-debt capital receipts along with decrease of ₹628 crore in capital expenditure and an decrease of ₹28 crore in net disbursement of loans and advances in 2010-11 resulted in a fiscal deficit of ₹1,991 crore in 2010-11 as against fiscal deficit of ₹4,043 crore during the previous year.

The primary surplus that continued during 2006-09 took a turnaround from 2009-10 onwards and resulted into primary deficit of ₹2,210 crore and ₹79 crore in 2009-10 and 2010-11 respectively. The reduction of fiscal deficit of ₹2,052 crore and a moderate increase of ₹79 crore in interest payment resulted in primary deficit¹⁴ of ₹79 crore during the current year against primary deficit of ₹2,210 crore in 2009-10.

¹⁴ Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit, which is an outcome of the fiscal transactions of the State's during the course of the year.

1.10.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.31**.

Table-1.31: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
1		2	3	4	5	6
Decomposition of Fiscal Deficit		(-) 712 (1.11)	(-) 790 (1.10)	(-) 1407 (1.77)	4043 (4.59)	1991 (1.91)
1	Revenue Deficit	(-) 2,211	(-) 2,581	(-) 3,834	1,348	(-) 53
2	Net Capital Expenditure	(+) 1,453	(+) 1,688	(+) 2,373	(+) 2,629	(+) 2001
3	Net Loans & Advances	(+) 46	(+) 103	(+) 54	(+) 66	(+) 43
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+) 592.01	(+) 544.56	(+) 2,014.77	(+) 1,405.45	(+) 300.03
2	Loans from GOI	(-) 99.71	(-) 66.86	(-) 68.88	(-) 293.19	(-) 107.69
3	Special Securities Issued to NSSF	(+) 86.06	(-) 8.60	(+) 17.37	(+) 24.79	(+) 860.47
4	Loans from Financial Institutions	(+) 42.63	(+) 94.06	(+) 133.46	(+) 46.40	(+) 69.12
5	Small Savings, PF etc.	(+) 349.39	(+) 317.96	(+) 390.23	(+) 489.55	(+) 540.41
6	Deposit & Advances	(-) 126.62	(-) 561.70	(+) 30.47	(+) 568.13	(-) 728.61
7	Suspense and Misc.	(-)1,799.65	(-) 1,943.01	(-) 3,549.14	(+) 980.13	(+) 1613.13
8	Remittances	(-) 43.99	(+) 33.78	(+) 99.12	(-) 164.64	(+) 27.97
9	Reserve Fund	(+) 76.88	(+) 161.39	(-) 109.97	(+) 413.92	(-) 153.12
10	Decrease/increase in cash balance with RBI	(+) 191.64	(+) 638.35	(-) 364.21	(+) 573.61	(-) 431.16
11	Others	-	-	-	(-) 0.74	-

*All these figures are net of disbursements/outflows during the year

It can be seen from **Table 1.31** that there was fiscal surplus during the years 2006-07 to 2008-09 but it took a turnaround from 2009-10 and became fiscal deficit in 2009-10 and 2010-11. During 2010-11, the fiscal deficit was mainly financed by market borrowings, Special Securities issued to NSSF, Loans from financial institutions, Small Savings, PF etc., and Suspense and Miscellaneous balances.

The decrease in capital expenditure indicated that borrowed funds were not being utilized for productive uses, the solution to the Government debt problem lies on the method of application of borrowed funds *i.e.*, whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future, making debt payments manageable.

1.10.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.32**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table-1.32: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit(-)/ Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2006-07	13,702	9,940	1,453	81	11,474	(+) 3,762	(+) 2,228
2007-08	15,365	11,232	1,688	143	13,063	(+) 4,133	(+) 2,302
2008-09	18,112	12,650	2,373	89	15,112	(+) 5,462	(+) 3,000
2009-10	19,917	19,399	2,629	99	22,127	(+) 518	(-) 2,210
2010-11	23,033	21,040	2,001	71	23,112	(+) 1,993	(-) 79

There was a primary surplus in Assam during the period 2006-07 to 2008-09 but it took a turnaround and became primary deficit in 2009-10. During the current year also there was a primary deficit because non-debt receipts was less than primary expenditure¹⁵. In the current year non-debt receipts was sufficient to cover primary revenue expenditure and was not adequate for capital expenditure. Over the period 2006-2009, there has been an increase in the proportion of capital expenditure in primary expenditure but during 2009-10 and 2010-11, the proportion reduced considerably which is not be desirable as it indicates deterioration in the productive capacity of the State's economy.

1.11 Institutional measures

Towards strengthening fiscal disciplines in the State, the Government of Assam had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the Assam Fiscal Responsibility and Budget Management Act in 2005. Since then the Government had been undertaking measures like implementation of Consolidated Sinking Fund, introduction of VAT etc.

¹⁵ Primary expenditure of the State defined as the total expenditure net of interest payments, indicates the expenditure incurred on the transactions undertaken during the year.

As a measure to improve fiscal transparency, the Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. **Public Private Partnership (PPP)** is such an initiative that enables implementation of Governments programmes/schemes in partnership with the private sector. The potential benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. It also allows the State Government to use limited budgetary resources on high priority schemes where private sector is not willing to enter.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructure projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro-electricity projects etc.

The Government of Assam formulated the policy on public private partnership in Infrastructure Development in the State and the policy came into force with effect from 16 February 2008 (from the date of publication of Gazette Notification). As of 31 March 2011, Government of Assam had taken up 42 PPP projects for implementation. The status of implementation of the projects is given in **Table 1.33** below.

Table-1.33: Status of implementation of PPP projects

SI No.	No. of projects	Status
1	4	Completed
2	10	Under implementation
3	28	Pipeline/planned
Total	42	

Source: Information furnished by the Government

Although the State Government reported (May 2011) completion (between June 2010 and April 2011) of four¹⁶ PPP projects to Government of India but the PPP cell under the control of Planning and Development Department could not furnish any information regarding project-wise release of fund, expenditure, date of commission etc.

Results of Performance Review on 'Municipal Solid Waste Management' (PPP project) taken up during May-June 2011 covering the period from January 2007 to March 2011 are *inter-alia* included in the Civil Audit Report (Report No.2). The effectiveness of the expenditure as brought out in the review are summarized below:

¹⁶ (i) Beautification of Guwahati City (Traffic Signal), (ii) Municipal Solid Waste Management, (iii) Champawati Power Project, Kokrajhar (4 MW) and (iv) G.N.C Engineering Institute of Management and Technology, Tezpur.

Municipal Solid Waste Management

Consequent upon fixation of the specified dead line for setting up of processing and disposal of waste, Guwahati Municipal Corporation proceeded to implement a PPP project (Municipal Solid Waste Management) through a private developer with approval of the Ministry of Urban Development, Government of India. The objective of implementation of the project was to improve public health and hygiene through scientific collection, transportation, processing and disposal of Municipal Solid Waste with provision for recycling the waste and achieving savings in expenses. However, the objective of ensuring improved public health and hygiene remained doubtful due to the following reasons.

- The land provided for setting up of the project did not comply fully applicable parameters stipulated by Central Public Health and Environmental Engineering Organisation.
- Excess release of grant of ₹7.99 crore was made to the developer beyond the norms of concession agreement.
- Expenditure of Guwahati Municipal Corporation doubled after commencement of the project in comparison to the expenditure incurred prior to commencement of implementation of the project without commensurate benefits or achievement of objectives.
- Guwahati Waste Management Company Private Limited failed to take appropriate measures against pollution of air, water and land.
- The Boragaon landfill site shares a common boundary with the wetland, which has a linkage with world heritage 'Deepor Beel' and due to pollution through seepage endangered the fish and migratory birds in the Wetland. The future of Solid Waste Management project is in jeopardy as the site is in the close vicinity of a national wetland, in violation of Wetland Rules, 2010.

1.12 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit etc; indicated that except during 2009-10 the State had maintained revenue surplus during the last five year period ending 2010-11. The fiscal deficit and primary deficit of the State were also significantly reduced during the current year compared to previous year and the State also managed to minimize holding of large cash surplus.

Revenue Receipts

Revenue receipts grew by 16 per cent over the previous year. The increase was mainly contributed by tax revenue (30 per cent) and State's share of Union Taxes and

Duties (84 per cent) offset by decrease in non-tax revenue (12 per cent) and Grants-in-aid from Government of India (GOI) (2 per cent). **The revenue receipts at ₹23,005 crore is, however, lower by ₹1,549 crore than the assessment made in Five Year Fiscal Plan (FYFP) (₹24,554 crore).**

(Para-1.1)

The State Government should mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc. so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisite to the release will also increase the total receipts of the State. There is an urgent need to improve collection of tax and non-tax revenue so that recourse to borrowed funds can be reduced.

Revenue Expenditure

The overall revenue expenditure of the State increased by 100.35 per cent from ₹11,456 crore in 2006-07 to ₹22,952 crore in 2010-11 at an annual average rate of 20.07 per cent and increased from ₹21,232 crore in 2009-10 to ₹22,952 crore in 2010-11. The NPRES constituted a dominant share of more than 77 per cent in the revenue expenditure and has increased by ₹833 crore over the previous year. The Plan revenue expenditure increased by 21 per cent over the previous year whereas capital expenditure decreased by 24 per cent over the previous year.

(Paras-1.5.3 and 1.5.1)

During 2010-11, though the development expenditure (₹16,846 crore) increased by ₹1,893 crore over the previous year, yet it was much below the budget estimate (₹22,299 crore) for 2010-11. The relative share of the revenue developmental expenditure was 59 per cent of the total expenditure while this share in respect of capital development expenditure was only 8 per cent. The expenditure pattern of the State, reveals that there is an increasing pressure on revenue expenditure. Salaries and wages alone accounted for more than 45 per cent of revenue receipts of the State during the year. It increased by more than 29 per cent from ₹8,193 crore in 2009-10 to ₹10,576 crore in 2010-11. Although expenditure on salaries during 2010-11 was less by ₹3,169 crore (23.06 per cent) than assessed (₹13,745 crore) by the State Government in its budget and also less by ₹462 crore (4.19 per cent) against the projection of ₹11,038 crore in FYFP but it was more by 56 per cent (₹3,792 crore) than the assessment made by the FC-XIII.

(Paras-1.6.1 & 1.5.4)

The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.

Fiscal liabilities

The overall fiscal liabilities of the State increased at an average annual rate of 8.83 per cent during the period 2006-11. During the current year, the fiscal liabilities of the State Government increased by ₹1,228 crore from ₹28,465 crore in 2009-10 to ₹29,693 crore in 2010-11. Although the ratio of fiscal liabilities to GSDP has decreased from 30.78 per cent in 2009-10 to 28.49 per cent in 2010-11 but the ratio was higher than the norms of 25 per cent recommended by FC-XIII.

(Para 1.8.2)

Recourse to borrowed funds in future should be carefully assessed and managed so that the recommendations of the FC-XIII to bring Fiscal Liabilities-GSDP ratio to around 25 per cent could be achieved in next four years.

Investment and Returns

The average return on Assam Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.69 to 1.21 per cent in the past five years whereas its average interest outgo was in the range of 6.58 to 7.66 per cent.

(Para-1.7.2)

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non revenue generating investments through a clear and transparent guideline.

Debt sustainability

The Government of Assam should ideally keep the debt-GSDP ratio stable. Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from revenue receipts. During 2010-11, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit turned to be positive indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit at ₹1,738 crore during 2010-11 against ₹ (-) 1,014 crore in 2009-10 is a positive sign towards fiscal balances for improving the debt sustainability position of the State.

(Para-1.9)

The State should make efforts to return to primary and fiscal surplus, as was the case in the past years. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year will ensure that market borrowings are sourced optimally. A clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.